

TEXTRON INC

FORM 10-K (Annual Report)

Filed 03/15/99 for the Period Ending 01/02/99

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-K (Annual Report)

Filed 3/15/1999 For Period Ending 1/2/1999

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, D.C. 20549
Form 10-K

**[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 2, 1999
Commission File Number 1-5480

Textron Inc.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

05-0315468
(I.R.S. Employer
Identification No.)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on Which Registered
Common Stock - par value \$.125 (151,598,791 shares outstanding at February 26, 1999); Preferred Stock Purchase Rights	New York Stock Exchange Pacific Stock Exchange Chicago Stock Exchange
\$2.08 Cumulative Convertible Preferred Stock, Series A - no par value	New York Stock Exchange

\$1.40 Convertible Preferred Dividend Stock, Series B New York Stock Exchange
(preferred only as to dividends) - no par value

8.75% Debentures due July 1, 2022 New York Stock Exchange

7.92% Trust Preferred Securities of Subsidiary Trust New York Stock Exchange
(and Textron Guaranty with respect thereto)

Securities registered pursuant to Section 12(g) of the Act: None

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 .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x] The aggregate market value of voting stock held by non-affiliates of the registrant is \$11,893,857,775 as of February 26, 1999.

Portions of Textron's Annual Report to Shareholders for the fiscal year ended January 2, 1999, are incorporated by reference in Parts I and II of this Report. Portions of Textron's Proxy Statement for its Annual Meeting of Shareholders to be held on April 28, 1999, are incorporated by reference in Part III of this Report.

PART I

ITEM 1. BUSINESS OF TEXTRON

Textron is a global multi-industry company with operations in four business segments - Aircraft, Automotive, Industrial and Finance. Included within the business segments are operations that are unincorporated divisions of Textron and others that are separately incorporated subsidiaries. A listing of the operations within each business segment, including a description of the product lines of each business segment, is incorporated herein by reference to pages 60 through 62 of Textron's 1998 Annual Report to Shareholders. Financial information by business segment and geographic area is incorporated herein by reference to pages 22, 54 and 55 of Textron's 1998 Annual Report to Shareholders. Additional information regarding each business segment and Textron in general is set forth below.

Business Segments

Aircraft. The Aircraft segment consists of Bell Helicopter Textron and The Cessna Aircraft Company.

Based on unit sales, Bell is the largest supplier of helicopters, spare parts and helicopter-related services in the world. Since it was founded in 1946, Bell has delivered over 34,000 aircraft to military and civilian customers. Bell has three military and seven civilian helicopter models in current production. Its aircraft are turbine powered, and range in size from the five-place Bell Model 206 series to the Bell Model 412EP aircraft, which carries up to fifteen people. Revenues of Bell accounted for approximately 15%, 18% and 20% of Textron's total revenues in 1998, 1997 and 1996, respectively.

Bell supplies advanced military helicopters, spare parts and product support to the U.S. Government and to military customers outside the U.S. There are more helicopters manufactured by Bell in the inventory of the U.S. Government than are manufactured by any other helicopter company. Military sales to non-U.S. customers are made only with the concurrence of the U.S. Government.

Bell is also a leading supplier of commercially certified helicopters to charter, offshore, utility, corporate, police, fire, rescue and emergency medical helicopter operators. Bell's non-U.S. Government business (including non-U.S. military customers) typically represents 40% to 60% of its annual sales. In 1998, such sales accounted for approximately 55% of Bell's business.

Bell is teamed with The Boeing Company ("Boeing") in the development of the V-22 Osprey tiltrotor aircraft for the U.S. Department of Defense. Tiltrotor aircraft are designed to utilize the benefits of both helicopters and fixed-wing aircraft. Deliveries of the V-22 to the U.S. Marine Corps are scheduled to begin in 1999.

In 1996, Bell and Boeing entered into a joint venture to develop a commercial tiltrotor aircraft designated as the Model 609. This joint venture was dissolved in February 1998, and Bell assumed control of the Model 609 program. In November 1998, Bell entered into a new joint venture with Agusta, Italy's leading helicopter manufacturer. The new joint venture with Agusta will engage in the design, manufacture, sale and customer support of the civil tiltrotor aircraft, now designated as the BA609, and a new medium twin-engine helicopter, in the 5 to 6 metric ton class, to be designated the AB139.

Bell is developing a new light twin-engine helicopter, designated the Model 427, in collaboration with Samsung Aerospace Industries Ltd. of South Korea. The first delivery of this eight-place aircraft is scheduled for 1999.

In the light and medium helicopter market, Bell has two major U.S. competitors and one major European competitor. Certain of its competitors are substantially larger and more diversified aircraft manufacturers. Bell markets its products worldwide through its own sales force and through independent representatives. Price, financing terms, aircraft performance, reliability and product support are significant factors in the sale of helicopters. Bell has developed the world's largest distribution system to sell and support helicopters, serving customers in over 120 countries.

Based on unit sales, The Cessna Aircraft Company is the world's largest manufacturer of light and mid-size business jets, single engine utility turboprop aircraft, and single engine piston aircraft. Cessna also designs, manufactures and sells general aviation aircraft propellers and related accessories worldwide. Cessna currently has three major aircraft product lines: Citation business jets, single engine turboprop Caravans and Cessna single engine piston aircraft. Revenues of Cessna accounted for approximately 18%, 17% and 14% of Textron's total revenues in 1998, 1997 and 1996, respectively.

The family of business jets currently produced by Cessna includes the CitationJet, the Bravo, the Ultra, the Excel, the Citation VII, and the Citation X. The Citation X is the world's fastest business jet with a maximum operating speed of Mach .92. In 1998, certification of the Excel was completed and customer deliveries began. Cessna is developing four new Citation models, to be called the Citation CJ1, the Citation CJ2, the Ultra Encore and the Citation Sovereign.

The Cessna Caravan is the world's best selling utility turboprop. More than 1,000 Caravans have been sold by Cessna since the first Caravan was delivered in 1985. Caravans are offered in four distinct models including the Grand Caravan, the Super Cargomaster, the Caravan Floatplane, and the Caravan 675. Caravans are used in the U.S. primarily to carry overnight express package shipments. International uses of Caravans include commuter flights, relief flights, tourism and freight.

Cessna re-entered the single engine piston aircraft market in 1996. In 1998, Cessna made deliveries of five models in this product line: the four-place 172 Skyhawk, 172 Skyhawk SP and 182 Skylane, and the six-place 206 Stationair and T206 Turbo Stationair.

Cessna markets its products worldwide primarily through its own sales force as well as through a network of authorized independent sales representatives. Cessna has two U.S. and two foreign major competitors for its business jet products. Cessna's aircraft compete with other aircraft that vary in size, speed, range, capacity, handling characteristics, and price. Reliability and product support are significant factors in the sale of these aircraft. The Citation family of aircraft is supported by ten Citation Service Centers owned and operated by Cessna, along with authorized independent service stations and centers in more than 15 countries throughout the world.

Cessna provides its business jet operators with factory- direct customer support offering 24 hour a day service and maintenance. Cessna Caravan and single-engine piston customers receive product support through independently owned service stations and 24 hour a day spare parts support through Cessna.

Cessna's McCauley Propeller Systems unit provides new propellers directly to original equipment manufacturers ("OEMs") and spare parts for service and repairs worldwide. All new Cessna single-engine piston aircraft built in 1998 used McCauley propellers.

Automotive. The Automotive segment, organized under an umbrella organization called Textron Automotive Company ("TAC"), consists of Textron Automotive Trim Operations, CWC Castings Textron, Kautex Textron, McCord Winn Textron and Micromatic Textron. These operations sell primarily to automotive OEMs and their suppliers operating in North America and Europe, and, to a lesser extent, South America and Asia. TAC is headquartered in Troy, Michigan and has over fifty facilities located in the U.S., Argentina, Belgium, Brazil, Canada, China, the Czech Republic, Germany, Mexico, the Netherlands, Portugal, Spain, and the United Kingdom.

Through its Textron Automotive Trim Operations, TAC is a leading worldwide supplier of automotive interior and exterior plastic components. Interior trim products include instrument panels, door and sidewall trim, airbag doors, consoles, armrests, package trays and other trim components. In addition, TAC's Trim facilities manufacture exterior decorative components including painted bumpers, fascia, body side moldings and claddings, fender liners, decorative wheel trim, signal lighting and structural composite bumper beams. Many of these products are shipped just-in-time as fully integrated systems. In August 1998, Textron acquired Gerald Bloom Holdings, a U.K. company that, through its Midland Industrial Plastics Limited subsidiary, manufactures interior and exterior trim including door panels, instrument panels, package shelves and truck liners. Revenues of Textron Automotive Trim Operations accounted for 15%, 16% and 18% of Textron's total revenues in 1998, 1997 and 1996 respectively.

Kautex is a leading manufacturer of blow-molded plastic fuel tank systems and other blow-molded parts for OEMs throughout Europe, North America and South America. Kautex supplies Volkswagen in China through a joint venture with Changchun Junzilan Industrial Group. Kautex's manufacturing plant in Puebla, Mexico supplies all of Volkswagen's and DaimlerChrysler's plastic fuel tank requirements for their Mexican production. Kautex produces fuel filler systems in its North American operations.

CWC Castings designs and manufactures engine camshafts and vibration damper components for OEMs and the aftermarket. Through its Kaywood Products operation, CWC manufactures precision machined parts and components for assembled camshafts.

McCord Winn manufactures seating comfort systems, windshield and headlamp washer systems, and armatures for precision DC motors. In 1998, McCord established a manufacturing base in Buenos Aires, Argentina, to produce washer system components for South American OEM customers. McCord's ASCTecT (Active Surface Control Technology) seating comfort system, which blends microprocessor-based electronics and a pneumatically-controlled air support system, has generated broad potential automotive and consumer applications. McCord continues to expand applications of its new RitecT product, an innovative integration of automotive cooling system components including the fan shroud and windshield washer and coolant reservoirs. A production program with DaimlerChrysler will launch in 1999, and other RitecT development programs are in progress.

Micromatic manufactures machine tools used for precision bore and surface finishing of automobile engines. In addition, Micromatic produces equipment for spline rolling and gear production.

More than 100 models currently carry parts made by TAC including DaimlerChrysler's Jeep Grand Cherokee, Voyager and Caravan mini-vans; Ford's Mondeo, Lincoln Town Car and Windstar mini-van; General Motors' Cadillac Seville, Cadillac De Ville, Corvette, and Venture, Transport, Silhouette and Sintra mini-vans; BMW's 5 series and 8 series; Mitsubishi's Galant; and VW/Audi's Golf, Passat, Polo, T4, Beetle and A4. TAC continues its strong position on DaimlerChrysler's LH series of cars that were redesigned for the 1998 model year.

TAC's manufacturing operations are supported by a staff of research and design specialists at TAC's Automotive Technology Center. These specialists have developed new processes and products, many of which are patented, that allow TAC to offer its customers technology-driven products and processes. In the plastics and coatings area, TAC is a recognized leader in interior surface material (including TAC's proprietary PVC-free TPU product line), seamless passenger airbag door technology, structural molded instrument panel systems, integrated modular assemblies, and molded-in-color interior and exterior components. CWC Castings is a leader in the design and manufacture of automotive castings. It has developed a selective austempering heat treatment process for ductile camshafts. McCord

Winn is working with OEMs worldwide to develop advanced technologies in areas such as "intelligent" comfort seating systems, brushless motors and carbon commutation for flexible fuel applications. Micromatic machine tools are used for cylindrical form generation and surface finishing.

In the automotive business, there is often a long lead time from the time a supplier is selected to supply components on a new car model to the time the supplier can begin shipping production parts. During this period, the supplier incurs engineering and development costs. The OEMs reimburse the supplier for these costs as incurred or in the piece prices charged by the suppliers as the goods are shipped. In addition, automotive OEMs often require "just-in-time" delivery, requiring the supplier to plan shipments in advance and hold inventory.

Automotive OEMs and their suppliers are the principal customers of TAC. The loss of the U.S. and Europe-based automotive OEM customers and their first-tier suppliers would have a material adverse effect on TAC. However, because of the broad range of products sold to such customers, it is unlikely that they would cease all purchases from TAC.

Each of TAC's businesses faces competition from a number of other manufacturers based primarily on price, quality, reputation and delivery. Although TAC is one of the largest manufacturers offering its range of products and services, it faces strong competition in all of its market segments. Because of the diversity of products and services offered, no single company is a competitor in all market segments. In certain markets, TAC also competes for business with the OEMs' own operations. TAC is under continual pressure from the OEMs to reduce costs and prices on an annual basis.

Industrial. The Industrial segment consists of four major product groups: Fastening Systems; Golf, Turf Care and Specialty Products; Fluid and Power Systems; and Industrial Components.

Textron Fastening Systems ("TFS") manufactures and sells fasteners, fastening systems and installation tools to the aerospace, appliance, automotive, business equipment, construction, do-it-yourself and general industrial markets. TFS sells to a wide range of customers throughout the world, including OEMs, distributors and consumers. Fasteners manufactured by TFS include rivets, threaded and non-threaded fasteners, cold-formed components, metal stampings, plastic components and assemblies that incorporate such products. In addition, Textron Logistics Corporation, created from the combination of certain fastener operations, provides fastener inventory management programs supplying a full range of TFS products and products from other manufacturers, thus offering its customers the ability to obtain all of their fastener requirements from a single source. Revenues of TFS accounted for approximately 18%, 17% and 18% of Textron's total revenues in 1998, 1997 and 1996, respectively.

In March 1998, Textron acquired the Sukosim Verbindungselemente Group, a manufacturer of threaded fasteners and specialty stamped components for European automotive and construction industries. Sukosim is a world leader in "next generation" stamping technology that can form, in the same process, engineered fasteners with internal threading, attached clips and locking washers. In May 1998, Textron acquired Ring Screw Works, a supplier of specialty threaded fasteners and inventory management to the automotive industry. Also in May 1998, Textron acquired Peiner Umformtechnik GmbH, a German fastener manufacturer with special expertise in hot forging (a process not previously used by TFS to any significant extent), which enables the manufacture of larger products. Peiner's customers are in the automotive, distribution, mining and machine tool industries.

In December 1998, Textron formed a joint venture with Taiwan-based San Shing Hardware Works Company, Ltd., Taiwan's largest fastener manufacturer. TFS holds an 80% interest in the joint company, called Textron Fastening Systems/Tri-Star Corp.

Although TFS is one of the world's largest providers of fastener products and services, there are hundreds of competitors of TFS, ranging from small proprietorships to large multi-national companies. Competition is based primarily on price, quality, reputation and delivery. In addition, larger customers of fastening systems tend to procure products and services from the larger suppliers, except for "niche" products which may be sourced from smaller companies. Only the loss of the major OEM automotive customers and their first-tier suppliers would have a material adverse effect on TFS. However, because of the broad range of products sold to such customers, it is unlikely that they will cease all purchases from TFS.

The Golf, Turf Care and Specialty Products group consists of E-Z-GO Textron, which manufactures and sells electric-powered and gasoline-powered golf cars and multipurpose utility vehicles, and Textron Turf Care and Specialty Products, which designs, manufactures and sells professional mowing and turf maintenance equipment, grass care machinery and specialized industrial vehicles, under the trade names Bobcat, Brouwer, Bunton, Cushman, Jacobsen, Ransomes, Ryan and Steiner. Textron acquired Ransomes in January 1998.

The customers of the Golf, Turf Care and Specialty Products group consist primarily of golf courses, resort communities and commercial and industrial users such as airports and factories. Sales are made directly through factory branches, through a network of distributors and directly to end-users. Many sales of golf and turf care equipment and specialty vehicles (both at the distributor and end-user level) are financed through Textron Financial Corporation, both for marketing purposes and as an additional source of revenue to Textron.

There are two major competitors and a number of smaller competitors for golf cars, multipurpose utility vehicles and turf maintenance equipment for golf courses. Competition is based primarily on price, quality, product support, performance, reliability and reputation.

The Fluid and Power Systems group consists of Motion Control Products, Power Transmission Products, Fluid Handling Products and Textron Systems. Textron acquired David Brown in October 1998 and reorganized the Fluid and Power Systems group, as more fully described below, in January 1999. David Brown has operations in 23 countries and sales worldwide. The Fluid and Power Systems group operations face competition from other manufacturers based primarily on price, quality, product support, performance, delivery and reputation.

The Motion Control Products businesses, HR Textron and David Brown Hydraulics, design and manufacture control systems and components for aircraft, armored vehicles and commercial applications. HR Textron is in the process of diversifying its business base by adapting aerospace technology to servovalves used in industrial and automotive applications. HR Textron's aerospace and defense products are marketed directly to the U.S. Government, other governments and OEMs and, in the aftermarket, both directly and through service centers.

The Power Transmission Products businesses consist of Textron Industrial Gears and David Brown Mobile Equipment Drives. Textron Industrial Gears designs and manufactures industrial gears, double enveloping worm gear speed reducers, gear motors and gear sets, including gear systems primarily for railroad applications, under the David Brown, Cone Drive and Textron Industrial S.p.A. trade names. David Brown Mobile Equipment Drives designs and manufactures mechanical and hydraulic transmission systems. These products are sold to a variety of customers, including OEMs, distributors and end-users.

The Fluid and Handling Products businesses, David Brown Union Pumps and Maag Pump Systems, design and manufacture industrial pumps for oil, gas and petrochemical industries, and gears, gear pumps and gear systems. These products are sold to OEMs, distributors and end-users.

Textron Systems is a supplier of sensors, software and electronics, and advanced materials for defense and industrial markets. It manufactures "smart" weapons, airborne surveillance systems, automatic aircraft landing systems and advanced composite materials for the U.S. Department of Defense. Current commercial products include laser, ultrasonic and infrared sensor systems for agricultural and industrial monitoring and control and advanced materials such as fire protection and insulating materials for oil and chemical companies. While Textron Systems sells most of its products directly to customers, it also sells an increasing number of products through a growing, global network of sales representatives and distributors.

The Industrial Components group consists of Greenlee Textron, Textron Lycoming, Textron Marine & Land Systems and Turbine Engine Components Textron, each of which is a leading company in its industry. Products of this group are sold to a wide variety of customers, including OEMs, distributors and end-users. The principal competitive factors affecting sales of the products of the Industrial Components group are price, quality, customer service,

performance, reliability, reputation and existing product base. Textron sold its Fuel Systems Textron operation in June 1998.

Greenlee is a worldwide market leader in powered equipment, electrical test instruments and hand tools. The principal applications of these products are electrical construction and maintenance, power generation, transmission and distribution, telecommunications, electronics, plumbing and the mechanical trades. In August 1998, Greenlee acquired Datacom Technologies, Inc., which designs and manufactures certification and verification products for the installation and management of information technology networks.

Textron Lycoming is the world leader in the design, manufacture and overhaul of reciprocating piston aircraft engines serving the worldwide general aviation market. Textron Lycoming sells new products directly to general aviation airframe manufacturers, including Piper Aircraft, Robinson Helicopter, and SOCATA, a division of Aerospatiale, and is the exclusive supplier of engines for Cessna's new product line of single-engine aircraft. Aftermarket sales are made to the more than 180,000 existing owners of Textron Lycoming products through a worldwide network of independently owned distributors.

Textron Marine & Land Systems is a world leader in the design and construction of advanced technology air cushion vehicles and a major supplier of high performance search and rescue vessels, armored vehicles, suspension systems, turrets and artillery systems. Textron Marine & Land Systems has products operating in over 35 countries.

Turbine Engine Components is one of the world's largest independent suppliers of internal components for gas turbine engines for aircraft and industrial applications. Its products include fan and compressor blades, vanes, shafts, disks, rotors, blisks and other rotating components and the forgings from which those products are machined. Turbine Engine Components manufactures its products to the specifications of its customers.

Finance. The Finance segment consists of Textron Financial Corporation ("TFC"). On January 6, 1999, Textron sold substantially all the assets of Avco Financial Services, Inc. ("AFS"), its consumer lending operation, to Associates First Capital Corporation for \$3.9 billion in cash. Textron's financial statements have been restated to reflect AFS as a discontinued operation.

TFC is a diversified commercial finance company specializing in aircraft finance, golf finance, equipment finance and revolving credit arrangements. TFC originates and syndicates a wide variety of secured loan and lease transactions, selectively invests in leveraged lease transactions and provides asset management, insurance products and third-party portfolio servicing. TFC provides commercial financing for a wide range of customers, including those who purchase or lease Textron products and certain suppliers to Textron operations. TFC presently offers its services

primarily in the U.S. and, to a lesser extent, in South America and Canada. Each TFC business unit has a discrete market focus and specific profit objectives and is staffed to provide responsive services to its market.

Information concerning TFC's Finance Receivables appears on pages 41 and 42 of Textron's 1998 Annual Report to Shareholders, which page is incorporated herein by reference.

In February 1998, Textron acquired Systran Financial Services. Systran provides accounts receivable financing and other financial services to the trucking industry and is expanding into other industries. Systran's customers range in size from start-up companies to multi-million dollar operations. In December 1998, Textron acquired Business Leasing Group ("BLG") from NationsCredit Commercial Corporation. BLG, which specializes in commercial loans under \$50,000, is being merged into TFC's existing businesses.

The commercial finance businesses in which TFC operates are highly competitive. TFC is subject to competition from various types of financing institutions, including banks, leasing companies, insurance companies, independent finance companies associated with manufacturers, and finance companies that are subsidiaries of banking institutions. Competition within the commercial finance industry is primarily focused on price and service.

Backlog

Information regarding Textron's backlog of government and commercial orders at the end of the past two fiscal years is contained on page 31 of Textron's 1998 Annual Report to Shareholders, which page is incorporated herein by reference.

Approximately 43% of Textron's total backlog of \$7.7 billion at January 2, 1999, represents orders which are not expected to be filled within the 1999 fiscal year. At January 2, 1999, approximately 97% of the total government backlog of \$2.1 billion was funded.

Government Contracts

In 1998, 20% and 12% of the revenues of the Aircraft and Industrial segments, respectively, constituting in the aggregate 11% of Textron's consolidated revenues, were generated by or resulted from contracts with the U.S. Government. U.S. Government business is subject to competition, changes in procurement policies and regulations, the continuing availability of Congressional appropriations, world events, and the size and timing of programs in which Textron may participate.

A substantial portion of Textron's government contracts are fixed-price or fixed-price incentive contracts. Contracts that contain incentive pricing terms provide for upward or downward adjustments in the prices paid by the U.S. Government upon completion of the contract or any agreed portion thereof, based on cost or other performance

factors. U.S. Government contracts generally may be terminated in whole or in part at the convenience of the U.S. Government or if the contractor is in default. Upon termination of a contract for the convenience of the U.S. Government, the contractor is normally entitled (up to a maximum equal to the contract price) to reimbursement for allowable costs incurred and an allowance for profit or adjustment for loss if the contractor would have incurred a loss had the entire contract been completed. If, however, a contract is terminated for default: (a) the contractor is paid such amount as may be agreed upon for manufacturing materials and partially completed products accepted by the U.S. Government; (b) the U.S. Government is not liable for the contractor's costs with respect to unaccepted items and is entitled to repayment of advance payments and progress payments, if any, related to the terminated portions of the contract; and (c) the contractor may be liable for excess costs incurred by the U.S. Government in procuring undelivered items from another source.

Research and Development

Information regarding Textron's research and development expenditures is contained on page 49 of Textron's 1998 Annual Report to Shareholders, which page is incorporated herein by reference.

Patents and Trademarks

Textron owns, or is licensed under, a number of patents and trademarks throughout the world relating to products and methods of manufacturing. Patents and trademarks have been of value in the past and are expected to be of value in the future; however, the loss of any single patent or group of patents would not, in the opinion of Textron, materially affect the conduct of its business.

Environmental Considerations

Textron's operations are subject to numerous laws and regulations designed to protect the environment. Compliance with such laws and expenditures for environmental control facilities have not had, and are not expected to have, a material effect on capital expenditures, earnings or the competitive position of Textron. Additional information regarding environmental matters is contained on pages 29 and 53 of Textron's 1998 Annual Report to Shareholders, which pages are incorporated herein by reference.

Employees

At January 2, 1999, Textron had approximately 64,000 employees.

ITEM 2. PROPERTIES

At January 2, 1999, Textron operated a total of 160 plants located throughout the U.S. and 108 plants outside the U.S. Of the total of 268 plants, Textron owned 147 and the balance were leased. In the aggregate, the total manufacturing space was approximately 35 million square feet.

In addition, Textron owns or leases offices, warehouse and other space at various locations throughout the U.S. and outside the U.S. Textron considers the productive capacity of the plants operated by each of its business segments to be adequate. In general, Textron's facilities are in good condition, are considered to be adequate for the uses to which they are being put, and are substantially in regular use.

ITEM 3. LEGAL PROCEEDINGS

Textron is subject to a number of lawsuits, investigations and claims arising out of the conduct of its business, including those relating to commercial transactions, government contracts, product liability, and environmental, safety and health matters. Some seek compensatory, treble or punitive damages in substantial amounts; fines, penalties or restitution; or remediation of contamination. and someSome are or purport to be class actions. Under federal government procurement regulations, some could result in suspension or debarment of Textron or its subsidiaries from U.S. Government contracting for a period of time. On the basis of information presently available, Textron believes that any liability for these suits and proceedings would not have a material effect on Textron's net income or financial condition.

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

No matters were submitted to a vote of Textron's security holders during the last quarter of the period covered by this Report.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information concerning the executive officers and other corporate officers of Textron as of March 15, 1999. Unless otherwise indicated, the employer is Textron.

Executive Officers:

Name	Age	Position
Lewis B. Campbell	52	Chairman and Chief Executive officer since February 1999; formerly President and Chief Executive Officer, July 1998 to February 1999; President and Chief Operating Officer, 1994 to July 1998; Director since 1994.
John A. Janitz	56	President and Chief Operating Officer since March 1999; formerly Chairman, President and Chief

		Executive Officer, Textron Automotive Company, 1996 to March 1999; Executive Vice President and General Manager of TRW Inc.'s Occupant Restraint Group, 1990 to 1996. Appointed Director effective March 25, 1999.
John D. Butler	51	Executive Vice President Administration and Chief Human Resources Officer since January 1999; formerly Executive Vice President and Chief Human Resources Officer, 1997 to December 1998; Vice President Personnel of General Motors International Operations (Zurich, Switzerland), 1993 to 1997.
Mary L. Howell	46	Executive Vice President Government, International, Communications and Investor Relations since July 1998; formerly Executive Vice President Government and International, 1995 to July 1998; Senior Vice President Government and International Relations, 1993 to 1995;
Wayne W. Juchatz	52	Executive Vice President and General Counsel since 1995; formerly Executive Vice President and General Counsel of R.J. Reynolds Tobacco Company, 1994 to 1995; Senior Vice President, General Counsel and Secretary of R.J. Reynolds Tobacco Company, 1987 to 1994.
Stephen L. Key	55	Executive Vice President and Chief Financial Officer since 1995; formerly Executive Vice President and Chief Financial Officer of ConAgra, Inc., 1992 to 1995.
Other Corporate Officers:		
Edward C. Arditte	43	Vice President and Treasurer since 1997; formerly Vice President Finance and Business Development of Textron Fastening Systems, 1995 to 1997; Vice President Communications and Risk Management of Textron Inc., 1994 to 1995; Vice President Investor Relations and Risk Management, 1993 to 1994.
Frederick K. Butler	47	Vice President Business Ethics and Corporate Secretary since January 1999; formerly Vice President and Secretary 1997 to 1998; Group General Counsel

Financial Services, 1995 to 1996; Assistant General Counsel, 1994 to 1995; Vice President and General Counsel of Paul Revere Investment Management Company, 1993 to 1994.

John R. Curran 43 Vice President, Business Development Industrial Products Segment since July 1998; formerly Director, Business Development of Textron Industrial Products, 1995 to June 1998; Director Tax Planning and Senior Tax Counsel, 1994 to 1995.

