TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 08/11/94 for the Period Ending 06/02/94

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

TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 8/11/1994 For Period Ending 6/2/1994

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

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the fiscal quarter ended July 2, 1994

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

Commission file number 1-5480

TEXTRON INC.

(Exact name of registrant as specified in its charter)

Delaware	05-315468
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

40 Westminster Street, Providence, RI 02903
401-421-2800

(Address and telephone number of principal executive offices)

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

Yes X No

Common stock outstanding at July 30, 1994 - 88,732,000 shares

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	Three Months Ended		Six Months Ended	
	July 2, 1994	July 3, 1993	July 2, 1994	July 3, 1993
Revenues				
Sales	$ 1,775	$ 1,566	$ 3,463	$ 3,044
Interest, discount and service charges	325	314	649	629

Insurance premiums	303	277	593	555
Investment income (including net realized investment gains)	114	96	220	190
Total revenues	2,517	2,253	4,925	4,418
Costs and expenses				
Cost of sales	1,483	1,302	2,909	2,535
Selling and administrative	380	351	741	695
Interest expense	163	165	321	336
Provision for losses on collection of finance receivables, less recoveries	37	37	80	76
Insurance benefits and increase in policy liabilities	243	207	468	413
Amortization of insurance policy acquisition costs	26	38	52	75
Total costs and expenses	2,332	2,100	4,571	4,130
Income before income taxes	185	153	354	288
Income taxes	(71)	(59)	(136)	(111)
Elimination of minority interest in net income of Paul Revere	(4)	-	(8)	-
Net income	$ 110	$ 94	$ 210	$ 177
Net income per common share	$ 1.22	$ 1.05	$ 2.32	$ 1.97
Average shares outstanding*	90,533,000	89,992,000	90,556,000	89,794,000
Dividends per share:				
$2.08 Preferred stock, Series A	$.52	$.52	$ 1.04	$ 1.04
$1.40 Preferred stock, Series B	$.35	$.35	$ .70	$ .70
Common stock	$.35	$.31	$ .70	$ .62

* Average shares outstanding assume full conversion of preferred stock and exercise of options.

See notes to consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

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

	July 2, 1994	January 1, 1994
Assets		

Cash	$ 71	$ 26
Investments	4,995	4,764
Receivables - net:		
Finance	7,738	7,562
Commercial and U.S. Government	839	678
	8,577	8,240
Inventories	1,536	1,488
Property, plant and equipment - net	1,310	1,269
Unamortized insurance policy acquisition costs	831	784
Goodwill, less accumulated amortization of $372 and $343	1,593	1,437
Other assets (including net prepaid income taxes)	1,412	1,650
Total assets	$ 20,325	$ 19,658
Liabilities and shareholders' equity		
Liabilities		
Accounts payable	$ 637	$ 614
Accrued postretirement benefits other than pensions	1,040	1,033
Other accrued liabilities (including income taxes)	2,414	2,268
Insurance reserves and claims	4,338	4,091
Debt:		
Textron Parent Company Borrowing Group	2,013	2,025
Finance and insurance subsidiaries	6,974	6,847
	8,987	8,872
Total liabilities	17,416	16,878
Shareholders' equity		
Capital stock:		
Preferred stock	16	16
Common stock*	12	12
Capital surplus	698	687
Retained earnings	2,357	2,209
Other	(82)	(52)
	3,001	2,872
Less cost of treasury shares	92	92

Total shareholders' equity	2,909	2,780
Total liabilities and shareholders' equity	$ 20,325	$ 19,658
*Common shares outstanding	88,716,000	88,413,000

See notes to consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.
Consolidated Statement of Cash Flows (unaudited)

(In millions)

	Six Months Ended	
	July 2, 1994	July 3, 1993
Cash flows from operating activities:		
Net income	$ 210	$ 177
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	146	134
Provision for losses on receivables	97	96
Deferred income taxes	27	(7)
Increase in insurance policy liabilities	195	151
Amortization of insurance policy acquisition costs	52	75
Changes in assets and liabilities excluding those related to acquisitions:		
Increase in commercial and U.S. Government receivables	(141)	(55)
Increase in inventories	(11)	(14)
Additions to insurance policy acquisition costs	(105)	(111)
Increase in other assets	(13)	(21)
Increase in accounts payable	14	108
Increase (decrease) in accrued liabilities	73	(44)
Other - net	10	(28)
Net cash provided by operating activities	554	461
Cash flows from investing activities:		
Purchases of investments	(1,233)	(972)
Proceeds from sales of debt and marketable equity securities available for sale	524	304
Proceeds from sales of debt securities held to maturity	10	57
Proceeds from maturities and calls of debt and marketable equity securities	386	373