Peter B. S. Ellis	45	Vice President Strategy and Business Development since March 1999; formerly Vice President Strategic Planning, 1995 to March 1999; Managing Director Telecommunications Practice of Arthur D. Little, Inc., 1991 to 1995.
Douglas A. Fahlbeck	53	Vice President and Assistant Controller since March 1999; formerly Vice President Mergers and Acquisitions, 1995 to March 1999; Executive Vice President and Chief Financial Officer of Textron Financial Corporation, 1994 to 1995; Senior Vice President and Chief Financial Officer of Textron Financial Corporation, 1985 to 1994.
Arnold M. Friedman	56	Vice President and Deputy General Counsel since 1984.
William B. Gauld	45	Vice President Corporate Information Management and Chief Information Officer since 1995; formerly Staff Vice President, Corporate Information Management and Chief Information Officer, 1994 to 1995; Chief Information Officer of General Electric (Electrical Distribution and Control business), 1992 to 1994.
Carol J. Grant	45	Vice President Human Resources since 1997; formerly Vice President of NYNEX (Rhode Island Strategic Business Unit), 1993 to 1997.
Gregory E. Hudson	52	Vice President Taxes since 1987.
William P. Janovitz	56	Vice President Financial Management since 1997; formerly Vice President Financial Reporting, 1995 to 1997; Vice President and Controller, 1983 to 1995.
Barbara B. Kacir	57	Vice President and Deputy General Counsel - Litigation, July 1998 to present; formerly Deputy General Counsel - Litigation, 1995 to July 1998; Partner, Jones, Day, Reavis & Pogue, 1980 to 1995.
Mary F. Lovejoy	43	Vice President Communications and Investor Relations since 1996; formerly Vice President

Investor Relations, 1995 to 1996; Director Investor Relations, 1993 to 1995.

Frank W. McNally 59 Vice President Employee Relations and Benefits since 1995; formerly Staff Vice President, Employee Relations and Benefits, 1993 to 1995. Gero K. H. Meyersiek 51 Vice President International since 1996; formerly Vice President of Textron International Inc., 1995 to 1996; Vice President International Business Development of GE Financial Services, 1991 to 1994.

Freda M. Peters 57 Vice President Executive Development and Human

		Resource Policy and Compliance since February 1997; formerly Director Management/Organization Development, 1996 to 1997; Vice President Human Resources of Branson Ultrasonics Corporation (subsidiary of Emerson Electric Company), 1985 to 1996.
Daniel L. Shaffer	62	Vice President Audit since January 1999; formerly Vice President Audit and Business Ethics, 1994 to January 1999; President of Textron's Aircraft Engine Components Division, 1992 to 1994.
Richard F. Smith	59	Vice President Government Affairs since 1995; formerly Staff Vice President Government Affairs, March 1995 to August 1995; Director Government Affairs, 1985 to March 1995.
Richard L. Yates	48	Vice President and Controller since 1995; formerly Executive

Vice President, Chief Financial Officer and Treasurer of The Paul Revere Corporation, 1993 to 1995.

John F. Zugschwert 65 Vice President Government Marketing since 1995; formerly Staff Vice President Government Marketing, 1993 to 1995.

PART II

ITEM 5. MARKETS FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Textron's Common Stock is traded on the New York, Chicago and Pacific Stock Exchanges. At January 2, 1999, there were approximately 23,000 holders of Textron Common Stock. The information on the price range of Textron's Common Stock and dividends paid per share appearing under "Common Stock Information" on page 56 of Textron's 1998 Annual Report to Shareholders is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information appearing under "Selected Financial Information" on page 57 of Textron's 1998 Annual Report to Shareholders is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis," appearing on pages 23 through 32 of Textron's 1998 Annual Report to Shareholders, is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

"Quantitative Risks Measures," appearing on page 29 of Textron's 1998 Annual Report to Shareholders, is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary information contained in Textron's 1998 Annual Report to Shareholders and the Financial Statement Schedules, as listed in the accompanying Index to Financial Statements and Financial Statement Schedules, are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information appearing under "Nominees for Director" and "Directors Continuing in Office" on pages 2 through 6 of Textron's Proxy Statement for the Annual Meeting of Shareholders to be held on April 28, 1999, is incorporated herein by reference.

Information regarding Textron's executive officers is included on pages 12 through 15 of Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION

The information appearing under "Report of the Organization and Compensation Committee on Executive Compensation, Executive Compensation and Performance Graph" on pages 11 through 16 of Textron's Proxy Statement for the Annual Meeting of Shareholders to be held on April 28, 1999, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information appearing under "Security Ownership of Certain Beneficial Holders" and "Security Ownership of Management," on pages 9 through 11 of Textron's Proxy Statement for the Annual Meeting of Shareholders to be held on April 28, 1999, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information appearing under "Transactions with Management" on page 23 of Textron's Proxy Statement for the Annual Meeting of Shareholders to be held on April 28, 1999, is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial Statements and Schedules The consolidated financial statements, supplementary information and financial statement schedules listed in the accompanying Index to Financial Statements and Financial Statement Schedules are filed as part of this Report.

Exhibits

3.1 Restated Certificate of Incorporation of Textron as filed January 29, 1998. Incorporated by reference to Exhibit 3.1 to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 1998.

3.2 By-Laws of Textron. NOTE Exhibits 10.1 through 10.18 below are management contracts or compensatory plans, contracts or agreements.

10.1 Annual Incentive Compensation Plan For Textron Employees. Incorporated by reference to Exhibit 10.1 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.2A Deferred Income Plan For Textron Key Executives. Incorporated by reference to Exhibit 10.2 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.2B Amendments to Deferred Income Plan for Textron Key Executives.

10.3 Special Benefits for Textron Key Executives. Incorporated by reference to Exhibit 10.4 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

- 10.4A Supplemental Benefits Plan For Textron Key Executives with Market Square Profit Sharing Plan Schedule. Incorporated by reference to Exhibit 10.5 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.
- 10.4B Amendments to Supplemental Benefits Plan for Textron Key Executives.
- 10.5A Supplemental Retirement Plan For Textron Key Executives. Incorporated by reference to

Exhibit 10.6 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

- 10.5B Amendment to Supplemental Retirement Plan for Textron Key Executives.
- 10.6 Survivor Benefit Plan For Textron Key

Executives. Incorporated by reference to Exhibit 10.7 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.7A Textron 1987 Long-Term Incentive Plan ("1987 Plan"). Incorporated by reference to Exhibit 10.6 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.

10.7B First Amendment to 1987 Plan.

Incorporated by reference to Exhibit 10.6(b)

- 10.8A to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 1991. Textron 1990 Long-Term Incentive Plan ("1990 Plan"). Incorporated by reference to

Exhibit 10.7 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.

10.8B First Amendment to 1990 Plan.

Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 1991. 10.8C Second Amendment to 1990 Plan.

Incorporated by reference to Exhibit 10.7(c)

- 10.9A to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993. Textron 1994 Long-Term Incentive Plan ("1994 Plan"). Incorporated by reference to

Exhibit 10 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 1994.

10.9B Amendment to 1994 Plan.

10.10 Form of Indemnity Agreement between Textron and its directors and executive officers. Incorporated by reference to Exhibit A to Textron's Proxy Statement for its Annual Meeting of Shareholders on April 29, 1987.

10.11 Deferred Income Plan for Non-Employee Directors. Incorporated by reference to Exhibit 10.14 to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 1996.

10.12 Employment Agreement between Textron and John D. Butler dated July 23, 1998. Incorporated by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.

10.13A Employment Agreement between Textron and Lewis B. Campbell dated July 23, 1998. Incorporated by reference to Exhibit 10.3 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.

10.13B Retention Award granted to Lewis B. Campbell on December 14, 1995. Incorporated by reference to Exhibit 10.16B to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.14A Employment Agreement between Textron and James F. Hardyman dated November 24, 1989 ("Employment Agreement"). Incorporated by reference to Exhibit 10.9 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.

10.14B Amendment dated as of December 15, 1994, to Employment Agreement. Incorporated by reference to Exhibit 10.10B to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

10.14C Letter Agreement between Textron and James F. Hardyman dated as of November 16, 1998.

10.15A Employment Agreement between Textron and Herbert L. Henkel dated August 12, 1998. Incorporated by reference to Exhibit 10.4 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.

10.15B Retention Award granted to Herbert L. Henkel on December 12, 1996. Incorporated by reference to Exhibit 10.17 to Textron's Annual Report for the fiscal year ended January 3, 1998.

10.16 Employment Agreement between Textron and Mary L. Howell dated July 23, 1998. Incorporated by reference to Exhibit 10.5 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.

10.17 Employment Agreement between Textron and Wayne W. Juchatz dated July 23, 1998. Incorporated by reference to Exhibit 10.6 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.

10.18 Employment Agreement between Textron and Stephen L. Key dated July 23, 1998. Incorporated by reference to Exhibit 10.7 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998.

10.19 5-Year Credit Agreement dated as of April 1, 1998, among Textron, the Banks listed therein and Morgan Guaranty Trust Company of New York as Administrative Agent. Incorporated

	by reference to Exhibit 10.2 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended April 4, 1998.
12.1	Computation of ratio of income to combined fixed charges and preferred stock dividends of Textron Manufacturing.
12.2	Computation of ratio of income to combined fixed charges and preferred stock dividends of Textron Inc. including all majority-owned subsidiaries.
13	A portion (pages 22 through 57 and pages 60 through 62) of Textron's 1998 Annual Report to Shareholders.
21	Certain subsidiaries of Textron. Other subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, are omitted from such list.
23	Consent of Independent Auditors.
24.1	Power of attorney.
24.2	Certified copy of a resolution of the Board of Directors of Textron.
27	Financial Data Schedule (filed electronically only).

(b) Reports on Form 8-K During the quarter ended January 2, 1999, Textron filed the following report on Form 8-K with the Securities and Exchange Commission:

Current Report on Form 8-K dated October 6, 1998, reporting under Item 5 (Other Events) and Item 7 (Financial Statements and Exhibits) that Textron had restated its financial statements to reflect its Avco Financial Services, Inc. unit as a discontinued operation.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 15th day of March 1999.

TEXTRON INC.
Registrant

*By: /s/Michael D. Cahn
Michael D. Cahn
Attorney-in-fact*

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on this 15th day of March 1999, by the following persons on behalf of the registrant and in the capacities indicated:

NAME TITLE

- * Chairman and Chief Executive Officer, Lewis B. Campbell Director
- * Director H. Jesse Arnelle
- * Director Teresa Beck
- * Director R. Stuart Dickson

* Director Lawrence K. Fish

* Director Joe T. Ford

* Director Paul E. Gagne

* Director John D. Macomber

* Director Dana G. Mead

* Director Brian H. Rowe

* Director Sam F. Segnar

* Director Jean Head Sisco

* Director John W. Snow

* Director Martin D. Walker

* Director Thomas B. Wheeler

*
Stephen L. Key

Executive Vice President and
Chief Financial Officer
(principal financial officer)

* Vice President and Controller Richard L. Yates (principal accounting officer)

**By:/s/Michael D. Cahn
Michael D. Cahn
Attorney-in-fact*

TEXTRON INC.
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AND FINANCIAL STATEMENT SCHEDULES
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All other schedules are omitted because the conditions requiring the filing thereof do not exist or because the information required is included in the financial statements and notes thereto.

TEXTRON INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

For each of the three years in the period ended January 2, 1999

Financial information of the Registrant is omitted because condensed financial information of Textron Manufacturing, which includes the Registrant and all of its majority-owned subsidiaries other than its finance subsidiaries (Textron Finance) is shown on pages 34 through 37 of Textron's 1998 Annual Report to Shareholders. Management believes that the disclosure of financial information on the basis of Textron Manufacturing results in a more meaningful presentation, since this group constitutes the Registrant's basic borrowing entity and the only restrictions on net assets of Textron's subsidiaries relate to Textron Finance. The Registrant's investment in Textron Finance is \$473 million in 1998 and \$406 million in 1997.

Textron Manufacturing received dividends of \$62 million, \$74 million and \$29 million from Textron Finance in 1998, 1997 and 1996, respectively. Lending agreements limit Textron Finance's net assets available for cash dividends and other payments to Textron Manufacturing to approximately \$169 million of Textron Finance's net assets of \$473 million at year-end 1998.

Textron Manufacturing's credit agreements contain provisions requiring it to maintain a minimum level of shareholders' equity and a minimum interest coverage ratio. For additional information concerning Textron Manufacturing's long-term debt, see Note 7 to the consolidated financial statements appearing on pages 43 and 44 of Textron's 1998 Annual Report to Shareholders.

For information concerning Textron-obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Textron Junior Subordinated Debt Securities, see Note 9 to the consolidated financial statements appearing on page 46 of Textron's 1998 Annual Report to Shareholders.

List of Exhibits

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- 12.1 Computation of ratio of income to combined fixed charges and preferred stock dividends of Textron Manufacturing.
- 12.2 Computation of ratio of income to combined fixed charges and preferred stock dividends of Textron Inc. including all majority-owned subsidiaries.
- 13 A portion (pages 22 through 57 and pages 60 through 62) of Textron's 1998 Annual Report to Shareholders.
- 21 Certain subsidiaries of Textron.
Other subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, are omitted from such list.
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- 24.1 Power of attorney.
- 24.2 Certified copy of a resolution of the Board of Directors of Textron.
- 27 Financial Data Schedule (filed electronically only).

**Exhibit 3.2
TEXTRON**

INC.

(a Delaware corporation)

BY-LAWS

As Amended Through December 10, 1998

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TEXTRON INC.
(a Delaware corporation)

BY-LAWS

ARTICLE I.

Offices

SECTION 1.01. Registered Office. The registered office of the Corporation in the State of Delaware shall be at No. 1209 Orange Street, City of Wilmington, County of New Castle. The name of the resident agent in charge thereof shall be The Corporation Trust Company.

SECTION 1.02. Other Offices. The Corporation may also have an office or offices in the City of Providence, State of Rhode Island, and at such other place or places either within or without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation require.

ARTICLE II.

Meetings Of Stockholders

SECTION 2.01. Place of Meetings. All meetings of the stockholders of the Corporation shall be held at such place either within or without the State of Delaware as shall be fixed by the Board of Directors and specified in the respective notices or waivers of notice of said meetings.

SECTION 2.02. Annual Meetings. (a) The annual meeting of the stockholders for the election of directors and for the transaction of such other business as properly may come before the meeting shall be held at the principal office of the Corporation in the State of Delaware, or such place as shall be fixed by the Board of Directors, at ten o'clock in the forenoon, local time, on the last Wednesday in April in each year, if not a legal holiday at the place where such meeting is to be held, and, if a legal holiday, then on the next succeeding business day not a legal holiday at the same hour. (b) In respect of the annual meeting for any particular year the Board of Directors may, by resolution fix a different day, time or place (either within or without the State of Delaware) for the annual meeting. (c) If the election of directors shall not be held on the day designated herein or the day fixed by the Board, as the case may be, for any annual meeting, or on the day of any adjourned session thereof, the Board of Directors shall cause the election to be held at a special meeting as soon thereafter as conveniently may be. At such special meeting the stockholders may elect the directors and transact other business with the same force and effect as at an annual meeting duly called and held. (d) At any annual meeting, or special meeting held in lieu thereof, only such business shall be conducted as shall have been brought before the meeting by or at the direction of the Board of Directors or by any stockholder who complies with the procedures set forth in this Section 2.02 (d). Except as otherwise provided by Section 3.03, by the Certificate of Incorporation or by law, the only business which shall be conducted at any such meeting of the stockholders shall (i) have been specified in the written notice of the meeting (or any supplement thereto) given pursuant to Section 2.04, (ii) be brought before the meeting at the direction of the Board of Directors or the chairman of the meeting or (iii) have been specified in a timely written notice to the Secretary, in accordance with all of the following requirements, by or on behalf of any stockholder who shall have been a stockholder of record on the record date for such meeting and who shall continue to be entitled to vote thereat. To be timely in the case of an annual meeting, each such notice must be delivered to, or be mailed and received at, the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders, provided, however, that in the event the annual meeting is called for a date that is not within 30 days of such anniversary date, such notice must be so delivered or so mailed and received, not later than the close of business on the 10th day following the day on which such notice of the annual meeting was mailed or public disclosure of the date of annual meeting was first made, whichever first occurs. To be timely in the case of a special meeting held in lieu of an annual meeting, such notice must be delivered to or be mailed and received at, the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which notice of the special meeting was mailed or such public disclosure of the date of special meeting was first made, whichever first occurs. In no event shall the public announcement of an

adjournment of an annual meeting, or a special meeting held in lieu thereof, commence a new period for the giving of a stockholder's notice as described above. Such stockholder's notice to the Secretary shall set forth: (i) a description of each item of business proposed to be brought before the meeting; and the reasons for conducting such business at the annual meeting; (ii) the name and address of the stockholder proposing to bring such item of business before the meeting; (iii) the class or series and number of shares of stock held of record, owned beneficially and represented by proxy by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available) and as of the date of such notice by the stockholder; (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business; (v) a representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business before the meeting; and (vi) all other information which would be required to be included in a proxy statement filed with the Securities and Exchange Commission if, with respect to any such item of business, such stockholder were a participant in a solicitation subject to Section 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (collectively, the "Proxy Rules").

The chairman of the meeting may, if the facts warrant, determine that an item of business was not brought before the meeting in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and that business shall be disregarded.

SECTION 2.03. Special Meetings. A special meeting of the stockholders for any purpose or purposes may be called at any time by the chief executive officer or by order of the Board of Directors. The business which may be transacted at a special meeting is limited to that set forth in the notice of special meeting and, if the notice so provides, such other matters as the chief executive officer or the Board of Directors may bring before the meeting.

SECTION 2.04. Notice of Meetings. (a) Except as otherwise required by statute, notice of each annual or special meeting of the stockholders shall be given to each stockholder of record entitled to vote at such meeting not less than ten days nor more than sixty days before the day on which the meeting is to be held by delivering written notice thereof to him personally or by mailing such notice, postage prepaid, addressed to him at his post-office address last shown in the records of the Corporation or by transmitting notice thereof to him at such address by telegraph, cable or any other available method. Every such notice shall state the time and place of the meeting and, in case of a special meeting, shall state briefly the purposes thereof. (b) Except as otherwise required by statute, notice of any meeting of stockholders shall not be required to be given to any stockholders who shall attend such meeting in person or by proxy or who shall, in person or by attorney thereunto authorized, waive such notice in writing or by telegraph, cable or any other available method either before or after such meeting. Notice of any adjourned meeting of the stockholders shall not be required to be given except when expressly required by law.

SECTION 2.05. Quorum. (a) At each meeting of the stockholders, except where otherwise provided by statute, the Certificate of Incorporation or these By-Laws, the holders or record of a majority of the issued and outstanding shares of stock of the Corporation entitled to vote at such meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. (b) In the absence of a quorum a majority in interest of the stockholders of the Corporation entitled to vote, present in person or represented by proxy or, in the absence of all such stockholders, any officer entitled to preside at, or act as secretary of, such meeting, shall have the power to adjourn the meeting from time to time, until stockholders holding the requisite amount of stock shall be present or represented. At any such adjourned meeting at which a quorum shall be present any business may be transacted which might have been transacted at the meeting as originally called.

SECTION 2.06. Organization. At each meeting of the stockholders the Chairman of the Board or, in his absence, the President or, in the absence of the Chairman of the Board and the President, the Vice Chairman of the Board or, in the absence of the Chairman of the Board, the President and the Vice Chairman of the Board, any Vice President or, in the absence of all such officers, a chairman chosen by a majority vote of the stockholders entitled to vote thereat, present in person or by proxy, shall act as chairman, and the Secretary or an Assistant Secretary of the Corporation or, in the absence of the Secretary and all Assistant Secretaries, a person whom the chairman of such meeting shall appoint shall act as secretary of the meeting and keep the minutes thereof.

SECTION 2.07. Voting. (a) Except as otherwise provided by law or by the Certificate of Incorporation or these By-Laws, at every meeting of the stockholders each stockholder shall be entitled to one vote, in person or by proxy, for each share of capital stock of the Corporation registered in his name on the books of the Corporation:

(i) on the date fixed pursuant to Section 8.03 of these By-Laws as the record date for the determination of stockholders entitled to vote at such meeting; or

(ii) if no such record date shall have been fixed, then the record date shall be at the close of business on the day next preceding the day on which notice of such meeting is given.

(b) Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. In the case of stock held jointly by two or more executors, administrators, guardians, conservators, trustees or other fiduciaries, such fiduciaries may designate in writing one or more of their number to represent such stock and vote the shares so held, unless there is a provision to the contrary in the instrument, if any, defining their powers and duties. (c) Persons whose stock is pledged shall be entitled to vote thereon until such stock is transferred on the books of the Corporation to the pledgee, and thereafter only the pledgee shall be entitled to vote. (d) Any stockholder entitled to vote may do so in person or by his proxy appointed by an instrument in writing subscribed by such stockholder or by his attorney thereunto authorized, or by a telegram, cable or any other available method delivered to the secretary of the meeting; provided, however, that no proxy shall be voted after three years from its date, unless said proxy provides for a longer period. (e) At all meetings of the stockholders, all matters (except where other provision is made by law or by the Certificate of Incorporation or these By-Laws) shall be decided by the vote of a majority in interest of the stockholders entitled to vote thereon, present in person or by proxy, at such meeting, a quorum being present.

SECTION 2.08. Voting Procedures and Inspectors of Elections. (a) The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability. (b) The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. (c) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Delaware Court of Chancery upon application by a stockholder shall determine otherwise.

SECTION 2.09. List of Stockholders. (a) It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock ledger to prepare and make, or cause to be prepared and made, at least ten days before every meeting of the stockholders, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of stockholder. Such list shall be open during ordinary business hours to the examination of any stockholder for any purpose germane to the meeting for a period of at least ten days prior to the election, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held. (b) Such list shall be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. (c) Upon the willful neglect or refusal of the directors to produce such list at any meeting for the election of directors they shall be ineligible for election to any office at such meeting. (d) The stock ledger shall be conclusive evidence as to who are the stockholders entitled to examine the stock ledger and the list of stockholders required by this Section 2.09 on the books of the Corporation or to vote in person or by proxy at any meeting of stockholders.

ARTICLE III.

Board Of Directors.

SECTION 3.01. General Powers. The business, property and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

SECTION 3.02. Number, Qualifications and Term of Office. (a) The number of directors of the Corporation which shall constitute the whole Board of Directors shall be such number as from time to time shall be fixed by the Board of Directors in accordance with the Certificate of Incorporation of the Corporation. (b) No person shall be elected a director who has attained the age of 72. (c) Each director shall hold office as set forth in the Certificate of Incorporation of the Corporation.

SECTION 3.03. Nomination and Election of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the Board of Directors at a meeting of the stockholders may be made at a meeting of stockholders by or at the direction of the Board of Directors by any nominating committee or person appointed by the Board or at an annual meeting or special meeting held in lieu thereof, by any stockholder of the Corporation entitled to vote for the election of directors at such meeting who complies with the notice procedures set forth in this Section 3.03. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary. To be timely, in the case of a nomination to be made at an annual meeting, each such notice must be delivered to, or be mailed and received at, the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event the annual meeting is called for a date that is not within 30 days of such anniversary date, such notice must be so delivered, or so mailed and received, not later than the close of business on the 10th day following the day on which such notice of the annual meeting was mailed or public disclosure of the date of annual meeting was first made, whichever first occurs. To be timely in the case of a nomination to be made at a special meeting held in lieu of an annual meeting, such notice must be delivered to, or be mailed and received at, the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which notice of the special meeting was mailed or public disclosure of the date of special meeting was first made, whichever first occurs. In no event, shall the public announcement of an adjournment of an annual meeting, or a special meeting held in lieu thereof, commence a new period for the giving of a stockholder's notice as described above. Such stockholder's notice to the Secretary shall set forth: (a) as to each person whom the stockholder proposes to nominate for election or re- election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person, and (iv) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to the Proxy Rules, and (b) as to the stockholder giving the notice (i) the name and record address of stockholder, (ii) the class or series and number of shares of capital stock of the Corporation held of record, owned beneficially and represented by proxy by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available) and as of the date of such notice by the stockholder, (iii) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (iv) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder, and (v) such other information regarding such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitation of proxies for election of directors pursuant to the Proxy Rules. Such notice must be accompanied by the written consent of each proposed nominee to being named as a nominee and to serve as a director of the Corporation if so elected. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

The chairman of the meeting may, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedures, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. At each meeting of the stockholders for the election of directors at which a quorum is present, the persons, not exceeding the authorized number of directors as fixed by the Board of Directors in accordance with the Certificate of Incorporation, receiving the greatest number of votes of the stockholders entitled to vote thereon, present in person or by proxy, shall be the directors for the term as set forth in the Certificate of Incorporation.

SECTION 3.04. Quorum and Manner of Acting. (a) Except as otherwise provided by statute or by the Certificate of Incorporation, a majority of the directors at the time in office shall constitute a quorum for the transaction of business at any meeting and the affirmative action of a majority of the directors present at any meeting at which a quorum is present shall be required for the taking of any action by the Board of Directors. (b) In the event the Secretary is informed that one or more directors will be out of the continental limits of the United States at the date of any regular or special meeting of the Board, or if one or more of the directors shall be disqualified to vote at such meeting, then the required quorum shall be reduced by one for each such director so absent or disqualified; provided, however, that in no event shall the quorum as adjusted be less than one third of the total number of directors. (c) In the absence of a quorum at any meeting of the Board such meeting need not be held, or a majority of the directors present thereat or, if no director be present, the Secretary may adjourn such meeting from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given.

SECTION 3.05. Offices, Place of Meeting and Records. The Board of Directors may hold meetings, have an office or offices and keep the books and records of the Corporation at such place or places within or without the State of Delaware as the Board may from

time to time determine. The

place of meeting shall be specified or fixed in the respective notices or waivers of notice thereof, except where otherwise provided by statute, by the Certificate of Incorporation or these By-Laws.

SECTION 3.06. Annual Meeting. The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable following each annual election of directors. Such meeting shall be called and held at the place and time specified in the notice or waiver of notice thereof as in the case of a special meeting of the Board of Directors.

SECTION 3.07. Regular Meetings. Regular meetings of the Board of Directors shall be held at such places and at such times as the Board shall from time to time by resolution determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at said place at the same hour on the next succeeding business day. Notice of regular meetings need not be given.

SECTION 3.08. Special Meetings; Notice. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board or the President or by any two of the directors. Notice of each such meeting shall be mailed to each director, addressed to him at his residence or usual place of business, at least three days before the day on which the meeting is to be held, or shall be sent to him at his residence or at such place of business by telegraph, cable or other available means, or shall be delivered personally or by telephone, not later than two days (or such shorter period as the person or persons calling such meeting may deem necessary or appropriate in the circumstances) before the day on which the meeting is to be held. Each such notice shall state the time and place of the meeting but need not state the purposes thereof except as otherwise herein expressly provided. Notice of any such meeting need not be given to any director, however, if waived by him in writing or by telegraph, cable or otherwise, whether before or after such meeting shall be held, or if he shall be present at such meeting.

SECTION 3.09. Organization. At each meeting of the Board of Directors the Chairman of the Board or, in his absence, the President or, in the absence of each of them, the Vice Chairman of the Board or, in the absence of all such officers, a director chosen by a majority of the directors present shall act as chairman. The Secretary or, in his absence an Assistant Secretary or, in the absence of the Secretary and all Assistant Secretaries, a person whom the chairman of such meeting shall appoint shall act as secretary of such meeting and keep the minutes thereof.

SECTION 3.10. Order of Business. At all meetings of the Board of Directors business shall be transacted in the order determined by the Board.

SECTION 3.11. Removal of Directors. Except as otherwise provided in the Certificate of Incorporation or in these By-Laws, any director may be removed, with cause, at any time, by the affirmative vote of the holders of record of a majority of the issued and outstanding stock entitled to vote for the election of directors of the Corporation given at a special meeting of the stockholders called and held for the purpose; and the vacancy in the Board caused by any such removal may be filled by the Board in the manner provided in the Certificate of Incorporation.

SECTION 3.12. Resignation. Any director of the Corporation may resign at any time by giving written notice of his resignation to the Board of Directors, to the Chairman of the Board, the Vice Chairman of the Board, the President, any Vice President or the Secretary of the Corporation. Such resignation shall take effect at the date of receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 3.13. Vacancies. Any vacancy in the Board of Directors caused by death, resignation, removal, disqualification, an increase in the number of directors, or any other cause may be filled by the remaining directors then in office as set forth in the Certificate of Incorporation. Each director so elected shall hold office as set forth in the Certificate of Incorporation.

SECTION 3.14. Compensation. Each director, in consideration of his serving as such, shall be entitled to receive from the Corporation such amount per annum or such fees for attendance at directors' meetings, or both, as the Board of Directors shall from time to time determine, together with reimbursement for the reasonable expenses incurred by him in connection with the performance of his duties; provided that nothing herein contained shall be construed to preclude any director from serving the Corporation or its subsidiaries in any other capacity and receiving proper compensation therefor.

ARTICLE IV

Committees

SECTION 4.01. Executive Committee. The Board of Directors shall, by resolution or resolutions passed by a majority of the whole Board, appoint an Executive Committee to consist of not less than three nor more than eight members of the Board of Directors, including the Chairman of the Board, the Vice Chairman of the Board and the President, and shall designate one of the members as its chairman. Notwithstanding any limitation on the size of the Executive Committee, the Committee may invite members of the Board to attend its meetings. In such case such invitees shall be entitled to vote on matters considered at such meetings and shall receive such fee, if any, as shall be fixed by the Board of Directors for such attendance.

Each member of the Executive Committee shall hold office, so long as he shall remain a director, until the first meeting of the Board of Directors held after the next annual election of directors and until his successor is duly appointed and qualified. The chairman of the Executive Committee or, in his absence, the Chairman of the Board or a member of the Committee chosen by a majority of the members present shall preside at meetings of the Executive Committee and the Secretary or an Assistant Secretary of the Corporation, or such other person as the Executive Committee shall from time to time determine, shall act as secretary of the Executive Committee.

The Board of Directors, by action of the majority of the whole Board, shall fill vacancies in the Executive Committee.

SECTION 4.02. Powers. During the intervals between the meetings of the Board of Directors, the Executive Committee shall have and may exercise all the powers of the Board of Directors in all cases in which specific directions shall not have been given by the Board of Directors; but neither the Executive Committee nor any other committee created under these By-Laws shall have the power or authority to amend the Certificate of Incorporation, adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amend the By-Laws of the Corporation; and, unless the resolution, By-Laws, or Certificate of Incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

SECTION 4.03. Procedure; Meetings; Quorum. The Executive Committee shall fix its own rules of procedure subject to the approval of the Board of Directors, and shall meet at such times and at such place or places as may be provided by such rules. At every meeting of the Executive Committee the presence of a majority of all the members shall be necessary to constitute a quorum and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any resolution. In the absence of a quorum at any meeting of the Executive Committee such meeting need not be held, or a majority of the members present thereat or, if no members be present, the secretary of the meeting may adjourn such meeting from time to time until a quorum be present.

SECTION 4.04. Compensation. Each member of the Executive Committee shall be entitled to receive from the Corporation such fee, if any, as shall be fixed by the Board of Directors, together with reimbursement for the reasonable expenses incurred by him in connection with the performance of his duties.

SECTION 4.05. Other Board Committees. The Board of Directors may from time to time, by resolution passed by a majority of the whole Board, designate one or more committees in addition to the Executive Committee, each committee to consist of two or more of the directors of the Corporation. Any such committee, to the extent provided in the resolution or in the By-Laws of the Corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation.

A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power to change the members of any committee at any time, to fill vacancies and to discharge any such committee, either with or without cause, at any time.

SECTION 4.06. Alternates. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee; provided, however, that in the absence of any such designation of alternates the member or members of any committee present at any meeting and not disqualified from acting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any absent or disqualified member.

SECTION 4.07. Additional Committees. The Board of Directors may from time to time create such additional committees of directors, officers, employees or other persons designated by it (or any combination of such persons) for the purpose of advising with the Board, the Executive Committee and the officers and employees of the Corporation in all such matters as the Board shall deem advisable and with such functions and duties as the Board shall by resolutions prescribe.

A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. The Board of Directors shall have power to change the members of any committee at any time, to fill vacancies and to discharge any such committee, either with or without cause, at any time.

ARTICLE V

Action by Consent or Telephone.

SECTION 5.01. Consent of Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if prior to such action a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of the proceedings of the Board or such committee.

SECTION 5.02. Telephone Meetings. Members of the Board of Directors or any committee designated by the Board of Directors may participate in a meeting of such Board or Committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

ARTICLE VI

Officers

SECTION 6.01. Number. The principal officers of the Corporation shall be a Chairman of the Board, a Vice Chairman of the Board, a President, one or more Vice Presidents (the number thereof and variations in title to be determined by the Board of Directors), a Treasurer and a Secretary. In addition, there may be such other or subordinate officers, agents and employees as may be appointed in accordance with the provisions of Section

6.03. Any two or more offices, except those of President and Secretary, may be held by the same person.

SECTION 6.02 Election, Qualifications and Term of Office. Each officer of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 6.03, shall be elected annually by the Board of Directors and shall hold office until his successor shall have been duly elected and qualified, or until his death, or until he shall have resigned or shall have been removed in the manner herein provided. The Chairman of the Board, the Vice Chairman of the Board and the President shall be and remain directors.

SECTION 6.03. Other Officers. The Corporation may have such other officers, agents, and employees as the Board of Directors may deem necessary including a Controller, one or more Assistant Controllers, one or more Assistant Treasurers and one or more Assistant Secretaries, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors, the Chairman of the Board or the President may from time to time determine. The Board of Directors may delegate to any principal officer the power to appoint or remove any such subordinate officers, agents or employees.

SECTION 6.04. Removal. Any officer may be removed, either with or without cause, by the vote of a majority of the whole Board of Directors or, except in case of any officer elected by the Board of Directors, by any committee or officer upon whom the power of removal may be conferred by the Board of Directors.

SECTION 6.05. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the Chairman of the Board or the President. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 6.06. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term in the manner prescribed in these By- Laws for regular election or appointment to such office.

SECTION 6.07. Chairman of the Board. The Chairman of the Board shall, when present, preside at all meetings of the Board of Directors and at all meetings of the stockholders and shall have such additional powers and shall perform such further duties as may from time to time be assigned to him by the Board of Directors, the Executive Committee or the chief executive officer of the Corporation.

SECTION 6.08. Vice Chairman of the Board. The Vice Chairman of the Board shall, in the absence of the Chairman of the Board and the President, preside at all meetings of the Board of Directors and at all meetings of the stockholders and shall have such powers and shall perform such further duties as may from time to time be assigned to him by the Board of Directors, the Executive Committee or the chief executive officer of the Corporation.

SECTION 6.09. President. The President shall have general direction of the operations of the Corporation, subject to the control of the Board of Directors, the Executive Committee or the chief executive officer of the Corporation. He shall, in the absence of the Chairman of the Board, preside at all meetings of the Board of Directors and at all meetings of the stockholders and shall have such additional powers and shall perform such further duties as may from time to time be assigned to him by the Board of Directors, the Executive Committee or the chief executive officer of the Corporation.

SECTION 6.10 Chief Executive Officer. The Board of Directors shall designate either the Chairman of the Board or the President as the chief executive officer of the Corporation. The chief executive officer shall have direct charge of the business and affairs of the Corporation.

SECTION 6.11. Vice Presidents. Each Vice President shall have such powers and perform such duties as the Board of Directors or the Executive Committee may from time to time prescribe or as shall be assigned to him by the Chairman of the Board or the President.

SECTION 6.12. Treasurer. The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Corporation, and shall deposit all such funds to the credit of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these By-Laws; he shall disburse the funds of the Corporation as may be ordered by the Board of Directors or the Executive Committee, making proper vouchers for such disbursements, and shall render to the Board of Directors or the stockholders, whenever the Board may require him so to do, a statement of all his transactions as Treasurer or the financial condition of the Corporation; and, in general, he shall perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors, any Committee of the Board designated by it so to act or the Chairman of the Board or the President.

SECTION 6.13. Secretary. The Secretary shall record or cause to be recorded in books provided for the purpose the minutes of the meetings of the stockholders, the Board of Directors, and all committees of which a secretary shall not have been appointed; shall see that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; shall be custodian of all corporate records (other than financial) and of the seal of the Corporation and see that the seal is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these By-Laws; shall keep, or cause to be kept, the list of stockholders as required by Section 2.09, which includes the post-office addresses of the stockholders and the number of shares held by them, respectively, and shall make or cause to be made, all proper changes therein, shall see that the books, reports, statements, certificates and all other documents and records required by law are properly kept and filed; and, in general, shall perform all duties incident to the office of Secretary and such other duties as may from time to time be assigned to him by the Board of Directors, the Executive Committee or the Chairman of the Board or the President.

SECTION 6.14. Controller. The Controller shall be in charge of the books and records of account of the Corporation and of its statistical records. He shall keep or cause to be kept at such office or offices as the Board of Directors may from time to time designate complete and accurate accounts of all assets, liabilities, receipts, disbursements and other transactions of the Corporation; shall cause regular audits of such books and records to be made; shall be responsible for the preparation and filing of all reports and actions related to or based upon the books and records of the Corporation; shall render financial statements at the annual meeting of stockholders, if called upon so to do, or at the request of any director or the Board of Directors; shall render to the Board of Directors such statistical reports and analyses as the Board from time to time may require; and, in general, shall perform all the duties incident to the office of Controller and such other duties as from time to time may be assigned to him by the Board of Directors, the Executive Committee or the Chairman of the Board or the President.

SECTION 6.15. Salaries. The salaries of the principal officers of the Corporation shall be fixed from time to time by the Board of Directors, and none of such officers shall be prevented from receiving a salary by reason of the fact that he is also a director of the Corporation.

ARTICLE VII.

Contracts, Checks, Drafts, Bank Accounts, Etc.

SECTION 7.01. Execution of Contracts. Unless the Board of Directors or the Executive Committee shall otherwise determine, the Chairman of the Board, the Vice Chairman of the Board, the President, any Vice President or the Treasurer and the Secretary or any Assistant Secretary may enter into any contract or execute any contract or other instrument, the execution of which is not otherwise specifically provided for, in the name and on behalf of the Corporation. The Board of Directors, or any committee designated thereby with power so to act, except as otherwise provided in these By-Laws, may authorize any other or additional officer or officers or agent or agents of the Corporation to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances. Unless authorized so to do by these By-Laws or by the Board of Directors or by any such committee, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable pecuniarily for any purpose or to any amount.

SECTION 7.02. Loans. No loan shall be contracted on behalf of the Corporation, and no evidence of indebtedness shall be issued, endorsed or accepted in its name, unless authorized by the Board of Directors or Executive Committee or other committee designated by the Board so to act. Such authority may be general or confined to specific instances. When so authorized, the officer or officers thereunto authorized may effect loans and advances at any time for the Corporation from any bank, trust company or other institution, or from any firm, corporation or individual, and for such loans and advances may make, execute and deliver promissory notes or other evidences of indebtedness of the Corporation, and, when authorized as aforesaid, as security for the payment of any and all loans, advances, indebtedness and liabilities of the Corporation, may mortgage, pledge, hypothecate or transfer any real or personal property at any time owned or held by the Corporation, and to that end execute instruments of mortgage or pledge or otherwise transfer such property.

SECTION 7.03. Checks, Drafts, etc. All checks, drafts, bills of exchange or other orders for the payment of money, obligations, notes, or other evidence of indebtedness, bills of lading, warehouse receipts and insurance certificates of the Corporation, shall be signed or endorsed by such officer or officers, agent or agents, attorney or attorneys, employee or employees, of the Corporation as shall from time to time be determined by resolution of the Board of Directors or Executive Committee or other committee designated by the Board so to act.

SECTION 7.04. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors or Executive Committee or other committee designated by the Board so to act may from time to time designate, or as may be designated by any officer or officers or agent or agents of the Corporation to whom such power may be delegated by the Board of Directors or Executive Committee or other committee designated by the Board so to act and, for the purpose of such deposit and for the purposes of collection for the account of the Corporation, all checks, drafts, and other orders for the payment of money which are payable to the order of the Corporation may be endorsed, assigned and delivered by any officer, agent or employee of the Corporation or in such other manner as may from time to time be designated or determined by resolution of the Board of Directors or Executive Committee or other committee designated by the Board so to act.

SECTION 7.05. Proxies in Respect of Securities of Other Corporations. Unless otherwise provided by resolution adopted by the Board of Directors or the Executive Committee or other committee so designated to act by the Board, the Chairman of the Board or the Vice Chairman of the Board or the President or any Vice President may from time to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, association or trust any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, association or trust, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, association or trust, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

ARTICLE VIII.

Books and Records.

SECTION 8.01. Place. The books and records of the Corporation may be kept at such places within or without the State of Delaware as the Board of Directors may from time to time determine. The stock record books and the blank stock certificate books shall be kept by the Secretary or by any other officer or agent designated by the Board of Directors.

SECTION 8.02. Addresses of Stockholders. Each stockholder shall furnish to the Secretary of the Corporation or to the transfer agent of the Corporation an address at which notices of meetings and all other corporate notices may be served upon or mailed to him, and if any stockholder shall fail to designate such address, corporate notices may be served upon him by mail, postage prepaid, to him at his post-office address last known to the Secretary or to the transfer agent of the Corporation or by transmitting a notice thereof to him at such address by telegraph, cable or other available method.

SECTION 8.03. Record Dates. The Board of Directors may fix in advance a date, not exceeding sixty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of any rights, or the date when any change or conversion or exchange of capital stock of the Corporation shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting or any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any change, conversion or exchange of capital stock of the Corporation, or to give such consent, and in each such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to notice of, or to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

SECTION 8.04. Audit of Books and Accounts. The books and accounts of the Corporation shall be audited at least once in each fiscal year by certified public accountants of good standing, elected by the Board of Directors.

ARTICLE IX.

Shares and their Transfer.

SECTION 9.01. Certificates of Stock. Every owner of stock of the Corporation shall be entitled to have a certificate certifying the number of shares owned by him in the Corporation and designating the class of stock to which such shares belong, which shall otherwise be in such form as the Board of Directors shall prescribe. Each such certificate shall be signed by the Chairman of the Board or the Vice Chairman of the Board or the President or a Vice President and the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Corporation; provided, however, that where such certificate is signed or countersigned by a transfer agent or registrar the signatures of such officers of the Corporation and the seal of the Corporation may be in facsimile form. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be issued and delivered by the Corporation as though the person or persons who signed such certificate or whose facsimile signature or signatures shall have been used thereon had not ceased to be such officer or officers of the Corporation.

SECTION 9.02. Record. A record shall be kept of the name of the person, firm or corporation owning the stock represented by each certificate for stock of the Corporation issued, the number of shares represented by each such certificate, and the date thereof, and, in the case of cancellation, the date of cancellation. The person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

SECTION 9.03. Transfer of Stock. Transfers of shares of the stock of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by his attorney thereunto authorized, and on the surrender of the certificate or certificates for such shares properly endorsed.

SECTION 9.04. Transfer Agent and Registrar; Regulations. The Corporation shall, if and whenever the Board of Directors or Executive Committee shall so determine, maintain one or more transfer offices or agencies, each in charge of a transfer agent

designated by the Board of Directors, where the shares of the capital stock of the Corporation shall be directly transferable, and also if and whenever the Board of Directors shall so determine, maintain one or more registry offices, each in charge of a registrar designated by the Board of Directors, where such shares of stock shall be registered. The Board of Directors may make such rules and regulations as it may deem expedient, not inconsistent with these By-Laws, concerning the issue, transfer and registration of certificates for shares of the capital stock of the Corporation.

SECTION 9.05. Lost, Destroyed or Mutilated Certificates. In case of the alleged loss or destruction or the mutilation of a certificate representing capital stock of the Corporation, a new certificate may be issued in place thereof, in the manner and upon such terms as the Board of Directors may prescribe.

ARTICLE X

Seal

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall bear the name of the Corporation and the words and figures Incorporated 1967, Delaware.

ARTICLE XI

Fiscal Year

The fiscal year of the Corporation shall begin at the opening of business on the Sunday nearest to the first day of January and end at the close of business on the Saturday nearest to the thirty-first day of December in each year, whether such Sunday or Saturday, as the case may be, falls in December or in January.

ARTICLE XII

Indemnification

(a) The Corporation shall indemnify, to the full extent permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer or employee of the Corporation (for the purposes of this Article XII such term includes Textron Inc., a Rhode Island corporation), or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (each such person being referred to hereafter as an "Agent"), against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall indemnify, to the full extent permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was an Agent against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(c) To the extent that an Agent shall be successful on the merits or otherwise (including dismissal of an action without prejudice or the settlement of an action without admission of liability) in defense of any action, suit or proceeding referred to in paragraphs (a) and

(b), or in defense of any claim, issue or matter therein, he shall be indemnified, to the full extent permitted by law, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under paragraphs (a) and (b) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Agent is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

(e) Expenses (including attorneys' fees) incurred by an Agent in defending a civil, criminal, administrative or investigative action, suit or proceeding referred to in paragraphs (a) and (b) shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article

XII. Notwithstanding the foregoing, no advance shall be made by the Corporation if a determination is reasonably and promptly made by the Board of Directors by a majority vote of a quorum of disinterested directors, or (if such a quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs) by independent legal counsel in a written opinion, that, based upon the facts known to the Board of Directors or counsel at the time such determination is made, such Agent acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal proceeding, that such Agent believed or had reasonable cause to believe his conduct was unlawful. In no event shall any advance be made in instances where the Board of Directors or independent legal counsel reasonably determines that such person deliberately breached his duty to the Corporation or its stockholders.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other paragraphs of this Article XII shall not be deemed exclusive of any other rights to which those seeking indemnification and advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. All rights to indemnification under this Article XII shall be deemed to be provided by a contract between the Corporation and each Agent who serves in such capacity at any time while this Article XII is in effect. Any repeal or modification of this Article XII shall not affect any rights or obligations then existing.

(g) The Corporation may purchase and maintain insurance on behalf of any person who is or was an Agent against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article XII.

(h) For purposes of this Article XII, references to "the Corporation" shall include, in addition to the resulting or surviving corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, officer or employee of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article XII with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this Article XII, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer or employee of the Corporation which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article XII.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article XII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be an Agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE XIII

Waiver of Notice

Whenever any notice whatever is required to be given by statute, these By-Laws of the Certificate of Incorporation, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE XIV

Amendments

These By-Laws may be altered, amended or repealed, in whole or in part, and new By-Laws may be adopted, in whole or in part, by the affirmative vote of the holders of record of a majority of the outstanding stock of the Corporation present in person or represented by proxy and entitled to vote in respect thereof, given at an annual meeting or at any special meeting at which a quorum shall be present, or by the affirmative vote of a majority of the whole Board of Directors given at any meeting. Any By-Law made, altered, amended or repealed by the Board of Directors shall be subject to alteration, amendment or repeal by vote of stockholders as provided above.

TEXTRON INC.

I,
SECRETARY of TEXTRON INC., a Delaware corporation, DO HEREBY CERTIFY that the foregoing is a true and complete copy of the By-Laws of said Corporation, and that such By-Laws are now in full force and effect.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Corporation this day of , 19 .

.....

Secretary

Exhibit 10.2B
DEFERRED INCOME PLAN FOR
TEXTRON KEY EXECUTIVES
(Effective January 1, 1994)

First Amendment

Pursuant to Section 9.03 of the Deferred Income Plan for Textron Key Executives (Restated, effective January 1, 1994) (the "Plan"), Textron Inc. hereby amends the Plan, effective October 26, 1996, as follows:

1. Section 3.01(a) of the Plan is hereby amended to read in its entirety as follows:

"3.01(a) For record-keeping purposes only, Textron shall maintain a Moody's Account, a Stock Unit Account and an Interest Account, as is necessary, for each Participant who has the receipt of Compensation deferred under this Plan."

2. Section 3.11 of the Plan is hereby amended to delete the first sentence thereof and to add a new second sentence to read in its entirety as follows:

"A Participant who has terminated his Textron Employment may, subject to the provisions of Section 16 of the Securities Exchange Act of 1934, once each calendar quarter, elect to transfer, in 10% increments, effective the first calendar day of the month following the month in which the election is made, any amount in his Stock Unit Account which is then nonforfeitable according to Section 3.07, to his Interest Account."

3. Section 4.01 of the Plan is hereby amended to delete the word "and" immediately following the words "Moody's Plus Rate," and to delete the words "each valued as of the Determination Date immediately following the date on which his Textron Employment ends," and to substitute in their place the following words, "and the amount in his Interest Account".

4. Section 4.02(a) of the Plan is hereby amended to delete the word "and" immediately following the words "Moody's Plus Rate)" and to substitute in its place the following words, "the amount in", and immediately after the word "death" to add the following words, "and the amount in her Interest Account".

5. Section 4.03 of the Plan is hereby amended to delete the word "and" immediately following the words "Moody's Plus Rate)" and to substitute in its place a "," and to delete the words "each valued as of the Determination Date immediately following the date on which his Textron Employment ends," and to substitute in their place the following words, "and the amount in his Interest Account".

6. Section 4.04 of the Plan is hereby amended to delete the words "and the", to substitute in their place the following words, "the amount in her", to delete the words "(transferred immediately to an Interest Account)", and to substitute in their place the following words, "and the amount in her Interest Account".

7. Section 5.02 of the Plan is hereby amended to add, immediately following the words "Participant's Moody's Account", the following words ", his Stock Unit Account".

8. Section 5.03(a) of the Plan is hereby amended to delete the words "Interest shall be credited as of each Determination Date on the unpaid balance of Plan benefits, based on the interest rates described in Section 3.03 or Section 3.10, as appropriate."

9. Section 5.04 of the Plan is hereby amended to add, immediately following the words "Moody's Account", the following words ", Stock Unit Account".

10. The Plan is hereby amended to add a new Section 5.05 to read in its entirety as follows:

"5.05 Distributions under this Article V shall be made on a pro rata basis from each account in which there is an amount."

IN WITNESS WHEREOF, Textron Inc. has caused this First Amendment to be executed by its duly authorized officer to be effective as of October 26, 1996.

TEXTRON INC.

By: /s/ Carol J. Grant
Carol J. Grant
Vice President, Human Resources

**DEFERRED INCOME PLAN FOR
TEXTRON KEY EXECUTIVES**
(Effective January 1, 1994)

Second Amendment

Pursuant to Section 9.03 of the Deferred Income Plan for Textron Key Executives (Restated, effective January 1, 1994) (the "Plan"), Textron Inc. hereby amends the Plan, effective April 23, 1997, as follows:

1. Section 1.06 of the Plan is hereby amended to delete the second sentence thereof and to add in lieu thereof language as follows:

"Automatic Deferred Income" means amounts in excess of 100% of a Participant's Annual Incentive Compensation Target, as defined in Section 4.01(a) of the Annual Incentive Compensation Plan for Textron Employees, in the years following a Participant's fifth full year of participation in this Plan, but only if the Participant has not achieved or maintained a "Minimum Stock Ownership Level". Minimum Stock Ownership Level means a dollar value of Textron shares as of September 30 that equals or exceeds for the following Participants the following amounts.

Participant	Minimum Stock Ownership Level
CEO & COO	5 times base salary
Other Proxy-Named Executives	3 times base salary
All other Corporate Officers	2 times base salary
Segment Heads and Group Presidents	2 times base salary
Division Presidents	1 times base salary

For purposes of this Plan, "Stock Ownership" includes shares obtained through open market purchases, stock option exercises, the Textron Savings Plan, and stock units in the Deferred Income Plan and in the Supplemental Benefits Plan.

IN WITNESS WHEREOF, Textron Inc. has caused this Second Amendment to be executed by its duly authorized officer to be effective as of April 23, 1997.

TEXTRON INC.

*By: /s/Carol J. Grant
Carol J. Grant
Vice President, Human Resources*

**DEFERRED INCOME PLAN FOR
TEXTRON KEY EXECUTIVES**
(Effective January 1, 1994)

Third Amendment

Pursuant to Section 9.03 of the Deferred Income Plan for Textron Key Executives (Restated, effective January 1, 1994) (the "Plan"), Textron Inc. hereby amends the Plan, as follows:

1. Section 3.08 of the Plan is hereby amended to read in its entirety as follows:

"With respect to deferrals into this Plan of amounts from the Annual Incentive Compensation Plan for Textron Employees and the Long Term Incentive Plan for Textron Employees, Textron shall credit stock units to a Participant's Stock Unit Account, equal to the number of shares the deferred amount could have purchased at the "current value" of a share of Textron Common Stock. The "current value" of a share of Textron Common Stock shall be as defined in Section 3.7 of the Long Term Incentive Plan for Textron Employees. With respect to deferrals into this Plan of any other amounts, each month Textron shall credit stock units to a Participant's Stock Unit Account equal in number to the number of shares of Textron Common Stock that the deferred amount could have purchased at a price per share equal to the average price per share of Textron Common Stock contributed to the Textron Savings Plan for that month.

2. Section 5.03(a) of the Plan is hereby amended to delete the words "on or" immediately following the word "begins".

IN WITNESS WHEREOF, Textron Inc. has caused this Amendment to be executed by its duly authorized officer to be effective as of October 27, 1998.

TEXTRON INC.

*By: /s/Carol J. Grant
Carol J. Grant
Vice President, Human Resources*

Exhibit 10.4B

**SUPPLEMENTAL BENEFITS PLAN FOR
TEXTRON KEY EXECUTIVES**

(Effective January 1, 1994)

First Amendment

Pursuant to Section 8.03 of the Supplemental Benefits Plan for Textron Key Executives (Restated, effective January 1, 1994) (the "Plan"), Textron Inc. hereby amends the Plan, effective October 26, 1996, as follows:

1. Section 4.06 of the Plan is hereby amended to delete the first two sentences thereof and to add new first and second sentences to read in as follows:

"A Participant who has terminated her Textron Employment may, subject to the provisions of Section 16 of the Securities Exchange Act of 1934, once each calendar quarter, elect to transfer, in 10% increments, effective the first calendar day of the month following the month in which the election is made, any amount in her supplemental savings account to her fixed income account. The cash value transferred will be determined by multiplying the current value of Textron common stock by the number of whole and fractional Supplemental Shares in her Supplemental Savings Account as of the end of the month in which the election is made times the percentage being transferred.

IN WITNESS WHEREOF, Textron Inc. has caused this First Amendment to be executed by its duly authorized officer to be effective as of October 26, 1996.

TEXTRON INC.

*By: /s/Carol J. Grant
Carol J. Grant
Vice President, Human Resources*

**SUPPLEMENTAL BENEFITS PLAN FOR
TEXTRON KEY EXECUTIVES**
(Effective January 1, 1994)

Second Amendment

Pursuant to Section 8.03 of the Supplemental Benefits Plan for Textron Key Executives (Restated, effective January 1, 1994) (the "Plan"), Textron Inc. hereby amends the Plan, effective January 1, 1997, as follows:

1. Section 2.02 of the Market Square Profit Sharing Plan Schedule to the Plan is hereby amended by adding to the end of said Section the following:

"The final Textron credit under the provisions of this paragraph shall be made as of December 31, 1996."

2. Article IV of the Market Square Profit Sharing Plan Schedule to the Plan is hereby amended by adding to the end of said Article a new section to read in its entirety as follows:

"4.03 The Benefits Committee may, in its sole discretion, approve a written request by an actively employed Participant to withdraw any or all of the value of a Participant's accounts."

IN WITNESS WHEREOF, Textron Inc. has caused this Second Amendment to be executed by its duly authorized officer to be effective as of January 1, 1997.

TEXTRON INC.

*By: /s/Carol J. Grant
Carol J. Grant
Vice President, Human Resources*

**SUPPLEMENTAL BENEFITS PLAN FOR
TEXTRON KEY EXECUTIVES**
(Effective January 1, 1994)

Third Amendment

Pursuant to Section 8.03 of the Supplemental Benefits Plan for Textron Key Executives (Restated, effective January 1, 1994) (the "Plan"), Textron Inc. hereby amends the Plan, as follows:

1. Section 4.01 of the Plan is hereby amended to read in its entirety as follows:

"A Participant who has terminated her Textron Employment may, subject to the provisions of Section 16 of the Securities Act of 1934, once each calendar quarter, elect to transfer, in 10% increments, effective the first calendar day of the month following the month in which the election is made, any amount in her Stock Unit Account to her general fund account."

2. Section 4.02 of the Plan is hereby amended to read in its entirety as follows:

"Any transfer pursuant to Section 4.01 shall be made in cash and shall be an amount equal to the product of (x) the current value of Textron Common Stock as defined in Section 3.06, as of the end of the month in which the election is made, times (y) the percent being transferred."

3. The Plan is hereby amended to add a new Section 2.04 to read in its entirety as follows:

"The general fund account, which shall include all amounts contributed to the Participant's supplemental Market Square account prior to December 31, 1992 and any amount transferred pursuant to Article IV, beginning July 1, 1998 shall be credited with earnings as if it was invested in the George Putnam Fund of Boston Balanced Fund."

IN WITNESS WHEREOF, Textron Inc. has caused this Amendment to be executed by its duly authorized officer. Parts 1 and 2 of this Amendment shall be effective as of October 26, 1996. Part 3 of this Amendment shall be effective as of July 1, 1998.

TEXTRON INC.

*By: /s/Carol J. Grant
Carol J. Grant
Vice President, Human Resources*

Exhibit 10.5B

**SUPPLEMENTAL RETIREMENT PLAN FOR
TEXTRON KEY EXECUTIVES**

(Effective December 15, 1994)

First Amendment

Pursuant to Section 7.03 of the Supplemental Retirement Plan for Textron Key Executives (Effective December 15, 1994) (the "Plan"), Textron Inc. hereby amends the Plan, as follows:

1. Vesting in the Plan shall be changed as stated below:

Age at Retirement*	% of Benefits
65	100
64	90
63	80
62	70
61	60
60	50

*Or age at death or age at termination due to disability whichever comes first.