Proceeds from other investments	44	32
Finance receivables originated or purchased	(2,713)	(2,297)
Finance receivables repaid or sold	2,422	2,044
Capital expenditures	(131)	(101)
Cash used in acquisitions of businesses (net of cash acquired)	-	(139)
Other investing activities - net	41	14
Net cash used by investing activities	(650)	(685)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	(64)	345
Proceeds from issuance of long-term debt	1,126	815
Principal payments on long-term debt	(936)	(959)
Receipts from interest-sensitive insurance products	128	104
Return of account balances on interest-sensitive insurance products	(60)	(46)
Proceeds from exercise of stock options	9	13
Dividends paid	(63)	(55)
Net cash provided by financing activities	140	217
Effect of foreign exchange rate changes on cash	1	2
Net increase (decrease) in cash	45	(5)
Cash at beginning of period	26	31
Cash at end of period	$ 71	$ 26

See notes to consolidated financial statements.

TEXTRON INC.

Notes to Consolidated Financial Statements (unaudited)

Note 1: Summary of significant accounting policies

The financial statements should be read in conjunction with the financial statements included in Textron's Form 10-K for the year ended January 1, 1994. The financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of Textron's consolidated financial position at July 2, 1994 and January 1, 1994, and its consolidated results of operations for each of the respective three and six month periods ended July 2, 1994 and July 3, 1993 and consolidated cash flows for each of the six month periods ended July 2, 1994 and July 3, 1993. The results of operations for the six months ended July 2, 1994 are not necessarily indicative of results for the full year.

Note 2: Acquisitions

Avdel plc

In early 1989, Textron acquired Avdel plc, a fastening systems manufacturing business based in England, the total cost of which approximated $254 million. In February 1989, the U.S. Federal Trade Commission (FTC) challenged the acquisition under antitrust law. On May 10, 1994, the FTC gave final approval to a settlement of the matter. Textron acquired control of Avdel plc on May 17, 1994 after complying with the FTC settlement by licensing Avdel's Monobolt non-aerospace blind rivet and divesting certain manufacturing equipment to the licensee. Textron has accounted for the acquisition of Avdel as a purchase and, accordingly, Avdel's results of operations are included in Textron's financial statements beginning in the second quarter of 1994.

Textron Acustar Plastics

On May 3, 1993, Textron acquired the plastics operations of the Acustar division of Chrysler Corporation at a cost of $139 million.

Note 3: Dispositions

On May 11, 1994, Textron and AlliedSignal Inc. signed a memorandum of understanding for AlliedSignal to purchase Textron's Lycoming Turbine Engine Division for approximately $375 million in cash plus the assumption of certain liabilities. Completion of the transaction is subject to negotiation of a definitive purchase and sale agreement and regulatory approvals.

On July 21, 1994, Textron and Deere & Company entered into an agreement under which Deere & Company will purchase Textron's Homelite Division for approximately $120 million in cash plus the assumption of certain liabilities. The transaction, subject to regulatory approval, is expected to be completed by the end of the third quarter of 1994.

The proceeds from the sales of these divisions will be used for general corporate purposes including debt reduction, repurchase of common shares and the financing of acquisitions.

Note 4: Investments

	July 2, 1994	January 1, 1994
	(In millions)	
Debt and marketable equity securities available for sale (July 2, 1994 amortized cost: $2,433)	$ 2,410	$ 648
Debt securities held to maturity (July 2, 1994 estimated fair value: $2,163)	2,279	3,778
Other	306	338
	$ 4,995	$ 4,764

Effective at the beginning of 1994, Textron adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (FAS 115). In accordance with FAS 115, prior period financial statements have not been restated to reflect the change in accounting principles.