2. The Organization and Compensation Committee of the Board of Directors shall have the discretion to provide an enhanced benefit.

3. If a Participant in the Plan terminates as a result of a Change in Control, she shall be one hundred percent (100%) vested.

4. The normal form of benefit payable from the Plan for all new Participants shall be a life annuity.

IN WITNESS WHEREOF, Textron Inc. has caused this Amendment to be executed by its duly authorized officer. Parts 1 and 2 of this Amendment shall be effective as of April 14, 1998. Part 3 of this Amendment shall be effective as of April 21, 1998. Part 4 of this Amendment shall be effective as of July 22, 1998.

TEXTRON INC.

*By: /s/Carol J. Grant
Carol J. Grant
Vice President, Human Resources*

Exhibit 10.9B

1994 LONG-TERM INCENTIVE PLAN
(Effective April 27, 1994)

First Amendment

Pursuant to Section 4.11 of the 1994 Long-Term Incentive Plan for Textron Employees (Effective April 27, 1994) (the "Plan"), Textron Inc. hereby amends the Plan, effective April 23, 1997 as follows:

1. A maximum of 30,000 PSU's can be earned by any participant with respect to any reward cycle.
2. The Committee may use objective performance criteria to determine how many PSU's will be earned with respect to performance targets, for example: EPS, ROE, ROIC, Free Cash Flow, etc.
3. The Committee may no longer approve an award in excess of 100% for Corporate Officers.
4. If the actual results fall between the minimum and primary performance targets, the specific award will be based on a pre-established formula, but not more than that derived by the formula.
5. Prior to making such awards, the Committee will certify that the goals have been attained or satisfied.

Exhibit 10.14C

TEXTRON INC.
40 Westminister Street
Providence, Rhode Island 02903

As of November 16, 1998

Mr. James F. Hardymon
Chairman
Textron Inc.
40 Westminister Street
Providence, Rhode Island 02903

Dear Jim:

This letter will set forth the terms of our agreement with regard to your retirement from service as the Chairman of the Board of Directors of Textron Inc. (the "Company") and as an employee of the Company on January 31, 1999 (the "Retirement Date").

1. You hereby resign effective as of the Retirement Date as an employee of the Company, as Chairman, and a member, of the Board of Directors of the Company (the "Board"), and from any and all other offices, employment relationships, directorships and fiduciary capacities held with, or on behalf of, the Company and its subsidiaries and affiliates (the "Textron Group") and any employee benefit plan of the Textron Group.

2. You will continue to be paid your current base salary through the Retirement Date in accordance with the Company's normal payroll practices and will also be entitled to receive payment of: (i) any unreimbursed business expenses incurred through the Retirement Date, and (ii) any accrued (but unused) vacation through the Retirement Date.

3. You will receive a cash bonus under the Company's Annual Incentive Compensation Plan ("AIC Plan") for the 1998 fiscal year in the amount of One Million Dollars (\$1,000,000).

Except with regard to amounts you elect by December 1, 1998 to

defer pursuant to the Company's Deferred Income Plan (the "DIP"), such bonus will be paid in a cash lump sum at the time the AIC Plan bonuses for 1998 are paid to members of the Management Committee.

4. Immediately following your Retirement Date, you (or your spouse) will commence receiving monthly benefits in the form of a joint and 50% survivor annuity under the Company's Amended and Restated Supplemental Retirement Plan for Textron Inc. Key Executives (the "SERP") in the amounts of \$179,515 per month (subject to adjustment as provided below) while you are alive and, after your death, \$89,758 per month (subject to adjustment as provided below) to your spouse while she is alive, provided she is married to you on both the Retirement Date and your date of death. Such amounts will be offset by the amounts you receive under the Company's qualified defined benefit pension plan (the "Pension Plan"), but already reflect the agreed upon offset of retirement benefits from your prior employers' defined benefit pension plans. The above amounts were calculated based on agreed upon assumptions as to the amounts to which you and your spouse would have been entitled if you had retired on November 30, 1999 when your benefit under the SERP was fully vested and additional compensation was paid to you until such date. The foregoing specified amounts assume that in January 1999 you will earn and receive payment for 50,000 performance share units with a value of \$75 per unit. The parties agree that once the actual number and value of such units is determined in January 1999, the foregoing specified amounts of the SERP benefit will be adjusted to reflect any difference between the foregoing and the actual numbers and values of performance share units earned and received. The SERP benefits shall be inclusive of any benefits

you would have received under the pension portion of the Company's Supplemental Benefits Plan for Textron Key Employees (the "SBP") and Section 5 of the offer letter dated October 20, 1989 (the "Offer Letter") as continued pursuant to Section 4(c) of your employment agreement dated November 24, 1989 as amended as of December 15, 1994 (the "Employment Agreement"), but shall be in addition to your benefits under any retirement plan qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), the Textron Inc. Savings Plan portion of the SBP and the Market Square Trust portion of the **SBP**.

5. Under the Company's 1994 Long-Term Incentive Plan (the "LTIP"), you (or in the case of your death, your estate) will receive cash payments equal, in the aggregate, to the fair market value of your 129,000 outstanding performance share units at the end of each of the applicable measuring periods in accordance with the payment provisions of the LTIP. All discretionary performance targets relating to your individual performance shall be deemed to be fully achieved and the actual level of achievement of all earnings per share targets shall be determined as if you continued to be employed by the Company through the end of the applicable measuring periods. Under the Company's 1987 and 1990 Long-Term Incentive Plans, your outstanding options to purchase 314,650 shares of the Company's common stock (the "Common Stock") will remain vested and exercisable in accordance with the applicable plans and option agreements, until the earlier of the expiration of the applicable option term or the third anniversary of the Retirement Date (subject to the provisions that apply in the event of your death or termination due to total disability). In addition, promptly after the

Retirement Date, the Company shall issue you pursuant to Section 6 of the Offer Letter 100,000 shares of the Common Stock (as previously adjusted from 50,000 shares in accordance therewith to reflect a stock split), provided that, you may elect prior to delivery of such shares that the number of such shares delivered to you be reduced to pay withholding on the shares.

6. Pursuant to the grant of 500,000 retirement share units you received on December 15, 1994 (as adjusted to reflect stock splits, stock dividends and other similar events) with a stated value of \$49.1875 per unit (as similarly adjusted) under Section 4(h) of the Employment Agreement, which as of this date is 1,000,000 retirement share units with a stated value of \$24.593750 per unit (the "Retirement Share Units"), the Company will pay you (or, in the event of your death, your estate) an amount in cash on February 1, 1999 equal to 1,000,000 multiplied by the difference between the volume weighted average price of the Common Stock on November 16, 1998 and the stated value of \$24.593750 per unit.

7. Your retirement will be deemed to be a "normal retirement" for all purposes under the Company's employee benefit and equity plans and programs in which you participate and, accordingly, all of your rights and accounts shall vest and cease to be subject to forfeitures to the maximum extent permitted by the terms of such plans and programs. You will, of course, be entitled to your retirement benefits under the Company's tax-qualified retirement plans including, but not limited to, the Pension Plan and Savings Plan, in accordance with the terms of such plans. You will be entitled to continued coverage under the Survivor Benefits Plan.

8. The Company shall provide each of you and your spouse

with coverage under the Company's health plans for senior executives until your respective sixty-fifth birthdays. You and your spouse shall be charged for the premium for the coverage at the same rate charged for COBRA continuation coverage. To the extent that you or your spouse would be subject to the limitations of Section 105(h) of the Code with regard to the taxation of the benefits provided, such coverage shall be provided on an insured basis.

9. The Company shall provide you with an executive office and secretarial services for a period of one (1) year following your retirement at such location as mutually agreed near where you are then residing. The Company shall pay or reimburse your tax preparation expenses (not exceeding \$10,000 per year) for the 1998 and 1999 tax years and shall pay your club dues through December 31, 1999. On the Retirement Date, the Company shall transfer at no cost to you (other than taxes) ownership of your current Company car to you.

10. After the Retirement Date, you shall continue to be indemnified by the Company to the full extent provided or permitted by the Bylaws and Charter of the Company with regard to your activities prior to the Retirement Date as an officer or director of the Company or other members of the Textron Group, as well as a fiduciary of plans of the Textron Group. The Company shall continue to cover you under directors and officers liability insurance with regard to such activities while potential liability exists in the same amount and to the same extent as the Company covers its other officers and directors.

11. Your benefits under the DIP will be paid out in five annual installments commencing in January of 2001 in accordance with the terms of the DIP. The matching amounts credited to your

stock unit account thereunder will continue to vest after your retirement in accordance with the DIP until such account is fully vested.

12. In the event of your death prior to the Retirement

Date, your date of death shall be deemed to be your Retirement Date and you shall be deemed to have vested in all of the amounts due hereunder, which shall be paid to your estate in the cases of Sections 3, 5, 6 and 9 hereof and otherwise as provided in the applicable plan or program (as modified herein if applicable). You will also be entitled in such case to the benefits under the Survivor Benefits Plan.

13. The Company represents and warrants that this Agreement and, in particular Sections 5 and 6 hereof, have been approved by the full Board of Directors or a committee thereof that satisfies the "non-employee director" requirements of Rule 16b-3 of the Securities Exchange Act of 1934, as amended.

14. You shall not with willful intent to damage economically or as to reputation or vindictively disparage the Company, its subsidiaries or their respective past or present officers, directors or employees (the "Protected Group"), provided that the foregoing shall not apply to (i) actions or statements taken or made by you while employed by the Company in good faith as fulfilling your duties with the Company or otherwise at the request of the Company, (ii) truthful statements made in compliance with legal process or governmental inquiry, (iii) as you in good faith deem necessary to rebut any untrue or misleading public statements made about you or any other member of the Protected Group, (iv) statements made in good faith by you to rebut untrue or misleading statements made about you or any other member of the Protected Group by any member of the

Protected Group, and (v) normal commercial puffery in a competitive business situation.

15. Neither the Company officially nor any then member of the Executive Leadership Team (or the equivalent) of the Company, as such term is currently used within the Company, shall with willful intent to damage you economically or as to reputation or otherwise vindictively disparage you, provided the foregoing shall not apply to (i) actions or statements taken or made in good faith within the Company in fulfilling duties with the Company, (ii) truthful statements made in compliance with legal process, governmental inquiry or as required by legal filing or disclosure requirements, (iii) as in good faith deemed necessary to rebut any untrue or misleading statements by you as to any member of the Protected Group or (iv) normal commercial puffery in a competitive business situation.

16. You hereby agree that prior to and for a period of one (1) year after the Retirement Date, you will not engage in Competition with the Company with any of the Listed Companies, including, but not limited to: (i) soliciting customers, business or orders for, or selling any products and services in, Competition with the Company for such Listed Companies, or (ii) diverting, enticing, or otherwise taking away customers, business or orders of the Company, or attempting to do so, in either case in Competition with the Company for such Listed Companies.

"Competition" shall mean engaging in, as an employee, director, partner, principal, shareholder, consultant, advisor, independent contractor or similar capacity, with the Listed Companies, provided that Competition shall not include: (i) holding five percent (5%) or less of an interest in the equity or debt of any publicly traded company, (ii) engaging in any activity with the

prior written approval of the Chief Executive Officer or the O&C Committee, or (iii) the employment by, or provision of services to, an investment banking firm or consulting firm that provides services to entities that are in Competition with the Company, provided that you do not personally represent or provide services to such entities that are Listed Companies. The "Listed Companies" shall be designated in writing by the Company simultaneous with the execution of this Agreement. In the event of your material breach or threatened material breach of this Section, the Company, in addition to its other remedies at law or in equity, shall be entitled to injunctive or other equitable relief in order to enforce or prevent your violation of this Section.

17. All amounts payable hereunder shall be subject to required withholding and deductions in accordance with applicable law and the Textron Group's practices.

18. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

19. This Agreement set forth the parties' entire agreement (and supersedes any and all prior understandings) with respect to its subject matter, including, without limitation, the Employment Agreement and the Offer Letter, provided that Section 8 of the Employment Agreement (regarding setoffs and legal fees) shall apply to this Agreement. This Agreement may be executed in counterparts, each of which shall be deemed an original, but both of which taken together shall constitute one and the same document.

TEXTRON INC.

By: /s/ Lewis B. Campbell

Name:
Title:
Date: November 20, 1998

Agreed & Accepted:

/s/James F. Hardymon
James F. Hardymon
Date: November 16, 1998

TEXTRON MANUFACTURING

COMPUTATION OF RATIO OF INCOME TO COMBINED FIXED
CHARGES AND PREFERRED STOCK DIVIDENDS

(Unaudited)

(In millions except ratios)

	1998	1997	Year 1996	1995	1994
Fixed charges:					
Interest expense (1)	\$ 160	\$ 129	\$ 148	\$ 178	\$ 192
Distributions on preferred securities of subsidiary trust, net of income taxes	26	26	23	-	-
Estimated interest portion of rents	26	21	17	17	20
Total fixed charges	\$ 212	\$ 176	\$ 188	\$ 195	\$ 212
Income:					
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	\$ 763	\$ 648	\$ 540	\$ 413	\$ 375
Fixed charges (2)	186	150	165	195	212
Eliminate equity in undistributed pretax income of finance subsidiaries	(51)	(34)	(67)	(62)	(58)
Adjusted income	\$ 898	\$ 763	\$ 638	\$ 546	\$ 529
Ratio of income to fixed charges	4.24	4.34	3.39	2.80	2.50

(1) Includes interest unrelated to borrowings of \$16 million in 1998; \$12 million in 1997, \$11 million in 1996, \$23 million in 1995, and \$27 million in 1994.

(2) Adjusted to exclude distributions on preferred securities of subsidiary trust, net of income taxes in 1998, 1997 and 1996.

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

COMPUTATION OF RATIO OF INCOME TO COMBINED FIXED
CHARGES AND PREFERRED STOCK DIVIDENDS

(Unaudited)

(In millions except ratios)

	1998	Year 1997	1996	1995	1994
Fixed charges:					
Interest expense (1)	\$ 315	\$ 282	\$ 295	\$ 325	\$ 305
Distributions on preferred securities of subsidiary trust, net of income taxes	26	26	23	-	-
Estimated interest portion of rents	27	22	18	19	21
Total fixed charges	\$ 368	\$ 330	\$ 336	\$ 344	\$ 326
Income:					
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	\$ 763	\$ 648	\$ 540	\$ 413	\$ 375
Fixed charges (2)	342	304	313	344	326
Adjusted income	\$1,105	\$ 952	\$ 853	\$ 757	\$ 701
Ratio of income to fixed charges	3.00	2.89	2.54	2.20	2.15

(1) Includes interest unrelated to borrowings of \$16 million in 1998, \$12 million in 1997, \$11 million in 1996, \$23 million in 1995, and \$27 million in 1994.

(2) Adjusted to exclude distributions on preferred securities of subsidiary trust, net of income taxes in 1998, 1997 and 1996.

Exhibit 13

BUSINESS SEGMENT DATA

For a description of the businesses comprising each segment, see pages 60 through 62.

(In millions)	REVENUES			OPERATING INCOME			OPERATING INCOME MARGINS		
	1998	1997	1996	1998	1997	1996	1998	1997	1996
Aircraft	\$3,189	\$3,025	\$2,593	\$ 338	\$ 313	\$ 261	10.6%	10.3%	10.1%
Automotive	2,405	2,127	1,627	179	150	146	7.4	7.1	9.0
Industrial	3,722	3,181	2,959	410	346	300	11.0	10.9	10.1
Finance	367	350	327	113	108	96	30.8	30.9	29.4
	\$9,683	\$8,683	\$7,506	1,040	917	803	10.7%	10.6%	10.7%
Gain on sale of division				97	-	-			
Special charges				(87)	-	-			
Corporate expenses and other - net				(127)	(140)	(115)			
Interest expense - net				(160)	(129)	(148)			
Income from continuing operations before income taxes*				\$ 763	\$ 648	\$ 540			

* Before distributions on preferred securities of subsidiary trust. Prior year amounts have been reclassified to conform to the current year's segment presentation.

1998 REVENUES - \$9.7 BILLION 1998 OPERATING INCOME - \$1.040 BILLION

[PIE CHART]

AIRCRAFT	\$3,189	33%
AUTOMOTIVE	\$2,405	25%
INDUSTRIAL	\$3,722	38%
FINANCE	\$367	4%

[PIE CHART]

AIRCRAFT	\$338	33%
AUTOMOTIVE	\$179	17%
INDUSTRIAL	\$410	39%
FINANCE	\$113	11%

MANAGEMENT'S DISCUSSION AND ANALYSIS

[BAR CHART] RESULTS OF OPERATION

REVENUES EARNINGS PER SHARE*

96	\$7,506	11%	96	\$1.78	24%
97	\$8,683	16%	97	\$2.19	23%
98	\$9,683	12%	98	\$2.68	22%

*Income from continuing operations - diluted

Textron Inc.
1998 vs. 1997

Diluted earnings per share from continuing operations for 1998 were \$2.68 per share, up 22% from the 1997 amount of \$2.19. Income from continuing operations in 1998 of \$443 million was up 19% from \$372 million for 1997. Revenues increased 12% to \$9.7 billion in 1998 from \$8.7 billion in 1997. Net income including the results of AFS which is a discontinued operation was \$608 million vs. \$558 million in 1997.

Operating income of Textron's four business segments aggregated \$1.040 billion in 1998, up 13% from 1997, as a result of continued improved financial results across all business segments.

Total segment margins increased to 10.7% in 1998 from 10.6% in 1997.

Corporate expenses and other - net decreased \$13 million due primarily to 1997 costs associated with the termination of interest rate swap agreements no longer qualifying as accounting hedges and 1997 litigation expenses related to a divested operation.

The higher Textron manufacturing interest expense - net - \$160 million in 1998 vs. \$129 million in 1997 - was due to higher average debt resulting from the incremental debt associated with acquisitions and share repurchases, partially offset by the payment of debt with proceeds in 1997 from the divestiture of Paul Revere.

1997 vs. 1996

Diluted earnings per share from continuing operations for 1997 were \$2.19, up 23% from the 1996 amount of \$1.78. Income from continuing operations in 1997 of \$372 million was up 22% from \$306 million for 1996. Revenues increased 16% to \$8.7 billion in 1997 from \$7.5 billion in 1996. Net income in 1997 was \$558 million versus \$253 million in 1996, which reflected the impact of a \$245 million loss from a discontinued operation (Paul Revere) that was disposed of early in 1997.

Operating income of Textron's four business segments aggregated \$917 million in 1997, up 14% from 1996, as a result of continued improved financial results in the Aircraft, Industrial and Finance segments. Operating income in the Automotive segment was essentially unchanged.

Total segment margins decreased to 10.6% in 1997 from 10.7% in 1996, due primarily to lower margins associated with the Kautex acquisition.

Corporate expenses and other - net increased in 1997 by \$25 million due to 1997 litigation expenses related to a divested operation, higher 1997 expenses related to organizational changes and higher support costs related to international expansion, and 1997 costs associated with the termination of interest rate swap agreements no longer qualifying as accounting hedges.

The lower Textron manufacturing interest - \$129 million in 1997 vs. \$148 million in 1996 - was due to lower average debt, resulting from the payment of debt with proceeds from the divestiture of Paul Revere, partially offset by the incremental debt associated with acquisitions.

[BAR CHART]

AIRCRAFT REVENUES

96	\$2,593	7%
97	\$3,025	17%
98	\$3,189	5%

Aircraft

1998 vs. 1997

The Aircraft segment's revenues increased \$164 million (5%) and income before special charges increased \$25 million (8%) due to higher results at Cessna Aircraft.

Cessna Aircraft's revenues increased \$301 million, primarily as a result of higher sales of business jets, single-engine aircraft and Caravans. Income increased as a result of the higher sales combined with improved results in the single-engine piston aircraft business.

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[BAR CHART]

OPERATING INCOME

96	\$261	10%
97	\$313	20%
98	\$338	8%

Bell Helicopter's revenues decreased \$137 million, due primarily to the completion in 1997 of the Canadian Forces contract (\$180 million), partially offset by higher commercial spares sales (\$23 million) and higher revenues to the U.S. Government (\$29 million). The higher U.S. Government revenues were due to higher revenues on the V-22 program and the Huey and Cobra upgrade contracts (\$140 million), partially offset by lower foreign military sales and lower revenues on other U.S. Government aircraft and spares (\$111 million). Bell's income decreased due to the lower revenues and a change in product mix, primarily resulting from lower margins on U.S. Government contracts. This unfavorable impact was partially offset by the benefit on the 609 program from a joint venture with an international partner and a lower level of product development expense in 1998.

Under the joint venture agreement, Bell has received \$100 million in cash and its partner has assumed a significant portion of product development effort for joint venture aircraft. The benefit from the joint venture contribution in the fourth quarter 1998 (\$10 million) has been recognized in relation to total projected product development spending. The quarter also benefited by \$7 million for development spending that will be reimbursed by the venture partner.

1997 vs. 1996

The Aircraft segment's revenues and income increased \$432 million (17%) and \$52 million (20%), respectively, due primarily to higher results at Cessna Aircraft.

Bell Helicopter's revenues increased \$27 million primarily as a result of higher U.S. Government and commercial aircraft sales (\$91 million) and higher revenues on the Huey upgrade contract for the U.S. Marines (\$28 million), partially offset by lower revenues on the V-22 program (\$80 million) and lower foreign military sales (\$23 million). Bell's commercial aircraft sales included the completion of the three-year contract for model 412 helicopters with the Canadian Forces. Its income increased slightly as a result of the higher revenues, partially offset by higher product development expenses primarily related to its new commercial aircraft models.

Cessna Aircraft's revenues increased \$405 million as a result of higher sales of business jets, including the Citation X and Bravo. Its income increased as a result of the higher revenues, partially offset by an increased level of expenses due to the introduction and support of new products.

[BAR CHART]

AUTOMOTIVE REVENUES OPERATING INCOME

96	\$1,627	6%	96	\$146	8%
97	\$2,127	31%	97	\$150	3%
98	\$2,405	13%	98	\$179	19%

Automotive 1998 vs. 1997

The Automotive segment's revenues increased \$278 million (13%), while income before special charges increased \$29 million (19%). The revenue increase was due to higher volume at Kautex associated with capacity expansion in North America and higher sales at the Trim operations, due primarily to increased Chrysler production (which was depressed in 1997 by a strike at Chrysler in the second quarter of 1997) and the contribution from acquisitions. These revenue increases were partially offset by the impact of a strike at General Motors in 1998 and the impact of customer price reductions. The increase in income reflected the above factors and improved performance at Trim.

1997 vs. 1996

The Automotive segment's revenues increased \$500 million (31%), primarily as a result of the first quarter 1997 acquisition of Kautex, the third quarter 1997 acquisition of the General Rubber Goods division of Pirelli Tyres, Ltd., and the 1996 acquisitions of Valeo Wiper Systems and the remaining 50% of a joint venture in Born, Netherlands. The benefit of the higher sales from the acquisitions was partially offset by the unfavorable impact of a strike at a Chrysler engine plant in the second quarter 1997 and the timing of replacement business and new model launches. Income approximated last year's level, reflecting the above factors, increased costs related to new model launches and the impact of a restructuring effort which began in the second quarter 1997.

[BAR CHART]**INDUSTRIAL
REVENUES OPERATING INCOME**

96	\$2,959	18%	96	\$300	20%
97	\$3,181	8%	97	\$346	15%
98	\$3,722	17%	98	\$410	18%

**Industrial
1998 vs. 1997**

The Industrial segment's revenues and income before special charges increased \$541 million (17%) and \$64 million (18%), respectively. These increases reflect the contribution from acquisitions, primarily Ransomes, Ring Screw Works, David Brown, Sukosim and Peiner, and internal growth combined with ongoing margin improvement. Internal growth was driven by higher sales in the Golf and Turf and Fluid & Power Systems businesses. These benefits were partially offset by the divestitures of Speidel in the fourth quarter 1997 and Fuel Systems in the second quarter 1998, the impact of a strike at General Motors on Textron Fastening Systems and a one-month strike at a Textron Turf-Care & Specialty Products plant in 1998. Margins, although slightly higher than last year, were adversely impacted by the lower margins of acquisitions, the divestiture of higher margin businesses and unfavorable contract adjustments related to certain Industrial Component products.

1997 vs. 1996

The Industrial segment's revenues increased \$222 million (8%). Income increased \$46 million (15%), reflecting higher sales from both acquisitions and organic growth, and improved operating margins, principally in industrial components and fastening systems. The revenue and income increases were due primarily to higher sales in the fastening systems business (\$143 million), including the second quarter 1996 acquisition of Textron Industries S.A.S. In addition, results benefited from the 1997 acquisitions of Maag Pump Systems, Maag Italia, S.p.A., and Burkland Holding, Inc., an increase in demand for aerospace components and higher revenues on the sensor fuzed weapon contract, partially offset by the third quarter 1996 divestiture of Textron Aerostructures and lower revenues in marine and land systems products.

[BAR CHART]**FINANCE
REVENUES OPERATING INCOME**

96	\$327	5%	96	\$96	9%
97	\$350	7%	97	\$108	13%
98	\$367	5%	98	\$113	5%

**Finance
1998 vs. 1997**

The Finance segment's revenues increased \$17 million (5%), as a result of a higher level of average receivables (\$3.190 billion in 1998 vs. \$3.128 billion in 1997) and an increase in residual, prepayment and portfolio servicing income. Income increased \$5 million (5%) as the benefit of the higher revenues and a lower provision for losses was partially offset by higher expenses related to growth in managed receivables and growth in businesses with higher operating expense ratios. Both years included a gain of approximately \$3 million on the securitization of Textron-related receivables.

1997 vs. 1996

The Finance Segment's revenues increased \$23 million (7%), due to a higher level of average receivables (\$3.128 billion in 1997 vs. \$3.036 billion in 1996) and increases in other income, due primarily to the securitization of \$401 million of Textron-related receivables and increased syndication fee income. Income increased \$12 million (13%), due to the higher revenues and a lower provision for loan losses related to the real estate portfolio, partially offset by growth in businesses with higher operating expense ratios.

Special charges

To enhance the competitiveness and profitability of its core businesses, Textron recorded a pretax charge of \$87 million in the second quarter 1998 (\$54 million after-tax or \$0.32 per diluted share). This charge was recorded to cover asset impairments (\$28 million), severance costs (\$40 million), and other exit-related costs (\$9 million) associated with its decision to exit several small, nonstrategic product lines in Automotive and the former Systems and Components divisions which did not meet Textron's return criteria, and to realign certain operations in the Industrial segment. The pretax charges associated with the Automotive and Industrial segments were \$25 million and \$52 million, respectively, and also included the cost of a litigation settlement of \$10 million associated with the Aircraft segment.

[DISCONTINUED OPERATIONS]

Discontinued Operations

In August 1998, Textron announced that it had reached an agreement to sell Avco Financial Services (AFS) to Associates First Capital Corporation. The sale was completed on January 6, 1999. AFS has been classified as a discontinued operation for all periods.

1998 vs. 1997

Income from discontinued operations of \$165 million was \$21 million lower than 1997's income from discontinued operations of \$186 million. The decrease was due to (a) lower earnings in the U.S. Finance business as a result of an increase in the provision for receivables (receivables increased in 1998 while receivables decreased in 1997) and a decrease in the gain on sales of receivables, (b) lower earnings in Hong Kong due to a weakening economy and (c) the unfavorable impact of foreign exchange rates primarily in Australia and Canada. This unfavorable impact was partially offset by an increase in insurance earnings due to improved loss experience and an increase in capital gains.

1997 vs. 1996

Income from discontinued operations of \$186 million was \$6 million lower than 1996's income from discontinued operations of \$192 million. The decrease reflects first quarter 1996 income of \$16 million related to Paul Revere which was disposed of in early 1997. Income from Avco Financial Services increased \$10 million reflecting the benefit from the gains on the sale of certain underperforming branches, a higher level of finance receivables outstanding, improved independent insurance operations, and a decrease in the average cost of borrowed funds. These benefits were offset by an increase in the provision for net credit losses, a decrease in the yields on finance receivables, and higher operating expenses related to international expansion and the start-up of centralized sales processing centers in the U.S. and Canada.

[LIQUIDITY & CAPITAL RESOURCES]

The liquidity and capital resources of Textron's (Textron or the Company) operations are best understood by separately considering its independent borrowing groups (Textron Manufacturing and Textron Finance). Textron Manufacturing consists of Textron's manufacturing businesses, whose financial results are a reflection of the ability to manage and finance the development, production and delivery of tangible goods and services. Textron Finance business involves commercial financing activities. Textron Finance's financial results are a reflection of its ability to provide financial services in a competitive marketplace, at the appropriate pricing, while managing the associated financial risks. The fundamental differences between each borrowing group's activities result in different measures used by investors, rating agencies and analysts.

Operating Cash Flows

Textron's financial position continued to be strong at the end of 1998. During 1998, cash flows from operations was the primary source of funds for operating needs and capital expenditures of Textron Manufacturing. Operating activities have generated increased cash flow in each of the past three years. The Statement of Cash Flows for each borrowing group detailing the changes in cash balances are on page 36. Textron Manufacturing's operating cash flow includes dividends received from Textron Finance and from AFS which is a discontinued operation. In addition, 1998 operating cash flow includes \$100 million received from a joint venture partner. Beginning in late 1997, the methodology used to determine the amount of dividends to be paid to Textron Manufacturing changed from payments based on a percentage of net income to payments based on Textron Finance maintaining a leverage ratio of 6.5 to 1. Now that Textron's finance operations no longer include consumer finance, this leverage ratio will be re-evaluated in 1999.

Financing

Borrowings have historically been a secondary source of funds for Textron Manufacturing and, along with the collection of finance receivables, are a primary source of funds for Textron Finance. Both Textron Manufacturing and Textron Finance have

maintained debt levels considered consistent with maintaining investment grade credit ratings. Both Textron Manufacturing and Textron Finance utilize a broad base of financial sources for their respective liquidity and capital requirements. The Company's strong credit ratings from Moody's and Standard & Poor's provide flexibility in obtaining funds on competitive terms. The Company's credit facilities are summarized on page 44. In addition, at the end of 1998, Textron Manufacturing had \$311 million available for the issuance of unsecured debt securities under shelf-registration statements with the Securities and Exchange Commission. Textron Finance has a medium-term note facility of which \$472 million was available at year-end 1998. The Company believes that both borrowing groups, individually and in the aggregate, have adequate credit facilities and have available access to capital markets to meet their long-term financing needs.

Dispositions

Fuel Systems Textron was sold to Woodward Governor Company for \$160 million in cash in June 1998, at a pretax gain of \$97 million (\$54 million after-tax, or \$0.32 per diluted share).

In August of 1998, Textron announced that it had reached an agreement to sell AFS to Associates First Capital Corporation for \$3.9 billion. This transaction closed on January 6, 1999. Net after-tax proceeds will approximate \$2.9 billion. Proceeds from the AFS disposition will have a significant short-term impact on Textron's capital structure. Textron assessed the potential incremental benefits that it could earn from investing the AFS proceeds (within the Company's established investment policies) versus the interest cost avoidance from the retirement of borrowings and determined that the latter provided the greatest value to shareholders. Therefore, in early 1999, the Company began to use the proceeds to repay long-term and short-term borrowings of Textron Manufacturing, and Textron Finance commercial paper. Interest rate swaps designated as hedges of retired borrowings were also terminated. Ultimately, proceeds from the AFS disposition will be used to finance share repurchases (including shares purchased in 1998 after the announcement of the sale of AFS) and new acquisitions and borrowings will return to normalized levels.

Uses of Capital

Cash flows from operations and borrowing capacity provide both borrowing groups with the flexibility to actively manage acquisitions, dispositions and internal investments in a changing environment. During the past three years, Textron Manufacturing acquired 24 companies for an aggregate cost of \$1.8 billion, including notes issued for approximately \$230 million. In addition, approximately \$390 million of debt was assumed as a result of these acquisitions. The principal acquisitions in 1998 were the purchase of David Brown Group PLC - a UK-based designer and manufacturer of industrial gears and mechanical and hydraulic transmission systems, Ransomes PLC - a UK-based manufacturer of commercial turf-care machinery, and Ring Screw Works - a Michigan-based supplier of specialty threaded fasteners to the automotive industry.

Capital spending increased in 1998 by approximately \$100 million. This increase was primarily used to expand aircraft and industrial capacity. 1999 capital spending is expected to increase from 1998, as a result of initiatives to increase aircraft and automotive capacity and expanding Fluid & Power capabilities.

In 1998, Textron repurchased 10.2 million shares of common stock under its Board authorized share repurchase program. Textron's Board of Directors has increased the cash dividend to shareholders by an average annual compound growth rate of 13% since 1992. Textron's Board of Directors raised the dividend per common share to \$1.14 in 1998 from \$1.00 in 1997. Because 1997 was a 53 week fiscal year for Textron, the 1997 dividend payments amount includes five payments as opposed to 1998 when three payments were paid. Dividend payments to shareholders in 1998 amounted to \$143 million, a decrease of \$59 million from 1997.

FINANCIAL RISK MANAGEMENT

Interest Rate Risks

Textron's financial results are affected by changes in U.S. and foreign interest rates. As part of managing this risk, the Company enters into interest rate exchange agreements to convert certain variable-rate debt to long-term fixed-rate debt and vice versa. The overall objective of Textron's interest rate risk management is to achieve a prudent

balance between floating and fixed-rate debt. The Company's mix of fixed and floating rate debt is continuously monitored by management and is adjusted, as necessary, based on evaluation of internal and external factors.

Prior to 1998, Textron Manufacturing has generally used these agreements to alter the underlying interest rate and effective maturity of certain variable-rate short-term borrowings (and their anticipated replacements) to that of a fixed-rate debt instrument. By doing so, Textron Manufacturing has effectively been able to obtain fixed-rate financing at a lower cost than had fixed-rate debt instruments been issued. In the first quarter of 1998, Textron Manufacturing terminated all of its outstanding fixed-pay interest rate exchange agreements. The amortization of the termination premium increased reported interest expense by \$13 million. The difference between the rates Textron Manufacturing received and the rates it paid on interest rate exchange agreements did not significantly impact interest expense in 1998. Reported interest expense was increased by \$11 million in 1997 and \$12 million in 1996.

In late 1998, Textron Manufacturing entered into \$435 million of variable-pay interest rate exchange agreements. These agreements were designated as hedges of specific long-term fixed-rate debt. In connection with the retirement of external borrowings discussed previously, \$479 million of variable-pay swaps were terminated in early 1999.

Textron Finance's strategy is to match interest-sensitive assets with interest-sensitive liabilities to limit the Company's exposure to changes in interest rates. As part of managing this matching strategy, Textron Finance entered into interest rate exchange agreements. The difference between the variable-rate Textron Finance received and the fixed rate it paid on interest rate exchange agreements increased its reported interest expense by \$2 million in 1998; \$1 million in 1997 and \$3 million in 1996.

Foreign Exchange Risks and Euro Conversion

Textron's financial results are affected by changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which products are manufactured and/or sold. Textron Manufacturing's primary currency exposures are the German Mark, British Pound, Canadian Dollar and French Franc.

Textron Manufacturing manages its exposures to foreign currency assets and earnings primarily by funding certain foreign currency denominated assets with liabilities in the same currency and, as such, certain exposures are naturally offset. In addition, as part of managing its foreign currency transaction exposures, Textron enters into foreign currency forward exchange contracts. These contracts are generally used to fix the local currency cost of purchased goods or services or selling prices denominated in currencies other than the functional currency. During 1998, the notional amount of outstanding foreign exchange contracts and currency swaps increased from approximately \$524 million at the end of 1997 to \$1.3 billion. The increase is attributable to international acquisitions that have a high volume of cross-currency transactions, and an increased level of foreign currency financing activity.

The recent devaluation of the Brazilian Real is expected to have a relatively small impact on Textron because Textron's operations in Brazil are not significant. The functional currency for Textron's Brazilian operations is the Real. However, export sales to Brazil, which generally are denominated in U.S. dollars, may decline in 1999, from 1998 levels.

Effective January 1, 1999, the European Economic and Monetary Union entered into a three-year transition phase during which a common currency, the "euro" will be introduced in participating countries. The legacy currencies will remain legal tender for cash transactions between January 1, 1999 and January 1, 2002 at which time all legacy currencies will be withdrawn from circulation and the new euro denominated bills and coins will be used for cash transactions. Textron has operations within the eleven participating countries that will be utilizing the euro as their local currency in 1999. Additionally, Textron's operations in other European countries and elsewhere in the world will be conducting business transactions with customers and suppliers that will be denominated in the euro. The euro conversion is not expected to have a material impact on the company's business.

Quantitative Risk Measures

Textron has used a sensitivity analysis to quantify the market risk inherent in its financial instruments. Financial instruments held by the Company that are subject to market risk (interest rate risk and foreign exchange rate risk) include finance receivables (excluding lease receivables), debt, interest rate exchange agreements, foreign exchange contracts and currency swaps.

With AFS being treated as a discontinued operation in 1998, the number and complexity of Textron's financial instruments has declined. As a result, Textron has elected to disclose the sensitivity analysis quantitative risk measure as opposed to the value-at-risk measure disclosed in the 1997 Annual Report. The following table illustrates the hypothetical change in the fair value of the Company's financial instruments at year-end assuming a 10% decrease in interest rates and a 10% strengthening in exchange rates against the U.S. dollar. The estimated fair value of the financial instruments were determined by discounted cash flow analysis and by independent investment bankers. See Note 15 for further information on determining fair value of financial instruments. This sensitivity analysis is most likely not indicative of actual results in the future.

(In millions)	1998			1997		
	Carrying Value	Fair Value	Hypothetical Change In Fair Value	Carrying Value	Fair Value	Hypothetical Change In Fair Value
INTEREST RATE RISK						
Textron Manufacturing:						
Debt	\$2,615	\$2,706	\$27	\$1,221	\$1,276	\$35
Interest rate exchange agreements	-	(11)	(18)	-	10	2
Textron Finance:						
Finance receivables	2,774	2,837	28	2,280	2,334	20
Debt	2,829	2,836	12	2,365	2,380	9
Interest rate exchange agreements	-	1	1	-	-	4
FOREIGN EXCHANGE RATE RISK						
Textron Manufacturing:						
Debt	319	334	33	393	393	39
Foreign exchange contracts	-	9	(23)	-	4	(9)
Currency swaps	14	10	84	(4)	(4)	-

OTHER MATTERS

Environmental

As with other industrial enterprises engaged in similar businesses, Textron is involved in a number of remedial actions under various federal and state laws and regulations relating to the environment which impose liability on companies to clean up, or contribute to the cost of cleaning up, sites on which their hazardous wastes or materials were disposed or released. Expenditures to evaluate and remediate contaminated sites approximated \$10 million, \$10 million and \$12 million in 1998, 1997 and 1996, respectively. Textron currently projects that expenditures for remediation will range between \$10 million and \$20 million for each of the years 1999 and 2000.

Textron's accrued estimated environmental liabilities are based on assumptions which are subject to a number of factors and uncertainties. Circumstances which can affect the accruals' reliability and precision include identification of additional sites, environmental regulations, level of cleanup required, technologies available, number and financial condition of other contributors to remediation, and the time period over which remediation may occur. Textron believes that any changes to the accruals that may result from these factors and uncertainties will not have a material effect on Textron's net income or financial condition. Textron estimates that its accrued environmental remediation liabilities will likely be paid over the next five to ten years.

Year 2000 Readiness Disclosure

Introduction

Much of the world's computer hardware and software is not designed to process date information after 1999. This is largely because computer programs have historically used only two digits to identify the year in a date, but problems related to processing of date information also may arise because some software assigns special meaning to certain dates. This Year 2000 problem could, if uncorrected, cause computers and other equipment used and manufactured by Textron and Textron's suppliers and customers to fail to operate properly.

Year 2000 Program

In early 1997, Textron began a company-wide program (the "Program") to assess the possible vulnerability of Textron to the Year 2000 problem and to minimize the effect of the problem on Textron's operations. The Program is centrally directed from the Year 2000 Program Office at Textron's corporate headquarters and is executed at each Textron business unit. The Program addresses five "Major Elements" at the corporate headquarters and each business unit:

Business Systems: management information systems and personal computer applications, including the computing environments that support them.

Factory and Facilities Equipment: equipment that uses a computer to control its operation either for producing an end-product or providing services.

End-Products: software products, delivered either alone or as a component of another product, that are supplied to Textron customers.

Suppliers: assurance that those who sell goods and services to Textron will not interrupt Textron operations due to the Year 2000 problem.

Customers: assurance that those who buy goods and services from Textron will not interrupt Textron operations due to the Year 2000 problem.

For each of the Major Elements, the Program measures five "Readiness Levels":

Level I)	Management has become aware of the issue. An inventory is being taken of the items that the Year 2000 problem may affect.
Level II)	The inventory of Year 2000 items has been completed. The priority of each item is being assessed. Actions are being planned to assure that each item is ready for the Year 2000. Resources are being committed to do the work.
Level III)	Planning has been completed. The prescribed actions are being performed, including testing to verify that the actions are effective. Suppliers and customers are being surveyed and their progress is being tracked.
Level IV)	Items critical to operations have been remediated and have been put in normal operation. Surveys of critical suppliers and customers have been completed. Core business systems continue to be tested. Follow-up checking of suppliers and customers is in process. Contingency plans are being prepared. Audits to verify readiness are being performed. Remediation of items that are important to operations, but not critical, is being performed.
Level V)	Systems critical to operations have been tested. Audits and associated corrective actions have been completed. Contingency plans have been completed. Follow-up checking of suppliers and customers has been completed. In all material respects, Textron is ready for Year 2000.

Textron has substantially reached Readiness Level IV. Based on information currently available, Textron estimates that it will achieve full Readiness Level IV by June 30, 1999. Textron estimates that it will substantially reach Readiness Level V by June 30, 1999, and achieve full Readiness Level V by September 30, 1999. Textron intends to have a combination of independent parties and Textron personnel complete an assessment of the implementation of the Program at the corporate headquarters and each business unit by March 31, 1999.

The Readiness Level of the Major Elements Items that have been inventoried as of December 1, 1998, is shown in the following table. Major Element inventories are under continuous review, and additional items may be identified in the future. For the Major Elements of "Suppliers" and "Customers" the indicated Readiness Level refers to Textron's progress in reviewing the readiness of customers and suppliers, and not to Textron's assessment of their readiness.

MAJOR ELEMENT	PERCENT OF IDENTIFIED MAJOR ELEMENT ITEMS AT READINESS LEVEL			
	II	III	IV	V
Business Systems	4%	18%	39%	39%
Factory and Facilities Equipment	3%	15%	40%	42%
End-Products	0%	1%	1%	98%
Suppliers	3%	55%	37%	5%
Customers	20%	52%	12%	1%

Year 2000 Costs

The total cost of the Year 2000 Program for continuing operations is estimated to be approximately \$117 million. Approximately \$62 million is for modifications to existing items and other program expenses and \$55 million is for replacement systems which have been or are expected to be capitalized in accordance with Company policy. Through December 31, 1998, total expenditures were \$79 million. The estimated future cost to complete the Program is expected to be approximately \$38 million including approximately \$15 million for replacement systems. Funds for the Program are provided from special project appropriations totaling approximately \$24 million and from normal operating and capital budgets. The Year 2000 Program has delayed certain other Textron information management projects. Delay of these projects is not expected to have an adverse impact on Textron.

Risks and Contingency Plans

Year 2000 issues have the potential, if not remediated, to severely disrupt Textron's business operations and to adversely affect Textron's financial condition. The Year 2000 Program is expected to significantly reduce Textron's exposure to these issues, particularly with respect to Textron's Business Systems, Factory and Facilities Equipment, and End-Products. However, it is possible that unanticipated problems may arise in the course of Textron's implementation of the Year 2000 Program. In addition, while monitoring of Year 2000 readiness by Textron's suppliers and customers is a major part of the Year 2000 Program, Textron has very limited ability to ensure Year 2000 readiness by such parties. Textron could also be affected by failure of government agencies, in the U.S. and elsewhere, to maintain governmental services that are essential to Textron's operations. Textron cannot identify all possible worst case Year 2000 scenarios. However, the most reasonably likely worst case scenario would be the inability of third parties, including utilities, to deliver supplies and services that are critical to Textron's operations and that could not quickly be replaced by other suppliers or internally. In such a situation, operations at the affected Textron facilities could be interrupted, with adverse effects on Textron's financial results.

Textron is developing contingency plans to cover situations in which Year 2000 problems arise despite Textron's efforts. Such plans are expected to be substantially ready by June 30, 1999.

Forward-looking statements contained in this report relating to Year 2000 issues, including expectations of readiness, possible effects on Textron and similar matters, are subject to the risks described in this section.

Backlog

Textron's commercial backlog was \$5.6 billion and \$4.1 billion at the end of 1998 and 1997, respectively, and U.S. Government backlog was \$2.1 billion at the end of 1998 and \$2.2 billion at the end of 1997. Backlog for the Aircraft segment was approximately 78% and 79% of Textron's commercial backlog at the end of 1998 and 1997, respectively, and 73% and 71% of Textron's U.S. Government backlog at the end of 1998 and 1997, respectively.

Foreign Military Sales

Certain company products are sold through the Department of Defense's Foreign Military Sales Program. In addition, Textron sells directly to select foreign military organizations. Sales under these programs totaled approximately 1.6% of Textron's consolidated revenues in 1998 (0.3% in the case of foreign military sales, and 1.3% in the case of direct sales) and 4.1% in 1997 (0.8% and 3.3%, respectively). Such sales include military and commercial helicopters, armored vehicles, turrets, and spare parts, and in 1998, were made primarily to the countries of Thailand 26%, Venezuela 21%, Taiwan 15%, Colombia 6%, Ecuador 4%, Germany 3%, South Africa 3%, Turkey 3%, Canada 3%, Israel 2%, and Japan 2%. All sales are made in full compliance with all applicable laws and in accordance with Textron's code of conduct.

New Accounting Pronouncements

In March 1998, the Accounting Standards Executive Committee issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires that companies capitalize certain internal-use software once certain criteria are met. This statement is effective for financial statements of fiscal years beginning after December 15, 1998.

In April 1998, the Accounting Standards Executive Committee issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 will require all costs of start-up activities, including organization costs, to be expensed as incurred. This statement is effective for financial statements of fiscal years beginning after December 15, 1998.

In June 1998, the Financial Accounting Standards Board issued FAS 133, "Accounting for Derivative Instruments and Hedging Activities." FAS 133 requires an entity to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. This statement is effective for fiscal years beginning after June 15, 1999.

Textron is evaluating the potential impact of these pronouncements on future reporting.

* * * * *

Forward-looking Information: Certain statements in this Report, and other oral and written statements made by Textron from time to time, are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or project revenues, income, returns or other financial measures. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the following: (a) the extent which Textron is able to successfully integrate acquisitions, (b) changes in worldwide economic and political conditions and associated impact on interest and foreign exchange rates, (c) the occurrence of work stoppages and strikes at key facilities of Textron or Textron's customers or suppliers, (d) the extent to which the Company is able to successfully develop, introduce, and launch new products and enter new markets, (e) the level of government funding for Textron products and (f) Textron's ability to complete Year 2000 conversion without unexpected complications and the ability of its suppliers and customers to successfully modify their own programs. For the Aircraft Segment: (a) the timing of certifications of new aircraft products and (b) the occurrence of a severe downturn in the U.S. economy that discourages businesses from purchasing business jets. For the Automotive Segment: (a) the level of consumer demand for the vehicle models for which Textron supplies parts to automotive original equipment manufacturers ("OEM's") and (b) the ability to offset, through cost reductions, pricing pressure brought by automotive OEM customers. For the Industrial Segment: the ability of Textron Fastening Systems to offset, through cost reductions, pricing pressure brought by automotive OEM customers. For the Finance Segment: (a) the level of sales of Textron products for which TFC offers financing and (b) the ability of TFC to maintain credit quality and control costs when entering new markets.

REPORT OF
MANAGEMENT

Management is responsible for the integrity and objectivity of the financial data presented in this Annual Report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and include amounts based on Management's best estimates and judgments. The independent auditors, Ernst & Young LLP, have audited the consolidated financial statements and have considered the internal control structure to the extent they believed necessary to support their report, which appears below.

We conduct our business in accordance with the standards outlined in the Textron Business Conduct Guidelines which is communicated to all employees. Honesty, integrity and high ethical standards are the core values of how we conduct business. Every Textron division prepares and carries out an annual Compliance Plan to ensure these values and standards are maintained. Our internal control structure is designed to provide reasonable assurance, at appropriate cost, that assets are safeguarded and that transactions are properly executed and recorded. The internal control structure includes, among other things, established policies and procedures, an internal audit function, and the selection and training of qualified personnel. Textron financial managers are responsible for implementing effective internal control systems and monitoring their effectiveness, as well as developing and executing an annual internal control plan.

The Audit Committee of our Board of Directors, on behalf of the shareholders, oversees management's financial reporting responsibilities. The Audit Committee, comprised of five directors who are not officers or employees of the Company, meets regularly with the independent auditors, management and our internal auditors to review matters relating to financial reporting, internal accounting controls and auditing. Both the independent auditors and the internal auditors have free and full access to senior management and the Audit Committee.

/s/ Lewis B. Campbell

Lewis B. Campbell
Chairman and
Chief Executive Officer

/s/ Stephen L. Key

Stephen L. Key
Executive Vice President and Chief Financial Officer
January 26, 1999

REPORT OF
INDEPENDENT
AUDITORS

To the Board of Directors and Shareholders
Textron Inc.

We have audited the accompanying consolidated balance sheets of Textron Inc. as of January 2, 1999 and January 3, 1998, and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended January 2, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Textron Inc. at January 2,

1999 and January 3, 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 2, 1999, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Boston, Massachusetts
January 26, 1999

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CONSOLIDATED STATEMENT OF INCOME

For each of the three years in the period ended January 2, 1999

(In millions except per share amounts)

	1998	1997	1996
TEXTRON MANUFACTURING			
Revenues	\$9,316	\$8,333	7,179
COSTS AND EXPENSES			
Cost of sales	7,572	6,836	5,837
Selling and administrative	944	828	750
Gain on sale of division	(97)	-	-
Special charges	87	-	-
Interest	160	129	148
Total costs and expenses	8,666	7,793	6,735
Manufacturing income	650	540	444
TEXTRON FINANCE			
Revenues	367	350	327
COSTS AND EXPENSES			
Selling and administrative	79	66	58
Interest	155	153	147
Provision for losses on collection of finance receivables	20	23	26
Total costs and expenses	254	242	231
Finance income	113	108	96
TOTAL COMPANY			
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	763	648	540
Income taxes	(294)	(250)	(211)
Distributions on preferred securities of subsidiary trust, net of income taxes	(26)	(26)	(23)
Income from continuing operations	443	372	306
Discontinued operations, net of income taxes:			
Income from operations	165	186	192
Loss on disposal	-	-	(245)
	165	186	(53)
NET INCOME	\$ 608	\$ 558	\$ 253
PER COMMON SHARE:			
BASIC:			
INCOME FROM CONTINUING OPERATIONS	\$ 2.74	\$ 2.25	\$ 1.82
Discontinued operations	1.03	1.13	(.31)
NET INCOME	\$ 3.77	\$ 3.38	\$ 1.51
DILUTED:			
INCOME FROM CONTINUING OPERATIONS	\$ 2.68	\$ 2.19	\$ 1.78
Discontinued operations	1.00	1.10	(.31)
NET INCOME	\$ 3.68	\$ 3.29	\$ 1.47

See notes to the consolidated financial statements.

Balance Sheet

As of January 2, 1999 and January 3, 1998

(Dollars in millions)	1998	1997
ASSETS		
TEXTRON MANUFACTURING		
Cash	\$ 31	30
Commercial and U.S. government receivables - net	1,160	920
Inventories	1,640	1,349
Investment in discontinued operations	1,176	1,214
Other current assets	348	185
TOTAL CURRENT ASSETS	4,355	3,698
Property, plant, and equipment - net	2,185	1,761
Goodwill - net	2,119	1,567
Other assets	1,277	1,126
TOTAL TEXTRON MANUFACTURING ASSETS	9,936	8,152
TEXTRON FINANCE		
Cash	22	13
Finance receivables - net	3,528	2,992
Other assets	235	173
TOTAL TEXTRON FINANCE ASSETS	3,785	3,178
TOTAL ASSETS	\$13,721	\$11,330
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
TEXTRON MANUFACTURING		
Current portion of long-term debt and short-term debt	\$ 1,735	\$ 476
Accounts payable	1,010	812
Accrued liabilities	1,174	853
TOTAL CURRENT LIABILITIES	3,919	2,141
Accrued postretirement benefits other than pensions	762	766
Other liabilities	1,367	1,195
Long-term debt	880	745
TOTAL TEXTRON MANUFACTURING LIABILITIES	6,928	4,847
TEXTRON FINANCE		
Other liabilities	162	88
Deferred income taxes	322	319
Debt	2,829	2,365
TOTAL TEXTRON FINANCE LIABILITIES	3,313	2,772
TOTAL LIABILITIES	10,241	7,619
TEXTRON - OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST		
HOLDING SOLELY TEXTRON JUNIOR SUBORDINATED DEBT SECURITIES	483	483
SHAREHOLDERS' EQUITY		
Capital stock:		
Preferred stock:		
\$2.08 Cumulative Convertible Preferred Stock, Series A (liquidation value - \$12)	6	6
\$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends)	7	7
Common stock (193,277,000 and 190,689,000 shares issued)	24	24
Capital surplus	931	830
Retained earnings	3,786	3,362
Accumulated other comprehensive income (loss)	(96)	(62)
Less cost of treasury shares	4,658	4,167
TOTAL SHAREHOLDERS' EQUITY	2,997	3,228
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$13,721	\$11,330

See notes to the consolidated financial statements.