FAS 115 established new, more restrictive criteria to be used in determining which debt securities shall be carried in the financial statements at amortized cost. Beginning in 1994, securities carried at amortized cost and classified in Textron's held to maturity category are those as to which Textron has both the ability and positive intent to hold to maturity. Securities classified in the available for sale category are carried at fair value and consist of those securities which Textron intends to hold for an indefinite period of time but not necessarily to maturity. Unrealized gains and losses related to securities available for sale are reported as a separate component of shareholders' equity. To comply with FAS 115, Textron transferred certain debt securities from the held to maturity category to the available for sale category of its investment portfolio. The net unrealized gains of $94 million, net of applicable income taxes, relating to the debt securities classified in the available for sale category of its investment portfolio at the date of adoption, were recorded as an increase to shareholders' equity. The net unrealized losses related to the available for sale category were $13 million, net of applicable income tax benefit, at July 2, 1994. The adoption of FAS 115 had no effect on Textron's net income.

During the six months ended July 2, 1994, an investment in the held to maturity category, with an amortized cost of $10 million, was sold due to a significant deterioration in the issuer's creditworthiness. Proceeds from the sale were $10 million.

Note 5: Finance receivables - net

	July 2, 1994	January 1, 1994
	(In millions)	
Finance receivables	$ 8,214	$ 8,019
Less allowance for credit losses	239	225
Less finance-related insurance reserves and claims	237	232
	$ 7,738	$ 7,562

Note 6: Inventories

	July 2, 1994	January 1, 1994
	(In millions)	
Finished goods	$ 397	$ 395
Work in process	1,159	1,120
Raw materials	221	241
	1,777	1,756
Less progress and advance payments	241	268
	$ 1,536	$ 1,488

Note 7: Insurance reserves and claims

	July 2, 1994	January 1, 1994
	(In millions)	
Paul Revere:		
Future policy benefits	$ 1,135	$ 1,090
Unpaid claims and claim expenses	1,458	1,358
Other policyholder funds	1,568	1,462
Other	177	181
	$ 4,338	$ 4,091

Note 8: Contingencies

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

See Part II, Item 1., LEGAL PROCEEDINGS.

Note 9: Financial information by borrowing group

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

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

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

Textron, which had been the sole shareholder of The Paul Revere Corporation (PRC), sold 7.5 million shares of PRC, representing 16.7% of the outstanding shares of PRC, on October 26, 1993 in an underwritten public offering registered under the Securities Act of 1933.

Item 1. FINANCIAL STATEMENTS (Continued)

Note 9: Financial information by borrowing group (continued)

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

	Three Months Ended		Six Months Ended	
Statement of Income	July 2, 1994	July 3, 1993	July 2, 1994	July 3, 1993
Revenues	$ 1,776	$ 1,567	$ 3,464	$ 3,046
Costs and expenses				
Cost of sales	1,483	1,302	2,909	2,535
Selling and administrative	173	157	333	309
Interest expense	55	59	108	120
Total costs and expenses	1,711	1,518	3,350	2,964
	65	49	114	82
Pretax income of finance and insurance subsidiaries	120	104	240	206
Income before income taxes	185	153	354	288
Income taxes	(71)	(59)	(136)	(111)
Elimination of minority interest in net income of Paul Revere	(4)	-	(8)	-
Net income	$ 110	$ 94	$ 210	$ 177

Balance Sheet	July 2, 1994	January 1, 1994
Assets		
Cash	$ 57	$ 12
Receivables - net	839	695

Inventories	1,536	1,488
Investments in finance and insurance subsidiaries	2,205	2,161
Property, plant and equipment - net	1,191	1,150
Goodwill, less accumulated amortization of $193 and $173	1,303	1,138
Other assets (including net prepaid income taxes)	1,221	1,433
Total assets	$ 8,352	$ 8,077
Liabilities and shareholders' equity		
Accounts payable and accrued liabilities (including income taxes)	$ 3,430	$ 3,272
Debt	2,013	2,025
Shareholders' equity	2,909	2,780
Total liabilities and shareholders' equity	$ 8,352	$ 8,077

Item 1. FINANCIAL STATEMENTS (Continued)

Note 9: Financial information by borrowing group (continued)