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STATEMENT OF CASH FLOWS

For each of the three years in the period
ended January 2, 1999

(In millions)

	Consolidated			TEXTRON MANUFACTURING*			TEXTRON FINANCE		
	1998	1997	1996	1998	1997	1996	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:									
Income from continuing operations	\$443	\$372	\$306	\$443	\$372	\$306	\$70	\$68	\$58
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:									
Earnings of Textron Finance (greater than less than distributions)	--	--	--	(8)	6	(30)	--	--	--
Dividends received from discontinued operations	187	108	95	187	108	95	--	--	--
Depreciation	292	254	213	282	243	202	10	11	11
Amortization	69	56	54	66	56	54	3	--	--
Provision for losses on receivables	21	25	29	1	2	3	20	23	26
Gain on sale of division, net of income taxes	(54)	--	--	(54)	--	--	--	--	--
Special charges	87	--	--	87	--	--	--	--	--
Deferred income taxes	(16)	68	15	(18)	61	6	2	7	9
Changes in assets and liabilities excluding those related to acquisitions and divestitures:									
Decrease (increase) in commercial and U.S. government receivables	(116)	44	(33)	(116)	44	(33)	--	--	--
(Increase) in inventories	(157)	(89)	(33)	(157)	(89)	(33)	--	--	--
Decrease (increase) in other assets	(111)	(67)	(110)	(130)	(54)	(123)	8	(1)	4
Increase (decrease) in accounts payable	46	74	62	21	70	66	37	(12)	3
Increase (decrease) in accrued liabilities	262	(103)	74	245	(99)	70	17	(4)	2
Other - net	8	1	(16)	18	8	(7)	(10)	(7)	(8)
NET CASH PROVIDED BY OPERATING ACTIVITIES	961	743	656	867	728	576	157	85	105
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchases of investments	--	--	(5)	--	--	(5)	--	--	--
Proceeds from disposition of investments	--	251	6	--	251	6	--	--	--
Finance receivables:									
Originated or purchased	(4,069)	(2,712)	(2,287)	--	--	--	(4,069)	(2,712)	(2,287)
Repaid or sold	3,459	2,441	2,088	--	--	--	3,459	2,444	2,091
Proceeds on sales of securitized assets	260	373	--	--	--	--	260	373	--
Cash used in acquisitions	(956)	(364)	(216)	(753)	(364)	(216)	(203)	--	--
Cash flows related to disposition of businesses	117	549	180	117	549	180	--	--	--
Capital expenditures	(475)	(374)	(312)	(462)	(366)	(309)	(13)	(8)	(3)
Other investing activities - net	22	48	24	37	35	28	(16)	14	(3)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,642)	212	(522)	(1,061)	105	(316)	(582)	111	(202)
CASH FLOWS FROM FINANCING ACTIVITIES:									
Increase (decrease) in short-term debt	1,571	(425)	(85)	1,220	(484)	(90)	351	59	5
Proceeds from issuance of long-term debt	438	401	345	8	201	--	430	200	345
Principal payments on long-term debt	(534)	(427)	(499)	(190)	(52)	(279)	(344)	(375)	(220)
Issuance of Textron - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	--	--	483	--	--	483	--	--	--
Proceeds from exercise of stock options	71	38	42	71	38	42	--	--	--
Purchases of Textron common stock	(712)	(299)	(266)	(712)	(299)	(266)	--	--	--
Purchases of Textron common stock from Paul Revere	--	(29)	(34)	--	(29)	(34)	--	--	--
Dividends paid	(143)	(202)	(148)	(143)	(202)	(148)	--	--	--
Dividends paid to Textron Manufacturing	--	--	--	--	--	--	(62)	(74)	(29)
Capital contributions to Textron Finance	--	--	--	(59)	--	--	59	--	--
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	691	(943)	(162)	195	(827)	(292)	434	(190)	101
NET INCREASE (DECREASE) IN CASH	10	12	(28)	1	6	(32)	9	6	4
Cash at beginning of year	43	31	59	30	24	56	13	7	3
Cash at end of year	\$53	\$43	\$31	\$31	\$30	\$24	\$22	\$13	\$7
SUPPLEMENTAL INFORMATION:									
Cash paid during the year for interest	\$345	\$293	\$289	\$192	\$140	\$140	\$153	\$153	\$149
Cash paid during the year for income taxes	260	156	167	230	112	142	30	44	25

* "Textron Manufacturing" income from continuing operations includes income from all entities of Textron (primarily manufacturing) other than its commercial finance subsidiary (TFC) and the pretax income from "Textron Finance." Textron Finance consists of Textron's wholly-owned commercial finance subsidiary, TFC. All significant transactions between Textron Manufacturing and Textron Finance have been eliminated from the "Consolidated" column. The principles of consolidation are described in Note 1 to the consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For each of the three years in the period ended January 2, 1999

	Shares outstanding*			Dollars		
	(In thousands)			(In millions)		
	1998	1997	1996	1998	1997	1996
\$2.08 PREFERRED STOCK						
Beginning balance	201	243	267	\$ 6	\$ 7	\$ 8
Conversion to common stock	(23)	(42)	(24)	-	(1)	(1)
Ending balance	178	201	243	\$ 6	\$ 6	\$ 7
\$1.40 PREFERRED STOCK						
Beginning balance	92	107	118	\$ 7	\$ 7	\$ 7
Conversion to common stock	(6)	(15)	(11)	-	-	-
Ending balance	86	92	107	\$ 7	\$ 7	\$ 7
COMMON STOCK						
Beginning balance	162,343	82,809	84,935	\$ 24	\$ 12	\$ 12
Purchases	(10,189)	(4,121)	(3,193)	-	-	-
Stock dividend declared	-	82,397	-	-	12	-
Conversion of preferred stock to common stock	123	166	71	-	-	-
Exercise of stock options	2,465	1,066	923	-	-	-
Other issuances of common stock	-	26	73	-	-	-
Ending balance	154,742	162,343	82,809	\$ 24	\$ 24	\$ 12
CAPITAL SURPLUS						
Beginning balance				\$ 830	\$ 793	\$ 750
Conversion of preferred stock to common stock				1	1	1
Exercise of stock options and other issuances				100	48	48
Stock dividend declared				-	(12)	-
Purchases of common stock				-	-	(6)
Ending balance				\$ 931	\$ 830	\$ 793
RETAINED EARNINGS						
Beginning balance				\$ 3,362	\$ 2,969	\$ 2,864
Net income				608	558	253
Dividends declared:						
Preferred stock				(1)	(1)	(1)
Common stock (per share: \$1.14 in 1998; \$1.00 in 1997; and \$.88 in 1996)				(183)	(164)	(147)
Ending balance				\$ 3,786	\$ 3,362	\$ 2,969
TREASURY STOCK						
Beginning balance				\$ 939	\$ 612	\$ 358
Purchases of common stock				722	328	259
Issuance of common stock				-	(1)	(5)
Ending balance				\$ 1,661	\$ 939	\$ 612
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)						
Beginning balance				\$ (62)	\$ 7	\$ 129
Currency translation adjustment				(33)	(73)	35
Securities valuation adjustment				-	4	(155)
Pension liability adjustment				(1)	-	(2)
Other comprehensive income (loss)				(34)	(69)	(122)
Ending balance				\$ (96)	\$ (62)	\$ 7
COMPREHENSIVE INCOME						
Net income				\$ 608	\$ 558	\$ 253
Other comprehensive income (loss)				(34)	(69)	(122)
Comprehensive income				\$ 574	\$ 489	\$ 131

*Shares issued at the end of 1998, 1997, 1996, and 1995 were as follows (in thousands): \$2.08 Preferred - 247; 270; 312; and 336 shares, respectively; \$1.40 Preferred - 573; 579; 594; and 604 shares, respectively; Common - 193,277; 190,689; 94,456; and 93,462 shares, respectively.

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. FINANCIAL STATEMENT PRESENTATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES APPEAR IN CAPITAL LETTERS AS AN INTEGRAL PART OF THE NOTES TO THE FINANCIAL STATEMENTS TO WHICH THE POLICIES RELATE.

Nature of Operations and Principles of Consolidation

Textron is a global multi-industry company with manufacturing and finance operations. Its principal markets (listed within segments in order of the amount of 1998 revenues) and the major locations of

such markets are as follows:

Segment	Principal markets	Major locations
Aircraft	<ul style="list-style-type: none"> * Business jets * Commercial and military helicopters * General aviation * Overnight express package carriers * Commuter airlines, relief flights, tourism, and freight 	<ul style="list-style-type: none"> * North America * Asia/Pacific * South America * Western Europe
Automotive	<ul style="list-style-type: none"> * Automotive original equipment manufacturers and their suppliers 	<ul style="list-style-type: none"> * North America * Western Europe
Industrial	<ul style="list-style-type: none"> * Fastening systems: automotive, electronics, aerospace, other OEMs, distributors, and consumers * Golf and turf-care products: golf courses, resort communities, and commercial and industrial users * Industrial components: commercial aerospace and defense * Fluid and power systems: original equipment manufacturers, distributors, and end-users of a wide variety of products 	<ul style="list-style-type: none"> * North America * Western Europe * Asia/Pacific * South America
Finance	<ul style="list-style-type: none"> * Commercial loans and leases 	<ul style="list-style-type: none"> * North America

The consolidated financial statements include the accounts of Textron and all of its majority- and wholly-owned subsidiaries. All significant intercompany transactions are eliminated. Paul Revere is reflected as a discontinued operation for 1996 and Avco Financial Services is reflected as a discontinued operation for all periods presented.

Textron consists of two borrowing groups - Textron Parent Company Borrowing Group (Textron Manufacturing) and Textron's finance subsidiary (Textron Finance). Textron Manufacturing consists of all entities of Textron (primarily manufacturing) other than its wholly-owned commercial finance subsidiary. Textron Finance consists of Textron Financial Corporation (TFC).

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect these statements and accompanying notes. Some of the more significant estimates include inventory valuation, residual values of leased assets, allowance for losses on finance receivables, product liability, workers compensation, environmental, and warranty reserves, and amounts reported under long-term contracts. Management's estimates are based on the facts and circumstances available at the time estimates are made, past historical experience, risk of loss, general economic conditions and trends, and management's assessments of the probable future outcome of these matters. Consequently, actual results could differ from such estimates.

2. ACQUISITIONS AND DISPOSITIONS

Acquisitions

During 1998, Textron acquired the following companies: (a) Ransomes PLC - a UK-based manufacturer of commercial turf-care machinery; (b) Sukosim - a German-based fastener manufacturer, (c) Peiner - a German-based fastener company; (d) Ring Screw Works - a Michigan-based supplier of specialty threaded

fasteners to the automotive industry; (e) Datacom Technologies - a Washington-based manufacturer of cable test instruments, (f) Midland Industrial Plastics - a UK-based manufacturer of automotive interior and exterior trim, (g) David Brown Group PLC - a UK-based designer and manufacturer of industrial gears and mechanical and hydraulic transmission systems, (h) Systran - an Oregon factoring company and (i) Business Leasing Group, a division of NationsCredit Commercial Corporation, specializing in vendor finance. The total cost of these acquisitions was approximately \$1.1 billion, including notes issued for approximately \$160 million. In addition, approximately \$190 million of debt was assumed as a result of these acquisitions.

In 1997, Textron acquired Germany-based Kautex Group, a worldwide supplier of blow-molded plastic fuel tanks and other automotive components and systems for approximately \$350 million, which includes the assumption of debt. In addition, Textron acquired Brazil-based Brazaco Mapri Industrias, S.A.S., South America's leading maker of fasteners for a purchase price of \$70 million paid in the first quarter of 1998. Smaller acquisitions made in 1997 aggregated approximately \$70 million.

In 1996, Textron acquired Valois Industries (renamed Textron Industries, S.A.S.), a France-based manufacturer of engineered fastening systems for approximately \$240 million, which includes the assumption of debt. Other acquisitions made in 1996 aggregated approximately \$130 million.

The acquisitions were accounted for as purchases and accordingly, the results of operations of each acquired company are included in the statement of income from the date of acquisition.

Dispositions

On August 11, 1998, Textron announced that it had reached an agreement to sell Avco Financial Services (AFS) to Associates First Capital Corporation for \$3.9 billion in cash. The sale was completed on January 6, 1999. Net after-tax proceeds will approximate \$2.9 billion. Textron has restated its financial statements as presented herein to treat AFS as a discontinued operation.

The operating results of AFS are summarized

below:

For Each of The Three Years Ended December 31, (In millions)	1998	1997	1996
Revenues	\$1,866	\$1,851	\$1,758
Costs and expenses	1,600	1,550	1,471
Income before taxes	266	301	287
Income taxes	(101)	(115)	(112)
Net income	\$ 165	\$ 186	\$ 175

Presented below is a summary of AFS' financial position at December 31, 1998 and 1997:

(In millions)	1998	1997
ASSETS		
Investments	\$ 914	\$ 844
Finance receivables - net	7,678	7,234
Other assets	706	654
Total assets	\$9,298	\$8,732
LIABILITIES		
Accounts payable	\$ 129	\$ 123
Other liabilities	418	485
Debt	7,575	6,910
Total liabilities	8,122	7,518
Equity:		
Common stock	1	1
Capital surplus	763	747
Retained earnings	478	509
Other	(66)	(43)
Total equity	1,176	1,214
Total liabilities and equity	\$9,298	\$8,732

Fuel Systems Textron was sold to Woodward Governor Company for \$160 million in cash in June 1998, at a pretax gain of \$97 million (\$54 million after-tax). In 1997, Textron completed the sale of its 83.3% owned subsidiary, the Paul Revere Corporation to Provident Companies, Inc. Net proceeds to Textron after adjustments and contingent payments were approximately \$800 million (which included the value of shares of Provident common stock subsequently sold for \$245 million). In 1996, Textron sold, for no gain or loss, its Aerostructures division for \$180 million in cash plus a subordinated note.

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3. FINANCE
RECEIVABLES

INTEREST INCOME IS RECOGNIZED IN REVENUES USING THE INTEREST METHOD. DIRECT LOAN ORIGINATION COSTS AND FEES RECEIVED ARE DEFERRED AND AMORTIZED OVER THE LOANS' CONTRACTUAL LIVES. THE ACCRUAL OF INTEREST INCOME IS SUSPENDED FOR ACCOUNTS WHICH ARE CONTRACTUALLY DELINQUENT BY MORE THAN THREE MONTHS. ACCRUAL OF INTEREST ON COMMERCIAL LOANS RESUMES AND SUSPENDED INTEREST INCOME IS RECOGNIZED WHEN LOANS BECOME CONTRACTUALLY CURRENT.

FINANCE RECEIVABLES ARE WRITTEN-OFF WHEN THEY ARE DETERMINED TO BE UNCOLLECTIBLE. FINANCE RECEIVABLES ARE WRITTEN DOWN TO THE FAIR VALUE OF THE RELATED COLLATERAL (LESS ESTIMATED COSTS TO SELL) WHEN THE COLLATERAL IS REPOSSESSED OR WHEN NO PAYMENT HAS BEEN RECEIVED FOR SIX MONTHS, UNLESS MANAGEMENT DEEMS THE LOANS COLLECTIBLE. FORECLOSED REAL ESTATE LOANS AND REPOSSESSED ASSETS ARE TRANSFERRED FROM FINANCE RECEIVABLES TO OTHER ASSETS AT THE LOWER OF FAIR VALUE (LESS ESTIMATED COSTS TO SELL) OR THE OUTSTANDING LOAN BALANCE.

PROVISIONS FOR LOSSES ON FINANCE RECEIVABLES ARE CHARGED TO INCOME IN AMOUNTS SUFFICIENT TO MAINTAIN THE ALLOWANCE AT A LEVEL CONSIDERED ADEQUATE TO COVER LOSSES IN THE EXISTING RECEIVABLE PORTFOLIO. MANAGEMENT EVALUATES THE ALLOWANCE BY EXAMINING CURRENT DELINQUENCIES, THE CHARACTERISTICS OF THE EXISTING ACCOUNTS, HISTORICAL LOSS EXPERIENCE, THE VALUE OF THE UNDERLYING COLLATERAL, AND GENERAL ECONOMIC CONDITIONS AND TRENDS.

Commercial installment contracts have initial terms ranging from one to 12 years. Commercial real estate and golf course mortgages have initial terms ranging from three to seven years. Finance leases have initial terms up to 12 years. Leveraged leases have initial terms up to approximately 30 years. Floorplan and revolving receivables generally mature within one year. At the end of 1998 and 1997, Textron had nonaccrual loans and leases totaling \$70 million and \$86 million, respectively. Approximately, \$46 million and \$64 million of these respective amounts were considered impaired, which excludes finance leases and homogeneous loan portfolios. The allowance for losses on receivables related to impaired loans was \$15 million and \$14 million at the end of 1998 and 1997. The average recorded investment in impaired loans during 1998 and 1997 were \$51 million and \$68 million, respectively. The percentage of net write-offs to average finance receivables was 0.5% in 1998, 0.6% in 1997 and 0.9% in 1996.

The following table displays the contractual maturity of the finance receivables. It does not necessarily reflect future cash collections because of various factors including the refinancing of receivables and repayments prior to maturity. Cash collections from receivables, excluding finance charges, were \$3.5 billion and \$2.3 billion in 1998 and 1997, respectively. In the same periods, the ratio of cash collections to average net receivables was approximately 108% and 76%, respectively.

(In millions)	FINANCE RECEIVABLES					
	CONTRACTUAL MATURITIES LESS				OUTSTANDING	
	1999	2000	After 2000	FINANCE CHARGES	1998	1997
Installment contracts	\$ 375	\$272	\$894	\$202	\$1,339	\$1,141
Floorplan receivables	437	105	31	1	572	409
Revolving loans	378	21	161	4	556	452
Finance leases	134	119	264	93	424	392
Real estate and golf course mortgages	42	66	269	2	375	345
Leveraged leases	18	25	586	283	346	330
	\$1,384	\$608	\$2,205	\$585	3,612	3,069
Less allowance for credit losses					84	77

	\$3,528	\$2,992
=====		
The net investment in finance leases and leveraged leases were as follows:		
(In millions)	1998	1997
Finance and leveraged lease receivables	\$ 590	\$ 537
Estimated residual values on equipment and assets	559	556
	-----	-----
	1,149	1,093
	-----	-----
Unearned income	(379)	(371)
	-----	-----
Investment in leases	770	722
	-----	-----
Deferred income taxes arising from leveraged leases	(256)	(256)
	-----	-----
Net investment in leases	\$ 514	\$ 466
	=====	=====

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The activity in the allowance for losses on finance receivables is as follows:

(In millions)	1998	1997	1996
Balance at the beginning of the year	\$77	\$75	\$75
Provision for losses	18	21	27
Charge-offs	(21)	(25)	(30)
Recoveries	5	6	3
Acquisitions	5	-	-
Balance at the end of the year	\$84	\$77	\$75

Textron had both fixed-rate and variable-rate loan commitments totaling \$432 million at year-end 1998 . Because interest rates on these commitments are not set until the loans are funded, Textron is not exposed to interest rate changes.

A portion of TFC's business involves financing the sale and lease of Textron products. In 1998, 1997, and 1996 , TFC paid Textron \$980 million, \$736 million, and \$663 million, respectively, for receivables and operating lease equipment. Operating agreements with Textron specify that TFC generally has recourse to Textron with respect to these purchases. At year-end 1998, finance receivables and operating lease equipment of \$540 million and \$77 million, respectively, (\$519 million and \$77 million, respectively, at year-end 1997) were due from Textron or subject to recourse to Textron.

Textron Finance manages finance receivables for a variety of investors, participants and third party portfolio owners. The total managed finance receivable portfolio, including owned finance receivables, was \$4,509 million and \$3,829 million, respectively for 1998 and 1997.

Textron Finance's finance receivables are diversified geographically across the United States. There are no significant industry or collateral concentrations at the end of 1998.

4. INVENTORIES INVENTORIES ARE CARRIED AT THE LOWER OF COST OR MARKET.

(In millions)	JANUARY 2, 1999	January 3, 1998
Finished goods	\$ 483	\$ 454
Work in process	878	675
Raw materials	454	366
	-----	-----
	1,815	1,495
Less progress payments and customer deposits	175	146
	-----	-----
	\$1,640	\$1,349

Inventories aggregating \$1,008 million at year-end 1998 and \$894 million at year-end 1997 were valued by the last-in, first-out (LIFO) method. (Had such LIFO inventories been valued at current costs, their carrying values would have been approximately \$170 million and \$159 million higher at those respective dates.) The remaining inventories, other than those related to certain long-term contracts, are valued generally by the first-in, first-out method.

Inventories related to long-term contracts, net of progress payments and customer deposits, were \$178 million at year-end 1998 and \$147 million at year-end 1997.

5. LONG-TERM Long-term Contracts CONTRACTS REVENUES UNDER FIXED-PRICE CONTRACTS ARE GENERALLY RECORDED AS DELIVERIES ARE MADE. CERTAIN LONG-TERM FIXED-PRICE CONTRACTS PROVIDE FOR THE PERIODIC DELIVERY AFTER A LENGTHY PERIOD OF TIME OVER WHICH SIGNIFICANT COSTS ARE INCURRED OR REQUIRE A SIGNIFICANT AMOUNT OF DEVELOPMENT EFFORT IN RELATION TO TOTAL CONTRACT VOLUME. REVENUES UNDER THOSE CONTRACTS AND ALL COST-REIMBURSEMENT-TYPE CONTRACTS ARE RECORDED AS COSTS ARE INCURRED. REVENUES UNDER THE V-22 PRODUCTION CONTRACT WITH THE U.S. GOVERNMENT, WHICH PRESENTLY IS A COST-REIMBURSEMENT-TYPE CONTRACT, ARE RECORDED AS COSTS ARE INCURRED.

CERTAIN CONTRACTS ARE AWARDED WITH FIXED-PRICE INCENTIVE FEES. INCENTIVE FEES ARE CONSIDERED WHEN ESTIMATING REVENUES AND PROFIT RATES, AND ARE RECORDED WHEN THESE AMOUNTS ARE REASONABLY DETERMINED. LONG-TERM CONTRACT PROFITS ARE BASED ON ESTIMATES OF TOTAL SALES VALUE AND COSTS AT COMPLETION. SUCH ESTIMATES ARE REVIEWED AND REVISED PERIODICALLY THROUGHOUT THE CONTRACT LIFE. REVISIONS TO CONTRACT PROFITS ARE RECORDED WHEN THE REVISIONS ARE MADE. ESTIMATED CONTRACT LOSSES ARE RECORDED WHEN IDENTIFIED.

Long-term contract receivables at year-end 1998 and year-end 1997 totaled \$166 million and \$146 million, respectively. This includes \$102 million and \$111 million, respectively, of unbilled costs and accrued profits that had not yet met the contractual billing criteria. Long-term contract receivables do not include significant amounts (a) billed but unpaid due to contractual retainage provisions or (b) subject to collection uncertainty.

6. LONG-TERM THE COST OF PROPERTY, PLANT, AND EQUIPMENT IS DEPRECIATED ASSETS BASED ON THE ASSETS' ESTIMATED USEFUL LIVES.

(In millions)	JANUARY 2, 1999	January 3, 1998

At cost:		
Land and buildings	\$ 942	\$ 808
Machinery and equipment	3,150	2,647

	4,092	3,455
Less accumulated depreciation	1,887	1,685

	\$2,205	\$1,770
=====		

GOODWILL IS AMORTIZED ON THE STRAIGHT-LINE METHOD OVER 20 TO 40 YEARS. Accumulated amortization of goodwill totaled \$388 million at January 2, 1999 and \$329 million at January 3, 1998.

GOODWILL IS PERIODICALLY REVIEWED FOR IMPAIRMENT BY COMPARING THE CARRYING AMOUNT TO THE ESTIMATED FUTURE UNDISCOUNTED CASH FLOWS OF THE BUSINESSES ACQUIRED. IF THIS REVIEW INDICATES THAT GOODWILL IS NOT RECOVERABLE, THE CARRYING AMOUNT WOULD BE REDUCED TO FAIR VALUE.

Customer engineering and tooling project costs for which customer reimbursement is anticipated are capitalized and classified in other assets.

7. DEBT AND CREDIT FACILITIES
- At the end of 1998 and 1997, debt consisted of the following:

(In millions)	JANUARY 2, 1999	January 3, 1998

TEXTRON MANUFACTURING:		
Short-term debt:		
Borrowings under or supported by long-term credit facilities*	\$1,671	\$ 375
Current portion of long-term debt	64	101

Total short-term debt	1,735	476

Long-term senior debt:		
Medium-term notes due 1999-2011 (average rate - 9.54%)	230	230
8.75% due 2022	200	200
6.63% due 2007	200	200
Other long-term debt (average rate 7.53%)	314	216

	944	846

Current portion of long-term debt	(64)	(101)

Total long-term debt	880	745

Total Textron Manufacturing	2,615	1,221

TEXTRON FINANCE:		
Senior:		
Borrowings under or supported by credit facilities**	1,425	1,074
6.76% average rate debt; due 1999 to 2001	472	392
5.79% average rate variable notes; due 1999 to 2001	932	899

Total Textron Finance	2,829	2,365

Total debt	\$5,444	\$3,586
=====		

*The weighted average interest rates on these borrowings, before the effect of interest rate exchange agreements, were 5.8%, 4.8%, and 5.0% at year-end 1998, 1997, and 1996, respectively. Comparable rates during the years 1998, 1997, and 1996 were 5.4%, 4.8%, and 5.0%, respectively.

**The weighted average interest rates on these borrowings, before the effect of interest rate exchange agreements, were 6.3%, 6.1%, and 5.7% at year-end 1998, 1997, and 1996, respectively. Comparable rates during the years 1998, 1997, and 1996 were 5.8%, 5.8%, 5.7%, respectively.

The following table shows required payments during the next five years on debt outstanding at the end of 1998. The payments schedule excludes amounts that may become payable under credit facilities and revolving credit agreements.

(In millions)	1999	2000	2001	2002	2003
Textron Manufacturing	\$ 64	\$ 82	\$155	\$32	\$ 39
Textron Finance	559	507	338	--	--
	\$623	\$589	\$493	\$32	\$ 39

Textron Manufacturing maintains credit facilities with various banks for both short- and long-term borrowings. At year-end, Textron Manufacturing had (a) a \$1.0 billion domestic credit agreement with 24 banks available on a fully revolving basis until April 1, 2003, (b) \$500 million credit agreement with the same banks (terminated in January 1999), (c) \$990 million credit agreement with six banks (terminated in January 1999), (d) \$105 million in multi-currency credit agreements with three banks available through December 29, 2002 and (e) \$160 million in other credit facilities available with various banks. At year-end 1998, \$1.1 billion of the credit facilities was not used or reserved as support for commercial paper or bank borrowings.

Textron Finance has lines of credit with various banks aggregating \$1.2 billion at year-end 1998, of which \$114 million was not used or reserved as support for commercial paper or bank borrowings. Lending agreements limit Textron Finance's net assets available for cash dividends and other payments to Textron Manufacturing to approximately \$169 million of Textron Finance's net assets of \$473 million at year-end 1998. Textron Finance's loan agreements also contain provisions regarding additional debt, creation of liens or guarantees, and the making of investments.

Textron Manufacturing has agreed to cause TFC to maintain certain minimum levels of financial performance. No payments from Textron Manufacturing were necessary in 1998, 1997, or 1996 for TFC to meet these standards.

8. DERIVATIVES Interest rate exchange agreements AND FOREIGN

CURRENCY
TRANSACTIONS

Interest rate exchange agreements are used to help manage interest rate risk by converting certain variable-rate debt to fixed-rate debt and vice versa. These agreements involve the exchange of fixed-rate interest for variable-rate amounts over the life of the agreement without the exchange of the notional amount. INTEREST RATE EXCHANGE AGREEMENTS ARE ACCOUNTED FOR ON THE ACCRUAL BASIS WITH THE DIFFERENTIAL TO BE PAID OR RECEIVED RECORDED CURRENTLY AS AN ADJUSTMENT TO INTEREST EXPENSE. PREMIUMS PAID TO TERMINATE AGREEMENTS DESIGNATED AS HEDGES ARE DEFERRED AND AMORTIZED TO EXPENSE OVER THE REMAINING TERM OF THE ORIGINAL LIFE OF THE CONTRACT. IF THE UNDERLYING DEBT IS THEN PAID EARLY, UNAMORTIZED PREMIUMS ARE RECOGNIZED AS AN ADJUSTMENT TO THE GAIN OR LOSS ASSOCIATED WITH THE DEBT'S EXTINGUISHMENT.

SOME AGREEMENTS THAT REQUIRE THE PAYMENT OF FIXED-RATE INTEREST ARE DESIGNATED AGAINST SPECIFIC LONG-TERM VARIABLE-RATE BORROWINGS, WHILE THE BALANCE IS DESIGNATED AGAINST EXISTING SHORT-TERM BORROWINGS THROUGH MATURITY AND THEIR ANTICIPATED REPLACEMENTS. TEXTRON CONTINUOUSLY MONITORS VARIABLE-RATE BORROWINGS TO MAINTAIN THE LEVEL OF BORROWINGS ABOVE THE NOTIONAL AMOUNT OF THE DESIGNATED AGREEMENTS. IF IT IS NOT PROBABLE VARIABLE-RATE BORROWINGS WILL CONTINUOUSLY EXCEED THE NOTIONAL AMOUNT OF THE DESIGNATED AGREEMENTS, THE EXCESS IS MARKED TO MARKET AND THE ASSOCIATED GAIN OR LOSS RECORDED IN INCOME.

During 1998, Textron Manufacturing terminated \$275 million fixed-pay interest rate exchange agreements. Agreements that effectively fix the rate of interest on

variable-rate borrowings are summarized as follows:

	JANUARY 2, 1999			January 3, 1998		
(Dollars in millions)	NOTIONAL AMOUNT	WEIGHTED AVERAGE INTEREST RATE	WEIGHTED AVERAGE REMAINING TERM	Notional amount	Weighted average interest rate	Weighted average remaining term
FIXED-PAY INTEREST RATE EXCHANGE AGREEMENTS						
Textron Manufacturing	\$ --	--	--	\$275	9.01%	1.5
Textron Finance (expires in 1999)	250	6.26%	0.6	450	6.02%	1.2
	\$250	6.26%	0.6	\$725	7.15%	1.3

Textron Finance's interest rate exchange agreements were designated against specific long-term variable-rate notes. These agreements effectively adjusted the average rate of interest on variable-rate notes to 6.03% from 5.96%.

During 1998, Textron Manufacturing entered into \$435 million variable-pay interest rate exchange agreements. Agreements that have the effect of varying the rate of interest on fixed-rate borrowings are summarized as follows:

(Dollars in millions)	JANUARY 2, 1999			January 3, 1998		
	NOTIONAL AMOUNT	WEIGHTED AVERAGE INTEREST RATE	WEIGHTED AVERAGE REMAINING TERM	Notional amount	Weighted average interest rate	Weighted average remaining term
Textron Manufacturing	\$635	8.26%	5.5	\$200	6.19%	9.9
Textron Finance (expires in 1999)	50	5.22%	0.5	50	5.94%	1.5
	\$685	8.04%	5.1	\$250	6.14%	8.2

Textron Manufacturing's interest rate exchange agreements were designated against specific long-term fixed-rate debt. These agreements effectively adjusted the average rate of interest on designated fixed-rate debt from 8.37% to 8.33%. The variable-pay interest rate exchange agreements in effect at the end of 1998 expire as follows:

\$62 million (9.73%) in 1999, \$124 million (9.89%) in 2001, and \$449 million (7.70%) through 2020. Textron Finance's interest rate exchange agreements were designated against specific long-term fixed-rate debt. These agreements effectively adjusted the average rate of interest on long-term fixed-rate debt to 6.79% from 6.89%.

Textron had minimal exposure to loss from nonperformance by the counterparties to its interest rate exchange agreements at the end of 1998, and does not anticipate nonperformance by counterparties in the periodic settlements of amounts due. Textron currently minimizes this potential for risk by entering into contracts exclusively with major, financially sound counterparties having no less than a long-term bond rating of "A," by continuously monitoring the counterparties' credit ratings, and by limiting exposure with any one financial institution. The credit risk generally is limited to the amount by which the counterparties' contractual obligations exceed Textron's obligations to the counterparty.

In January 1999, Textron Manufacturing retired \$479 million of fixed-rate debt and \$479 million of variable-pay swaps.

Translation of foreign currencies, foreign exchange transactions and foreign currency exchange contracts

FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES ARE TRANSLATED INTO U.S. DOLLARS WITH THE ADJUSTMENTS FROM THE CURRENCY RATE CHANGES BEING RECORDED IN THE CURRENCY TRANSLATION ADJUSTMENT ACCOUNT IN SHAREHOLDERS' EQUITY UNTIL THE RELATED FOREIGN ENTITY IS SOLD OR SUBSTANTIALLY LIQUIDATED. NON-U.S. DOLLAR FINANCING TRANSACTIONS, INCLUDING CURRENCY SWAPS, ARE USED TO EFFECTIVELY HEDGE LONG-TERM INVESTMENTS IN FOREIGN OPERATIONS WITH THE SAME CORRESPONDING CURRENCY. FOREIGN CURRENCY GAINS AND LOSSES ON THE HEDGE OF THE LONG-TERM INVESTMENTS ARE RECORDED IN THE CURRENCY TRANSLATION ADJUSTMENT WITH THE OFFSET RECORDED AS AN ADJUSTMENT TO THE NON-U.S. DOLLAR FINANCING LIABILITY.

FORWARD EXCHANGE CONTRACTS ARE USED TO HEDGE CERTAIN FOREIGN CURRENCY TRANSACTIONS AND CERTAIN FIRM SALES AND PURCHASE COMMITMENTS DENOMINATED IN FOREIGN CURRENCIES. GAINS AND LOSSES FROM CURRENCY RATE CHANGES ON HEDGES OF FOREIGN CURRENCY TRANSACTIONS ARE RECORDED CURRENTLY IN INCOME. GAINS AND LOSSES RELATING TO THE HEDGE OF FIRM SALES AND PURCHASE COMMITMENTS ARE INCLUDED IN THE MEASUREMENT OF THE UNDERLYING TRANSACTIONS WHEN THEY OCCUR. Foreign exchange gains and losses included in income have not been material.

The table on the following page summarizes by major currency Textron's forward exchange contracts and currency swaps in U.S. dollars. The buy amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies and the sell amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies. The foreign currency amounts have been translated into a U.S. dollar equivalent using the exchange rate at the balance sheet date.

(In millions)	BUY CONTRACTS		SELL CONTRACTS	
	CONTRACT AMOUNT	UNREALIZED GAIN/(LOSS)	CONTRACT AMOUNT	UNREALIZED GAIN/(LOSS)

JANUARY 2, 1999				
British Pound	\$ 45	\$--	\$375	\$ --
Canadian Dollar	228	(9)	8	--
German Mark	135	--	339	(5)
French Franc	1	--	119	(4)
Other	6	--	43	(1)

Total	\$415	\$(9)	\$884	\$(10)
=====				
January 3, 1998				
British Pound	\$ 39	\$--	\$ 22	\$ --
Canadian Dollar	129	(5)	62	--
German Mark	16	--	150	2
French Franc	--	--	97	3
Other	2	--	7	--

Total	\$186	\$(5)	\$338	\$ 5
=====				

9. **TEXTRON-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY TEXTRON JUNIOR SUBORDINATED DEBT SECURITIES**
- In 1996, a trust sponsored and wholly-owned by Textron issued preferred securities to the public (for \$500 million) and shares of its common securities to Textron (for \$15.5 million), the proceeds of which were invested by the trust in \$515.5 million aggregate principal amount of Textron's newly issued 7.92% Junior Subordinated Deferrable Interest Debentures, due 2045. The debentures are the sole asset of the trust. The proceeds from the issuance of the debentures were used by Textron for the repayment of long-term borrowings and for general corporate purposes. The amounts due to the trust under the debentures and the related income statement amounts have been eliminated in Textron's consolidated financial statements.

The preferred securities accrue and pay cash distributions quarterly at a rate of 7.92% per annum. Textron has guaranteed, on a subordinated basis, distributions and other payments due on the preferred securities. The guarantee, when taken together with Textron's obligations under the debentures and in the indenture pursuant to which the debentures were issued and Textron's obligations under the Amended and Restated Declaration of Trust governing the trust, provides a full and unconditional guarantee of amounts due on the preferred securities. The preferred securities are mandatorily redeemable upon the maturity of the debentures on March 31, 2045, or earlier to the extent of any redemption by Textron of any debentures. The redemption price in either such case will be \$25 per share plus accrued and unpaid distributions to the date fixed for redemption.

10. **SHAREHOLDERS' EQUITY**

Preferred stock

Textron has authorization for 15,000,000 shares of preferred stock. Each share of \$2.08 Preferred Stock (\$23.63 approximate stated value) is convertible into 4.4 shares of common stock and can be redeemed by Textron for \$50 per share. Each share of \$1.40 Preferred Dividend Stock (\$11.82 approximate stated value) is convertible into 3.6 shares of common stock and can be redeemed by Textron for \$45 per share.

Common stock

Textron has authorization for 500,000,000 shares of 12.5 cent per share par value common stock. New shares in connection with a two-for-one stock split in the form of a stock dividend were issued and distributed on May 30, 1997 to shareholders of record on the close of business on May 9, 1997. Average shares outstanding, stock options, and per share amounts were restated for all periods.

Performance share units and stock options

Textron's 1994 Long-Term Incentive Plan authorizes awards to key employees in two forms: (a) performance share units and (b) options to purchase Textron common stock. The total number of shares of common stock for which options may be granted under the plan is 10,000,000.

PERFORMANCE SHARE UNITS AND EMPLOYEE STOCK OPTION GRANTS ARE ACCOUNTED FOR IN ACCORDANCE WITH APB 25, "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES." UNDER APB 25, BECAUSE THE EXERCISE PRICE OF EMPLOYEE STOCK OPTIONS EQUALS THE MARKET PRICE ON THE DATE OF GRANT, NO COMPENSATION EXPENSE IS RECOGNIZED FOR STOCK OPTION AWARDS. COMPENSATION EXPENSE FOR PERFORMANCE SHARE UNITS IS MEASURED BASED ON THE VALUE OF TEXTRON STOCK UNDERLYING THE AWARDS.

Compensation expense under Textron's performance share program was approximately \$77 million in 1998, \$65 million in 1997, and \$45 million in 1996. To mitigate the impact of stock price increases on compensation expense, Textron has a cash-settlement option program on Textron's common stock. This program generated income of approximately \$40 million in 1998, \$37 million in 1997 and \$21 million in 1996.

Pro forma information regarding net income and earnings per share is required by FAS 123, "Accounting for Stock-Based Compensation" and has been determined under the fair value method of that Statement. For the purpose of developing the pro forma information, the fair values of options granted after 1995 are estimated at the date of grant using the Black-Scholes option-pricing model. The estimated fair values are amortized to expense over the options' vesting period. Using this methodology, net income would have been reduced by \$9 million or \$.06 per share in 1998, \$11 million or \$.07 per share in 1997, and \$8 million or \$.04 per share in 1996.

The assumptions used to estimate the fair value of an option granted in 1998, 1997, and 1996, respectively, are approximately as follows: dividend yield of 2%; expected volatility of 18%, 16%, and 16%; risk-free interest rates of 4%, 6%, and 6%; and weighted average expected lives of 3.5 years. Under these assumptions, the weighted-average fair value of an option to purchase one share granted in 1998, 1997, and 1996, respectively, was approximately \$12, \$10, and \$8.

Stock option transactions during the last three years

are summarized as follows:

(Shares in thousands)	1998		1997		1996	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares under option at beginning of year	9,001	\$36.74	9,290	\$31.08	9,116	\$26.05
Options granted	1,909	74.08	1,333	62.54	2,136	45.37
Options exercised	(2,465)	29.52	(1,541)	24.56	(1,846)	22.89
Options canceled	(103)	51.48	(81)	43.40	(116)	29.38
Shares under option at end of year	8,342	47.23	9,001	36.74	9,290	31.08
Shares exercisable at end of year	5,818	36.80	6,641	30.21	6,128	25.26

Stock options outstanding at the end of 1998 and 1997 are summarized as follows:

(Shares in thousands)	Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Price
JANUARY 2, 1999:					
\$12 - \$37	3,521	5.4	\$27.94	3,521	\$27.94
\$38 - \$50	1,675	7.9	45.61	1,661	45.59
\$51 - \$80	3,146	9.5	69.70	636	62.98
January 3, 1998:					
\$11 - \$32	3,952	5.6	\$23.44	3,952	\$23.44
\$33 - \$50	3,745	8.5	41.67	2,689	40.15
\$51 - \$68	1,304	9.9	62.87	--	--

Reserved shares of common stock

At year-end 1998, 3,150,000 shares of common stock were reserved for the subsequent conversion of preferred stock and 8,342,000 shares were reserved for the exercise of stock options.

Preferred stock purchase rights

Each outstanding share of Textron common stock has attached to it one-half of a preferred stock purchase right. One preferred stock purchase right entitles the holder to buy one one-hundredth of a share of Series C Junior Participating Preferred Stock at an exercise price of \$250. The rights become exercisable only under certain circumstances related to a person or group acquiring or offering to acquire a substantial block of Textron's common stock. In certain circumstances, holders may acquire Textron stock, or in some cases the stock of an acquiring entity, with a value equal to twice the exercise price. The rights expire in September 2005 but may be redeemed earlier for \$.05 per right.

Income per common share

In 1997, Textron adopted FAS 128 "Earnings Per Share." FAS 128 requires companies to present basic and diluted income per share amounts. A reconciliation of income from continuing operations and basic to diluted share amounts is presented below.

For the years ended	JANUARY 2, 1999		January 3, 1998		December 28, 1996	
(\$ In millions, shares in thousands)	INCOME	AVERAGE SHARES	Income	Average Shares	Income	Average Shares
Income from continuing operations	\$443		\$372		\$306	
Less: Preferred stock dividends	(1)		(1)		(1)	
BASIC						
Available to common shareholders	442	161,254	371	164,830	305	167,453
Dilutive effect of convertible preferred stock and stock options	1	4,120	1	4,673	1	4,199
DILUTED						
Available to common shareholders and assumed conversions	\$443	165,374	\$372	169,503	\$306	171,652

Comprehensive Income

In 1998, Textron adopted FAS 130, "Reporting Comprehensive Income." FAS 130 establishes new rules for the reporting and display of comprehensive income and its components. The adoption of this Statement had no impact on Textron's net income or shareholders' equity. FAS 130 requires unrealized gains or losses on the Company's available-for-sale securities and foreign currency translation adjustments, which prior to adoption were reported separately in shareholders' equity, to be included in other comprehensive income. Prior year financial statements have been reclassified to conform to the requirements of FAS 130.

OTHER COMPREHENSIVE INCOME (In millions)	1998	1997	1996

CURRENCY TRANSLATION ADJUSTMENT			
Beginning balance	\$ (71)	\$ 2	\$(33)
Change, net of income taxes	(33)	(73)	35

Ending balance	\$(104)	\$(71)	\$ 2
=====			
UNREALIZED GAINS (LOSSES) ON SECURITIES			
Beginning balance	\$ 13	\$ 9	\$164
Gross unrealized gains (losses) arising during the period*	8	7	(148)
Reclassification adjustment for realized gains in net income**	(8)	(3)	(7)

Net unrealized gains (losses)	--	4	(155)

Ending balance	\$ 13	\$ 13	\$ 9
=====			
PENSION LIABILITY ADJUSTMENT			
Beginning balance	\$ (4)	\$ (4)	\$ (2)
Change, net of income taxes	(1)	--	(2)

Ending balance	\$ (5)	\$ (4)	\$ (4)
=====			
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Beginning balance	\$ (62)	\$ 7	\$129
Other comprehensive income (loss)	(34)	(69)	(122)

Ending balance	\$ (96)	\$(62)	\$ 7
=====			

*Net of income tax expense (benefit) of \$4 million, \$4 million, and \$(100) million for 1998, 1997, and 1996, respectively.

**Net of income tax expense (benefit) of \$4 million, \$2 million, and \$4 million for 1998, 1997, and 1996, respectively.

11. LEASES Rental expense approximated \$82 million, \$65 million, and \$54 million in 1998, 1997, and 1996, respectively. Future minimum rental commitments for noncancellable operating leases in effect at year-end 1998 approximated \$67 million for 1999; \$54 million for 2000; \$39 million for 2001; \$27 million for 2002; \$23 million for 2003; and a total of \$172 million thereafter.

12. RESEARCH AND DEVELOPMENT Textron carries out research and development for itself and under contracts with others, primarily the U.S. Government. Company initiated programs include independent research and development related to government products and services, a significant portion of which is recoverable from the U.S. Government through overhead cost allowances.

RESEARCH AND DEVELOPMENT COSTS FOR WHICH TEXTRON IS RESPONSIBLE ARE EXPENSED AS INCURRED. THESE COMPANY FUNDED COSTS INCLUDE AMOUNTS FOR COMPANY INITIATED PROGRAMS, THE COST SHARING PORTIONS OF CUSTOMER INITIATED PROGRAMS, AND LOSSES INCURRED ON CUSTOMER INITIATED PROGRAMS. The company funded and customer funded research and development costs

for 1998, 1997, and 1996 were as follows:

(In millions)	1998	1997	1996

Company funded	\$219	\$222	\$185
Customer funded	394	380	391

Total research and development	\$613	\$602	\$576
=====			

13. PENSION In 1998, Textron adopted FAS 132 "Employers' Disclosures BENEFITS AND about Pensions and Other Postretirement Benefits." FAS 132 POSTRETIREMENT revises disclosures about pension and other postretirement BENEFITS OTHER benefit plans. It does not change the measurement or THAN PENSIONS recognition of those plans. Textron has defined benefit and defined contribution pension plans that together cover substantially all employees. The costs of the defined contribution plans amounted to approximately \$40 million, \$36 million and \$32 million in 1998, 1997, and 1996, respectively. Defined benefits under salaried plans are based on salary and years of service. Hourly plans generally provide benefits based on stated amounts for each year of service. Textron's funding policy is consistent with federal law and regulations. Pension plan assets consist principally of corporate and government bonds and common stocks. Textron offers health care and life insurance benefits for certain retired employees.

The following summarizes the change in the benefit obligation; the change in plan assets; the funded status; and reconciliation to the amount recognized in the balance sheet for the pension and postretirement benefit plans:

(In millions)	PENSION BENEFITS		POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	
	JANUARY 2, 1999	January 3, 1998	JANUARY 2, 1999	January 3, 1998
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	\$3,206	\$2,966	\$ 640	\$ 645
Service cost	83	71	6	5
Interest cost	235	223	45	46
Amendments	2	1	2	--
Effects of acquisitions	293	19	20	2
Effects of dispositions	(14)	(5)	(3)	--
Plan participants' contributions	1	1	4	4
Actuarial gains (losses)	258	148	13	(6)
Benefits paid	(229)	(212)	(62)	(56)
Foreign exchange rate changes	1	(6)	--	--
Benefit obligation at end of year	\$3,836	\$3,206	\$ 665	\$ 640
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	\$4,130	\$3,640	--	--
Actual return on plan assets	557	720	--	--
Employer contributions	15	11	--	--
Plan participants' contributions	1	1	--	--
Effects of acquisitions	363	1	--	--
Effects of dispositions	(12)	(25)	--	--
Benefits paid	(229)	(212)	--	--
Foreign exchange rate changes	(1)	(6)	--	--
Fair value of plan assets at end of year	\$4,824	\$4,130	--	--
Funded status of the plan	\$ 988	\$ 924	\$(665)	\$(640)
Unrecognized actuarial gain	(679)	(696)	(78)	(100)
Unrecognized prior service cost	96	105	(19)	(26)
Unrecognized transition net asset	(78)	(97)	--	--
Net amount recognized in the consolidated balance sheet	\$ 327	\$ 236	\$(762)	\$(766)
Amounts recognized in the consolidated balance sheet consists of:				
Prepaid benefit cost	\$ 452	\$ 340	\$ --	\$ --
Accrued benefit liability	(157)	(122)	(762)	(766)
Intangible asset	24	11	--	--
Accumulated other comprehensive income	8	7	--	--
Net amount recognized in the consolidated balance sheet	\$ 327	\$ 236	\$(762)	\$(766)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plan with accumulated benefit obligations in excess of plan assets were \$267 million, \$231 million, and \$78 million, respectively, as of year-end 1998, and \$213 million, \$178 million, and \$61 million, respectively, as of year-end 1997.

The following summarizes the net periodic benefit cost for the pension benefits and postretirement benefits plans:

(In millions)	PENSION BENEFITS			POSTRETIREMENT BENEFITS OTHER THAN PENSIONS		
	JANUARY 2, 1999	January 3, 1998	December 28, 1996	JANUARY 2, 1999	January 3, 1998	December 28, 1996
COMPONENTS OF NET PERIODIC BENEFIT COST						
Service cost	\$ 83	\$ 71	\$ 69	\$ 6	\$ 5	\$ 5
Interest cost	235	223	207	45	46	51
Expected return on plan assets	(323)	(298)	(276)	--	--	--
Amortization of unrecognized transition asset	(17)	(17)	(17)	--	--	--
Recognized actuarial (gain) loss	1	1	--	(9)	(9)	(7)
Recognized prior service cost	14	15	12	(4)	(4)	(5)
Net periodic benefit cost	\$ (7)	\$ (5)	\$ (5)	\$38	\$38	\$44

Major actuarial assumptions used in accounting for defined benefit pension plans are presented below.

	JANUARY 2, 1999	January 3, 1998	December 28, 1996	December 30, 1995
WEIGHTED AVERAGE ASSUMPTIONS AT YEAR-END				
Discount rate	6.75%	7.25%	7.50%	7.25%
Expected return on plan assets	9.25	9.00	9.00	9.00
Rate of compensation increase	4.80	5.00	5.00	5.00

Postretirement benefit plan discount rates are the same as those used by Textron's defined benefit pension plans.

The 1998 health care cost trend rate, which is the weighted average annual assumed rate of increase in the per capita cost of covered benefits, was 6.0% for retirees age 65 and over and 6.5% for retirees under age 65. Both rates are assumed to decrease gradually to 5.5% by 2001 and 2003, respectively, and then remain at that level. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(In millions)	1% INCREASE	1% DECREASE
Effect on total of service and interest cost components	\$ 6	\$ (5)
Effect on postretirement benefit obligation	64	(52)

14. INCOME TAXES Textron files a consolidated federal income tax return for all U.S. subsidiaries and separate returns for foreign subsidiaries. TEXTRON RECOGNIZES DEFERRED INCOME TAXES FOR TEMPORARY DIFFERENCES BETWEEN THE FINANCIAL REPORTING BASIS AND INCOME TAX BASIS OF ASSETS AND LIABILITIES BASED ON ENACTED TAX RATES EXPECTED TO BE IN EFFECT WHEN AMOUNTS ARE LIKELY TO BE REALIZED OR SETTLED.

The following table shows income from continuing operations before income taxes and distributions on

preferred securities of subsidiary trust:

(In millions)	1998	1997	1996
United States	\$582	\$441	\$393
Foreign	181	207	147
Total	\$763	\$648	\$540

Income tax expense is summarized as follows:

(In millions)	1998	1997	1996
Federal:			
Current	\$225	\$ 82	\$121
Deferred	(25)	71	15
State	33	27	25
Foreign	61	70	50
Income tax expense	\$294	\$250	\$211

The following reconciles the federal statutory income tax rate to the effective income tax rate reflected in the consolidated statement of income:

	1998	1997	1996
Federal statutory income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
State income taxes	2.7	2.8	3.0
Goodwill	4.3	2.7	2.8
Other - net	(3.5)	(1.9)	(1.7)
Effective income tax rate	38.5%	38.6%	39.1%

Textron's net deferred tax asset consisted of gross deferred tax assets and gross deferred tax liabilities of \$1,775 million and \$1,576 million, respectively, at the end of 1998 and \$1,517 million and \$1,362 million, respectively, at the end of 1997.

The components of Textron's net deferred tax asset were as follows:

(In millions)	JANUARY 2, 1999	January 3, 1998
Textron Finance transactions, principally leasing	\$(350)	\$(334)
Self insured liabilities (including environmental)	205	207
Obligation for postretirement benefits	186	222
Fixed assets, principally depreciation	(171)	(146)
Deferred compensation	152	115
Inventory	(48)	(47)
Allowance for credit losses	33	25
Other, principally timing of other expense deductions	192	113
	\$ 199	\$ 155

Deferred income taxes have not been provided for the undistributed earnings of foreign subsidiaries, which approximated \$506 million at the end of 1998. Management intends to reinvest those earnings for an indefinite period, except for distributions having an immaterial tax effect. If foreign subsidiaries' earnings were distributed, 1998 taxes, net of foreign tax credits, would be increased by approximately \$68 million.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS The estimated fair value amounts shown below were determined from available market information and valuation methodologies. Because considerable judgment is required in interpreting market data, the estimates are not necessarily indicative of the amounts that could be realized in a current market exchange.

(In millions)	JANUARY 2, 1999		January 3, 1998	
	CARRYING VALUE	ESTIMATED FAIR VALUE	Carrying value	Estimated fair value
ASSETS:				
Textron Finance:				
Finance receivables	\$2,774	\$2,837	\$2,280	\$2,334
Other	46	46	31	31
LIABILITIES:				
Textron Manufacturing:				
Debt	2,615	2,706	1,221	1,276
Interest rate exchange agreements	--	(11)	--	10
Textron Finance:				
Debt	2,829	2,836	2,365	2,380
Interest rate exchange agreements	--	1	--	--
FOREIGN EXCHANGE CONTRACTS	--	9	--	4
CURRENCY SWAPS	14	10	(4)	(4)

Notes:

(i) Finance receivables - The estimated fair values of real estate loans and commercial installment contracts were based on discounted cash flow analyses. The estimated fair values of variable-rate receivables approximated the net carrying value. The estimated fair values of nonperforming loans were based on discounted cash flow analyses using risk-adjusted interest rates or the fair value of the related collateral.

(ii) Debt, interest rate exchange agreements, foreign exchange contracts and currency swaps - The estimated fair value of fixed-rate debt was determined by independent investment bankers or discounted cash flow analyses. The estimated fair values of variable-rate debt approximated their carrying values. The estimated fair values of interest rate exchange agreements were determined by independent investment bankers and represent the estimated amounts that Textron or its counterparty would be required to pay to assume the other party's obligations under the agreements. The estimated fair values of the foreign exchange contracts and currency swaps were determined by Textron's foreign exchange banks.

16. CONTINGENCIES AND ENVIRONMENTAL REMEDIATION Contingencies

Textron is subject to a number of lawsuits, investigations and claims arising out of the conduct of its business, including those relating to commercial transactions, government contracts, product liability, and environmental, safety and health matters. Some seek compensatory, treble or punitive damages in substantial amounts; fines, penalties or restitution; or remediation of contamination. Some are or purport to be class actions. Under federal government procurement regulations, some could result in suspension or debarment of Textron or its subsidiaries from U.S. government contracting for a period of time. On the basis of information presently available, Textron believes that any liability for these suits and proceedings would not have a material effect on Textron's net income or financial condition.

Environmental Remediation

ENVIRONMENTAL LIABILITIES ARE RECORDED BASED ON THE MOST PROBABLE COST IF KNOWN OR ON THE ESTIMATED MINIMUM COST, DETERMINED ON A SITE-BY-SITE BASIS. TEXTRON'S ENVIRONMENTAL LIABILITIES ARE UNDISCOUNTED AND DO NOT TAKE INTO CONSIDERATION POSSIBLE FUTURE INSURANCE PROCEEDS OR SIGNIFICANT AMOUNTS FROM CLAIMS AGAINST OTHER THIRD PARTIES.

Textron's accrued estimated environmental liabilities are based on assumptions which are subject to a number of

factors and uncertainties. Circumstances which can affect the accruals' reliability and precision include identification of additional sites, environmental regulations, level of cleanup required, technologies available, number and financial condition of other contributors to remediation, and the time period over which remediation may occur. Textron believes that any changes to the accruals that may result from these factors and uncertainties will not have a material effect on Textron's net income or financial condition. Textron estimates that its accrued environmental remediation liabilities will likely be paid over the next five to ten years.

17. SEGMENT
REPORTING

In 1998, Textron adopted FAS 131, "Segments of an Enterprise and Related Information." FAS 131 established standards for the way enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers.

Textron has four reportable segments: Aircraft, Automotive, Industrial and Finance. See Note 1 for principal markets and pages 60 through 62 for products of Textron's segments.

Textron's reportable segments are strategically aligned based on the manner in which Textron manages its various operations. The accounting policies of the segments are the same as those described in the summary of significant accounting policies within the notes to the consolidated financial statements. Textron evaluates segment performance based on operating income from operations. Segment operating income excludes Textron Manufacturing interest expense and special charges and gains or losses from the disposition of businesses. The Finance segment includes interest income and interest expense as part of operating income from operations. Provisions for losses on finance receivables involving the sale or lease of Textron products are recorded by the selling manufacturing division.

The following summarizes the revenues by type of

products:

(In millions)	REVENUES		
	1998	1997	1996
Aircraft:			
Fixed-Wing Aircraft	\$1,784	\$1,483	\$1,078
Rotor Aircraft	1,405	1,542	1,515
Automotive	2,405	2,127	1,627
Industrial:			
Fasteners	1,758	1,498	1,355
Golf, Turf-Care & Specialty Products	719	483	477
Industrial Components	626	711	744
Fluid & Power	619	489	383
Finance	367	350	327
	\$9,683	\$8,683	\$7,506

The following tables summarize selected financial information by segment:

(In millions)	ASSETS			PROPERTY, PLANT AND EQUIPMENT EXPENDITURES		
	1998	1997	1996	1998	1997	1996
Aircraft	\$ 2,199	\$ 1,941	\$ 1,856	\$140	\$107	\$116
Automotive	1,681	1,515	1,020	111	103	60
Industrial	3,882	2,596	2,455	208	153	130
Finance	3,785	3,178	3,269	13	8	3
Corporate (including investment in discontinued operations)	2,717	2,557	3,161	3	3	3
Eliminations	(543)	(457)	(247)	--	--	--
	\$13,721	\$11,330	\$11,514	\$475	\$374	\$312

(In millions)	AMORTIZATION (1)			DEPRECIATION		
	1998	1997	1996	1998	1997	1996
Aircraft	\$10	\$10	\$10	\$ 82	\$ 70	\$ 54
Automotive	15	14	12	72	69	41
Industrial	36	29	30	124	100	103
Finance	3	--	--	10	11	11
Corporate	5	3	2	4	4	4
	\$69	\$56	\$54	\$292	\$254	\$213

Geographic Data

Presented below is selected financial information by
geographic area of Textron's operations:

(In millions)	REVENUES (2)			PROPERTY, PLANT AND EQUIPMENT (3)		
	1998	1997	1996	1998	1997	1996
United States	\$6,291	\$5,550	\$5,097	\$1,466	\$1,232	\$1,176
Latin America and Mexico	634	447	275	84	40	21
Canada	589	640	684	115	92	55
Germany	575	458	216	205	138	48
France	332	301	235	82	68	71
Asia and Australia	309	447	425	3	3	3
United Kingdom	273	209	123	171	71	58
Other	680	631	451	79	126	27
	\$9,683	\$8,683	\$7,506	\$2,205	\$1,770	\$1,459

Notes:

- (1) Amortization is principally amortization of goodwill.
- (2) Revenues are attributed to countries based on the location of the customer.
- (3) Property, plant and equipment is based on the location of the asset.

Revenues include sales to the U.S. Government of \$1.1 billion, \$1.0 billion and \$1.0 billion in 1998, 1997 and 1996, respectively and sales of \$1.3 billion, \$1.1 billion and \$0.9 billion in 1998, 1997 and 1996, respectively to DaimlerChrysler AG.

To enhance the competitiveness and profitability of its core businesses, Textron recorded a pretax charge of \$87 million in the second quarter of 1998 (\$54 million after-tax or \$.32 per diluted share). This charge was recorded based on the decision to exit several small, nonstrategic product lines in Automotive and the former Systems and Components divisions which did not meet Textron's return criteria, and to realign certain operations in the Industrial segment. The pretax charges associated with the Automotive and Industrial segments were \$25 million and \$52 million, respectively. The charge also included the cost of a litigation settlement of \$10 million related to the Aircraft segment. Severance costs for approximately 1,800 personnel were included in special charges and are based on established policies and practices. The provision does not include costs associated with the transfer of equipment and personnel, inventory obsolescence, or other normal operating costs associated with the realignment actions. Approximately 650 personnel had been terminated by the end of 1998. Most of the remaining terminations are expected to be completed by the end of 1999.

The following table summarizes the spending associated with the 1998 programs (excluding the litigation settlement):

(In millions)	ASSET IMPAIRMENTS	SEVERANCE COSTS	OTHER	TOTAL
Initial charge	\$28	\$40	\$9	\$77
Utilized in 1998	(28)	(8)	(1)	(37)
Balance January 2, 1999	\$--	\$32	\$8	\$40

18. OTHER INFORMATION-TEXTRON MANUFACTURING CURRENT LIABILITIES Included in accrued liabilities at the end of 1998 and 1997 were the following:

(In millions)	JANUARY 2, 1999	January 3, 1998
Salary, wages and employer taxes	\$ 226	\$170
Customer deposits	195	137
Other	753	546
Total accrued liabilities	\$1,174	\$853

QUARTERLY DATA
(Unaudited) (Dollars in millions
except per share amounts)

	1998				1997			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
REVENUES								
Aircraft	\$ 849	\$ 826	\$ 858	\$ 656	\$ 866	\$ 725	\$ 755	\$ 679
Automotive	670	534	583	618	583	464	523	557
Industrial	984	893	952	893	796	761	839	785
Finance	92	99	91	85	86	92	90	82
TOTAL REVENUES	\$ 2,595	\$ 2,352	\$ 2,484	\$ 2,252	\$ 2,331	\$ 2,042	\$ 2,207	\$ 2,103
INCOME								
Aircraft	\$ 95	\$ 91	\$ 91	\$ 61	\$ 95	\$ 79	\$ 79	\$ 60
Automotive	51	29	43	56	39	28	33	50
Industrial	104	103	108	95	83	87	94	82
Finance	28	33	27	25	28	29	27	24
TOTAL OPERATING INCOME	278	256	269	237	245	223	233	216
Gain on sale of division	--	--	97	--	--	--	--	--
Special charges	--	--	(87)	--	--	--	--	--
Corporate expenses and other - net	(34)	(32)	(30)	(31)	(41)	(36)	(30)	(33)
Interest expense - net	(44)	(40)	(40)	(36)	(28)	(32)	(30)	(39)
Income taxes	(73)	(70)	(86)	(65)	(68)	(58)	(66)	(58)
Distributions on preferred securities of subsidiary trust, net of income taxes	(7)	(6)	(7)	(6)	(7)	(6)	(7)	(6)
INCOME FROM CONTINUING OPERATIONS	120	108	116	99	101	91	100	80
Discontinued operations, net of income taxes	40	34	48	43	49	47	45	45
Net income	\$ 160	\$ 142	\$ 164	\$ 142	\$ 150	\$ 138	\$ 145	\$ 125
EARNINGS PER COMMON SHARE								
BASIC:								
Income from continuing operations	\$.76	\$.67	\$.71	\$.60	\$.62	\$.55	\$.60	\$.48
Discontinued operations	.26	.20	.29	.27	.30	.28	.28	.27
Net income	\$ 1.02	\$.87	\$ 1.00	\$.87	\$.92	\$.83	\$.88	\$.75
Average shares outstanding (in thousands)								
	157,225	162,156	163,613	162,809	163,697	164,912	165,173	165,897
DILUTED:								
Income from continuing operations	\$.74	\$.65	\$.70	\$.59	\$.60	\$.54	\$.59	\$.47
Discontinued operations	.26	.20	.28	.26	.29	.27	.27	.26
Net income	\$ 1.00	\$.85	\$.98	\$.85	\$.89	\$.81	\$.86	\$.73
Average shares outstanding (in thousands)*								
	160,980	166,116	168,027	167,155	168,527	169,675	169,797	170,388
OPERATING INCOME MARGINS								
Aircraft	11.2%	11.0%	10.6%	9.3%	11.0%	10.9%	10.5%	8.8%
Automotive	7.6	5.4	7.4	9.1	6.7	6.0	6.3	9.0
Industrial	10.6	11.5	11.3	10.6	10.4	11.4	11.2	10.4
Finance	30.4	33.3	29.7	29.4	32.6	31.5	30.0	29.3
OPERATING INCOME MARGIN	10.7	10.9	10.8	10.5	10.5	10.9	10.6	10.3
COMMON STOCK INFORMATION								
Price range: High	\$79 1/4	\$76 1/2	\$80 5/16	\$79	\$65 11/16	\$70 3/4	\$67 11/16	\$53 5/8
Low	\$52 1/16	\$56 15/16	\$69 5/8	\$56 3/8	\$55 1/2	\$59 1/2	\$49 11/16	\$45
Dividends per share	\$.285	\$.285	\$.285	\$.285	\$.25	\$.25	\$.25	\$.25

* Assumes full conversion of outstanding preferred stock and exercise of stock options. Prior year amounts have been reclassified to conform to the current year's segment presentation.

SELECTED FINANCIAL INFORMATION

(Dollars in millions except where otherwise noted and per share amounts)

	1998	1997	1996	1995	1994	1993	1992
REVENUES							
Aircraft	\$ 3,189	\$ 3,025	\$ 2,593	\$ 2,420	\$ 2,186	\$ 1,987	\$ 1,521
Automotive	2,405	2,127	1,627	1,534	1,511	1,178	788
Industrial	3,722	3,181	2,959	2,515	2,982	3,106	3,308
Finance	367	350	327	311	277	259	258
Total revenues	\$ 9,683	\$ 8,683	\$ 7,506	\$ 6,780	\$ 6,956	\$ 6,530	\$ 5,875
INCOME							
Aircraft	\$ 338	\$ 313	\$ 261	\$ 237	\$ 194	\$ 172	\$ 128
Automotive	179	150	146	135	132	89	68
Industrial	410	346	300	250	248	237	285
Finance	113	108	96	88	83	74	62
TOTAL OPERATING INCOME	1,040	917	803	710	657	572	543
Gain on sale of division	97	-	-	-	-	-	-
Special charges	(87)	-	-	-	-	-	-
Corporate expenses and other - net	(127)	(140)	(115)	(119)	(92)	(103)	(81)
Interest expense - net	(160)	(129)	(148)	(178)	(190)	(214)	(238)
Income taxes	(294)	(250)	(211)	(165)	(160)	(87)	(87)
Distributions on preferred securities of subsidiary trust, net of income taxes	(26)	(26)	(23)	-	-	-	-
INCOME FROM CONTINUING OPERATIONS*	\$ 443	\$ 372	\$ 306	\$ 248	\$ 215	\$ 168	\$ 137
PER SHARE OF COMMON STOCK							
Income from continuing operations-basic*	\$ 2.74	\$ 2.25	\$ 1.82	\$ 1.45	\$ 1.21	\$.95	\$.78
Income from continuing operations-diluted*	\$ 2.68	\$ 2.19	\$ 1.78	\$ 1.43	\$ 1.19	\$.94	\$.77
Dividends declared	\$ 1.14	\$ 1.00	\$.88	\$.78	\$.70	\$.62	\$.56
Book value at year-end	\$ 19.27	\$ 19.78	\$ 19.10	\$ 19.96	\$ 16.72	\$ 15.59	\$ 14.05
Common stock price: High	\$ 80 5/16	\$ 70 3/4	\$ 48 7/8	\$ 38 11/16	\$ 30 5/16	\$ 29 7/16	\$ 22 3/8
Common stock price: Low	\$ 52 1/16	\$ 45	\$ 34 9/16	\$ 24 5/16	\$ 23 1/4	\$ 20 3/16	\$ 16 7/8
Common stock price: Year-end	\$ 75 15/16	\$ 62 5/8	\$ 46 11/16	\$ 33 3/4	\$ 25 3/16	\$ 29 1/8	\$ 22 3/8
Common shares outstanding (in thousands):							
Basic average	161,254	164,830	167,453	169,848	176,474	176,071	173,334
Diluted average**	165,374	169,503	171,652	173,252	180,208	179,713	177,087
Year-end	158,549	167,315	169,745	173,340	174,616	180,509	178,366
FINANCIAL POSITION							
Total assets	\$ 13,721	\$ 11,330	\$ 11,514	\$ 11,207	\$ 10,374	\$ 10,462	\$ 10,009
Debt:							
Textron Manufacturing	\$ 2,615	\$ 1,221	\$ 1,507	\$ 1,774	\$ 1,582	\$ 2,025	\$ 2,283
Textron Finance	\$ 2,829	\$ 2,365	\$ 2,441	\$ 2,277	\$ 2,162	\$ 2,037	\$ 1,873
Preferred securities of subsidiary trust	\$ 483	\$ 483	\$ 483	\$ -	\$ -	\$ -	\$ -
Shareholders' equity	\$ 2,997	\$ 3,228	\$ 3,183	\$ 3,412	\$ 2,882	\$ 2,780	\$ 2,488
Textron Manufacturing debt to total capital	43%	25%	29%	34%	35%	42%	48%
INVESTMENT DATA							
Capital expenditures	\$ 475	\$ 374	\$ 312	\$ 258	\$ 274	\$ 227	\$ 199
Depreciation	\$ 292	\$ 254	\$ 213	\$ 188	\$ 201	\$ 196	\$ 188
Research and development	\$ 613	\$ 602	\$ 576	\$ 656	\$ 611	\$ 514	\$ 430
OTHER DATA							
Number of employees at year-end	64,000	56,000	49,000	46,000	43,000	46,000	44,000
Number of common shareholders at year-end	23,000	24,000	25,000	26,000	27,000	28,000	30,000

*Before cumulative effect of changes in accounting principles in 1992.

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

Prior year amounts have been reclassified to conform to the current year's segment presentation.

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TEXTRON BUSINESS DIRECTORY

AIRCRAFT	BELL HELICOPTER TEXTRON	Terry D. Stinson Chairman and CEO	Vertical takeoff and landing aircraft for the U.S. government, foreign governments and commercial markets.	
	THE CESSNA AIRCRAFT COMPANY	Russell W. Meyer, Jr. Chairman and CEO	Light and mid-size business jets, utility turboprops and single-engine piston aircraft.	
AUTOMOTIVE	TEXTRON AUTOMOTIVE COMPANY	John A. Janitz Acting Chairman, President and CEO	Automotive interior and exterior trim; fuel systems; functional components.	
	CWC TEXTRON	Jed A. Larsen President	Gray iron and ductile iron castings, primarily camshafts for automobile and engine manufacturers.	
	KAUTEX TEXTRON (WORLDWIDE)	Dr. Wolfgang Theis President	Blow-molded plastic fuel tank systems and other automotive functional components.	
	MCCORD WINN TEXTRON KAUTEX TEXTRON NORTH AMERICA	George F. Daniels President Jane E. Warner President	Automotive windshield and headlamp washing systems, seating comfort systems and electro-mechanical components; blow-molded plastic fuel tank systems.	
	MICROMATIC TEXTRON	Michael J. Brennan President	Proprietary machine tools, components and assembly systems for automotive and commercial markets.	
	TEXTRON AUTOMOTIVE TRIM	Sam Licavoli President	Instrument panels, door trim panels, center consoles, painted fascias and exterior lighting.	
INDUSTRIAL	TEXTRON INDUSTRIAL PRODUCTS	Frank J. Feraco President	Fastening systems, fluid and power systems, golf, turf-care and specialty products, and industrial components.	
	TEXTRON FASTENING SYSTEMS	Randy P. Smith President	Engineered fastening systems, components, assemblies and value-added services for the automotive, aerospace, electronics, construction, do-it-yourself and transportation markets.	
	TEXTRON FASTENING SYSTEMS AMERICAS	Randy P. Smith President	Markets Served; Automotive, aerospace, industrial, construction, transportation and logistics services, including vendor-managed and inventory programs.	
	ADVEL CHERRY TEXTRON	Edmund W. Staple President	TEXTRON FASTENING SYSTEMS- AUTOMOTIVE	Charles R. O'Brien President
	ELCO TEXTRON ENGINEERED PRODUCTS	William R. Jahnke President	TEXTRON FASTENING SYSTEMS- INDUSTRIAL	George W. Dettloff President
	TEXTRON AEROSPACE FASTENERS	Edmund W. Staple President	TEXTRON LOGISTICS COMPANY	James R. Stenberg President

TEXTRON BUSINESS DIRECTORY
(CONTINUED)

INDUSTRIAL (continued)	TEXTRON FASTENING SYSTEMS EUROPE	Peter G. Wilson President	Markets Served; Automotive, aerospace, industrial, construction, transportation and logistics services, including vendor-managed and inventory programs.
	TEXTRON FASTENING SYSTEMS- GERMANY	Horst Homuth President	TEXTRON INDUSTRIES S.A.S. Henri Gagnaire President
	TEXTRON FASTENING SYSTEMS- UK	Andrew R. Taylor Managing Director	
	TEXTRON FASTENING SYSTEMS ASIA/PACIFIC	Randy Teo Boon Cheong Managing Director	Regions Served; Hong Kong, China, Japan, South Korea, Taiwan, Singapore, Australia.
FLUID AND POWER SYSTEMS		Robert A. Geckle President	Motion control, power transmission, fluid handling products for the industrial, commercial, pharmaceutical, aerospace, transportation and defense industries.
MOTION CONTROL PRODUCTS		George A. Andrews President	Motion control components and systems for industrial, defense and aerospace markets. Specific businesses include: David Brown Hydraulics and HR Textron.
POWER TRANSMISSION PRODUCTS		Christopher J. Brown President	Mechanical power transmission components and systems for the industrial, mining, mobile equipment and transportation markets. Specific businesses include: Cone Drive Textron, David Brown and Textron Industrial S.p.A.
FLUID HANDLING PRODUCTS		Gregory C. Schreiber President	Pumps and systems used in the plastics, chemical oil and gas, and pharmaceutical industries. Specific businesses include: David Brown Union Pumps and Maag Pump Systems Textron.
TEXTRON SYSTEMS		Richard J. Millman President	Weapon systems, sensing systems and advanced materials for the defense and commercial markets.
GOLF, TURF-CARE AND SPECIALTY PRODUCTS		Carl D. Burtner President	Golf cars, lawn and turf-care products, and multi-purpose utility vehicles.
E-Z-GO TEXTRON		L.T. Walden, Jr. President	Electric- and gasoline-powered golf cars and multi-purpose utility vehicles. Specific brand names include: E-Z-GO and Cushman.
TEXTRON TURF CARE AND SPECIALTY PRODUCTS AMERICAS		Philip J. Tralies President	Professional mowing and turf maintenance equipment. Specific brand names include: Bob-Cat, Bunton, Cushman, Jacobsen, Ryan, Ransomes, Steiner, Brouwer.
TEXTRON TURF CARE AND SPECIALTY PRODUCTS EUROPE		Harold C. Pinto Managing Director	Turf-care machinery for the golf, municipal and commercial markets, and multi-purpose utility vehicles. Specific brand names include: Cushman, E-Z-GO, Jacobsen, Ransomes, Ryan, Iseki.

TEXTRON BUSINESS DIRECTORY
(CONTINUED)

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INDUSTRIAL
(continued)

INDUSTRIAL COMPONENTS

Tools and accessories for the wire and cable industry; components for the commercial aerospace and defense industries.

GREENLEE TEXTRON
(INCLUDES GERMANY-BASED
KLAUKE)

Barclay S. Olson
President

Products for wire and cable installation, maintenance and testing in residential, commercial and industrial facilities.

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TEXTRON LYCOMING

James A. Koerner
President

Piston aircraft engines and replacement parts for the general aviation market.

TEXTRON MARINE &
LAND SYSTEMS

G.L. (Topper) Long
President

Air cushion amphibious landing craft, search and rescue craft, armored vehicles, turrets and artillery systems and advanced suspension systems.

TURBINE ENGINE
COMPONENTS TEXTRON

G.L. (Topper) Long
President

Air and land-based gas turbine engine components for engine OEMs.

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FINANCE

TEXTRON FINANCIAL
CORPORATION

Stephen A. Giliotti
President

Commercial financing for the purchase and lease of Textron and independent products including: equipment, aircraft, golf and timeshare; also provides syndication activity, third-party asset management and portfolio services.

Exhibit 21

TEXTRON INC. - Significant Subsidiaries
(as of 15 March, 1999)

Set forth below are the names of certain subsidiaries of Textron Inc. Other subsidiaries, which considered in the aggregate, do not constitute a significant subsidiary, are omitted from such list.

Name	Place of Incorporation
Avco Corporation	Delaware
ARS Two Inc.	Delaware
Textron Pacific Limited	Australia
Textron Systems Corporation	Delaware
Turbine Engine Components Textron Inc.	Delaware
Avdel Cherry Textron Inc.	New York
Bell Helicopter Textron Inc.	Delaware
Bell/Agusta Aerospace Company L.L.C. (55%; 45% owned by Agusta UK Ltd.)	Delaware
Bell Helicopter Services Inc.	Delaware
Bell Helicopter Asia (Pte) Ltd.	Singapore
Burkland Textron Inc.	Michigan
Cadillac Gage Textron Inc.	Michigan
The Cessna Aircraft Company	Kansas
Cone Drive Operations Inc.	Delaware
David Brown (Delaware) Holdings Corp.	Delaware
David Brown Union Pumps Co.	Delaware
Elco Textron Inc.	Delaware
Greenlee Textron Inc.	Delaware
Datacom Technologies, Inc.	Washington
HR Textron Inc.	Delaware
MAAG Pump Systems Textron Inc.	North Carolina
Ring Screw Textron Inc.	Michigan
Textron Asia Inc.	Delaware
Textron Atlantic Inc.	Delaware
Bell Helicopter Supply Center B.V.	Netherlands
Brazaco-Mapri Industrias Metalurgica S.A.	Brazil
Camcar Textron (Malaysia) Sdn. Bhd.	Malaysia
Jacobsen E-Z-GO Textron A.G.	Switzerland
Jacobsen E-Z-GO Textron B.V.	Netherlands
Jacobsen E-Z-GO Textron S.r.l.	Italy
Kautex Textron Iberica S.A.	Spain
Kautex Argentina S.A.	Argentina
Kautex do Brasil Ltda.	Brazil
Kautex Portugal, Produtos Plasticos Ldas.	Portugal
Kautex Textron Benelux N.V.	Belgium
Kautex Textron Bohemia spol. s.r.o.	Czech Republic
Klauke Handels GmbH	Austria
MAAG Pump Systems Textron A.G.	Switzerland
MAAG Pump Systems PTE Ltd.	Singapore
Textron Acquisition Limited	England
Avdel plc/Avdel plc Inc.	England/Delaware
Textron Fastening Systems Limited	England
Ransomes plc	England
Ransomes Investment Corporation	Delaware
Ransomes America Corporation	Delaware
Cushman Inc.	Delaware
Ransomes Inc.	Wisconsin
Steiner Turf Equipment Inc.	Wisconsin
Name	Place of Incorporation
Textron Fluid and Power Systems Holdings Limited	England
David Brown Group plc	England
David Brown Corporation plc	England
Textron Golf & Turf plc	England
Textron Limited	England
Kautex Textron Ltd.	England
Textron Automotive Company Limited	England
Textron Automotive MIP Limited	England
AS Textron Limited	England
MIP Textron Limited	England
Textron Atlantic France Inc.	Delaware
Textron Atlantic Holding GmbH	Germany
Gustav Klauke GmbH	Germany
Gustav Klauke France S.A.R.L.	France
Jacobsen E-Z-GO Textron GmbH Rasenpflegesysteme	Germany
Kautex Textron Verwaltungs GmbH	Germany
Kautex Textron GmbH & Co. K.G. (98%; 1% owned by each of Jacobsen E-Z-GO Textron GmbH Rasenpflegesysteme	Germany

and a subsidiary of Deutsche Bank)
MAAG Pump Systems Textron GmbH
Peiner Umformtechnik GmbH
Textron Verbindungstechnik Beteiligungs GmbH

Germany
Germany
Germany

Textron Verbindungstechnik GmbH & Co. O.H.G. (99%; 1% Germany owned by Jacobsen E-Z-GO Textron GmbH Rasenpflegesysteme)
Textron Fastening Systems/Tri-Star Corp., Limited (80%; 20% British Virgin

owned by San Shing Hardware Works Co., Ltd.)	Islands
Textron France Inc.	Delaware
Textron France S.N.C. (85%; 15% owned by Textron Atlantic France Inc.)	France
Textron France S.A.	France
Textron Industries S.A.S.	France
Textron Industrial S.p.A. (85%; 15% owned by Textron International Inc.)	Italy
Textron Automotive Company Inc.	Delaware
Kaywood Products Corporation	Michigan
McCord Corporation	Michigan
McCord Winn Textron Inc.	Massachusetts
Textron Automotive Interiors Inc.	Delaware
Textron Automotive Overseas Investment Inc.	Delaware
Textron Automotive B.V.	Netherlands
Micromatic Operations Inc.	Delaware
Micro-Precision Operations Inc.	Delaware
Textron Automotive (Argentina) Inc.	Delaware
Textron Automotive Exteriors Inc.	Delaware
Textron China Inc.	Delaware
Textron FSC Inc.	Barbados
Textron Far East Pte. Ltd.	Singapore
Textron Financial Corporation	Delaware
Systran Financial Services Corporation	Delaware
Textron Funding Corporation	Delaware
Avco Enterprises, Inc.	California
Textron National Bank	California
Textron International Inc.	Delaware
Textron Logistics Company Inc.	Delaware
Name	Place of Incorporation
Textron Properties Inc.	Delaware

Textron Canada Limited (64.5%; 35.5% owned by Textron Inc.) Canada Kautex Corporation Ontario Textron Realty Corporation Delaware
Textron S.A. de C.V. (99%; 1% owned by Textron Atlantic Inc.) Mexico Camcar Textron de Mexico, S.A. de C.V. Mexico Kautex Textron de Mexico, S.A. de C.V. Mexico Kautex Textron Management Services Company de Puebla, Mexico S.A. de C.V.
Textron Automotive Company de Mexico, S.A. de C.V. Mexico Textron Automotive Management Services Company de Mexico, Mexico S.A. de C.V.
Turbine Engine Components Textron (Cleveland Operations) Inc. Delaware Turbine Engine Components Textron (Newington Operations) Inc. Connecticut

Turbine Engine Components Textron (Santa Fe Springs Operations) Inc.	California
Wolverine Metal Specialties Inc.	Michigan
Xact Textron Inc.	Delaware

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Textron Inc. of our report dated January 26, 1999, included in the 1998 Annual Report to Shareholders of Textron Inc.

Our audits also included the financial statement schedules of Textron Inc. listed in the accompanying Index to Financial Statements and Financial Statement Schedules. These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements (Form S-3 No. 33-63227, Form S-8 No. 333- 50931, Form S-8 No. 333-07121, Form S-8 No. 33-63741, Form S-8 No. 33-57025, Form S-8 No. 33-38094, and Form S-8 No. 33-19402) of Textron Inc. and in the related Prospectuses and Prospectus Supplements of our report dated January 26, 1999, with respect to the consolidated financial statements and schedules of Textron Inc. included or incorporated by reference in this Annual Report (Form 10-K) for the year ended January 2, 1999.

Boston, Massachusetts
March 8, 1999

Exhibit 24.1

POWER OF ATTORNEY

The undersigned, Textron Inc. ("Textron") a Delaware corporation, and the undersigned directors and officers of Textron, do hereby constitute and appoint Wayne W. Juchatz, Arnold M. Friedman, Michael D. Cahn and Ann T. Willaman, and each of them, with full powers of substitution, their true and lawful attorneys and agents to do or cause to be done any and all acts and things and to execute and deliver any and all instruments and documents which said attorneys and agents, or any of them, may deem necessary or advisable in order to enable Textron to comply with the Securities and Exchange Act of 1934, as amended, and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing of Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1999, including specifically, but without limitation, power and authority to sign the names of the undersigned directors and officers in the capacities indicated below and to sign the names of such officers on behalf of Textron to such Annual Report filed with the Securities and Exchange Commission, to any and all amendments to such Annual Report, to any instruments or documents or other writings in which the original or copies thereof are to be filed as a part of or in connection with such Annual Report or amendments thereto, and to file or cause to be filed the same with the Securities and Exchange Commission; and each of the undersigned hereby ratifies and confirms all that such attorneys and agents, and each of them, shall do or cause to be done hereunder and such attorneys and agents, and each of them, shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, Textron has caused this Power of Attorney to be executed and delivered in its name and on its behalf by the undersigned duly authorized officer and its corporate seal affixed, and each of the undersigned has signed his or her name thereto, on this 24th day of February, 1999.

TEXTRON INC.

By: /s/Lewis B. Campbell
Lewis B. Campbell
Chairman, President and Chief
Executive Officer

ATTEST:

/s/ Frederick K. Butler
Frederick K. Butler
Vice President and Secretary

/s/ Lewis B. Campbell
Lewis B. Campbell
Chairman, President and Chief
Executive Officer, Director

/s/Brian H. Rowe
Brian H. Rowe
Director

/s/J. Jesse Arnelle
H. Jesse Arnelle
Director

/s/ Sam F. Segnar
Sam F. Segnar
Director

/s/Teresa Beck
Teresa Beck
Director

/s/Jean Head Sisco
Jean Head Sisco
Director

/s/R. Stuart Dickson
R. Stuart Dickson
Director

/s/John W. Snow
John W. Snow
Director

/s/Lawrence K. Fish
Lawrence K. Fish
Director

/s/Martin D. Walker
Martin D. Walker
Director

/s/Joe T. Ford
Joe T. Ford
Director

/s/Thomas B. Wheeler
Thomas B. Wheeler
Director

/s/Paul E. Gagne
Paul E. Gagne
Director

/s/Stephen L. Key
Stephen L. Key
Executive Vice President
and Chief Financial Officer
(principal financial officer)

/s/John D. Macomber
John D. Macomber
Director

/s/Richard L. Yates
Richard L. Yates
Vice President and Controller
(principal accounting officer)

/s/Dana G. Mead
Dana G. Mead
Director

Exhibit 24.2

TEXTRON INC.

Assistant Secretary's Certificate

I, ANN T. WILLAMAN, a duly elected Assistant Secretary of TEXTRON INC., a Delaware corporation (hereinafter, the "Corporation"), DO HEREBY CERTIFY that set forth below is a true and correct copy of a resolution passed at a meeting of the Corporation's Board of Directors held on February 24, 1999, at which a quorum was present and voted throughout:

RESOLVED, that the officers of the Corporation be, and they hereby are, authorized in the name and on behalf of the Corporation to execute and deliver a power of attorney appointing Wayne W. Juchatz, Arnold M. Friedman, Michael D. Cahn and Ann T. Willaman, or any of them, to act as attorneys-in-fact for the Corporation for the purpose of executing and filing the Corporation's Annual Report on Form 10-K for its fiscal year ended January 2, 1999, and any and all amendments thereto.

I DO HEREBY FURTHER CERTIFY that the foregoing resolution has been neither amended nor modified, and remains in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Corporate seal of TEXTRON INC. to be affixed as of the 15th day of March, 1999.

CORPORATE SEAL

*/s/Ann T. Willaman
Assistant Secretary*

ARTICLE 5

This schedule contains summary financial information extracted from Textron Inc.'s Consolidated Balance Sheet as of January 2, 1999 and Consolidated Statement of Income for the year ended January 2, 1999 and is qualified in its entirety by reference to such financial statements.

PERIOD TYPE	YEAR
FISCAL YEAR END	JAN 02 1999
PERIOD END	JAN 02 1999
CASH	53
SECURITIES	0
RECEIVABLES	4,772
ALLOWANCES	84
INVENTORY	1,640
CURRENT ASSETS	4,355
PP&E	4,092
DEPRECIATION	1,887
TOTAL ASSETS	13,721
CURRENT LIABILITIES	3,919
BONDS	5,444
COMMON	24
PREFERRED MANDATORY	0
PREFERRED	13
OTHER SE	2,960
TOTAL LIABILITY AND EQUITY	13,721
SALES	9,316
TOTAL REVENUES	9,683
CGS	7,572
TOTAL COSTS	7,572
OTHER EXPENSES	0
LOSS PROVISION	20
INTEREST EXPENSE	315
INCOME PRETAX	763
INCOME TAX	294
INCOME CONTINUING	443
DISCONTINUED	165
EXTRAORDINARY	0
CHANGES	0
NET INCOME	608
EPS PRIMARY	3.77
EPS DILUTED	3.68

End of Filing

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