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

	Six Months Ended	
Statement of Cash Flows	July 2, 1994	July 3, 1993
Cash flows from operating activities:		
Net income	$ 210	$ 177
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed earnings of finance and insurance subsidiaries	(83)	(81)
Depreciation and amortization	120	108
Interest accretion	19	18
Changes in assets and liabilities excluding those related to acquisitions:		
Increase in receivables	(125)	(70)
Increase in inventories	(11)	(14)
Increase in other assets	(34)	(27)
Increase in accounts payable and accrued liabilities	94	49
Other - net	10	4
Net cash provided by operating activities	200	164
Cash flows from investing activities:		
Cash used in acquisitions of businesses (net of cash acquired)	-	(139)

Capital expenditures	(117)	(92)
Other investing activities - net	41	7
Net cash used by investing activities	(76)	(224)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	(20)	8
Proceeds from issuance of long-term debt	462	224
Principal payments on long-term debt	(467)	(142)
Proceeds from exercise of stock options	9	13
Dividends paid	(63)	(55)
Net cash provided (used) by financing activities	(79)	48
Net increase (decrease) in cash	45	(12)
Cash at beginning of period	12	28
Cash at end of period	$ 57	$ 16

Item 1. FINANCIAL STATEMENTS (Continued)

Note 9: Financial information by borrowing group (continued)

FINANCE AND INSURANCE SUBSIDIARIES
(unaudited) (In millions)

	Three Months Ended		Six Months Ended	
Statement of Income	June 30, 1994	June 30, 1993	June 30, 1994	June 30, 1993
Revenues				
Interest, discount and service charges	$ 325	$ 314	$ 649	$ 629
Credit life, credit disability and casualty insurance premiums	70	75	133	151
Non-cancellable disability income, life and group insurance premiums	233	202	460	404
Investment income (including net realized investment gains)	113	95	219	188
Total revenues	741	686	1,461	1,372
Costs and expenses				
Selling and administrative	207	194	408	386
Interest expense	108	106	213	216
Provision for losses on collection of finance receivables, less recoveries	37	37	80	76
Credit life, credit disability and casualty insurance losses and				

adjustment expenses, less recoveries	31	34	62	67
Death and other insurance benefits	111	95	218	191
Increase in insurance policy liabilities	101	78	188	155
Amortization of insurance policy acquisition costs	26	38	52	75
Total costs and expenses	621	582	1,221	1,166
Income before income taxes	120	104	240	206
Income taxes	(48)	(40)	(94)	(79)
Net income	72	64	146	127
Elimination of minority interest in net income of Paul Revere	(4)	-	(8)	-
Textron's equity in net income	$ 68	$ 64	$ 138	$ 127

Item 1. FINANCIAL STATEMENTS (Continued)

Note 9: Financial information by borrowing group (continued)

FINANCE AND INSURANCE SUBSIDIARIES
(unaudited) (In millions)

Balance Sheet	June 30, 1994	December 31, 1993
Assets		
Cash	$ 14	$ 14
Investments	4,990	4,760
Finance receivables - net	7,798	7,605
Property, plant and equipment - net	101	99
Unamortized insurance policy acquisition costs	831	784
Goodwill, less accumulated amortization of $179 and $170	290	299
Other assets	616	660
Total assets	$ 14,640	$ 14,221
Liabilities and equity		
Accounts payable and accrued liabilities (including income taxes)	$ 939	$ 939
Insurance reserves and claims	4,338	4,091
Debt	6,974	6,847
Equity:		
Textron	2,205	2,161
Minority interest	184	183

Total liabilities and equity	$ 14,640	$ 14,221

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

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

	Three Months Ended		Six Months Ended	
	July 2, 1994	July 3, 1993	July 2, 1994	July 3, 1993
REVENUES				
MANUFACTURING:				
Aircraft	$ 532	$ 472	$ 1,040	$ 888
Automotive	399	299	790	552
Industrial	416	355	760	670
Systems and Components	428	440	873	934
	1,775	1,566	3,463	3,044
FINANCIAL SERVICES:				
Finance	406	400	806	802
Paul Revere	335	286	655	570
	741	686	1,461	1,372
Total revenues*	$ 2,516	$ 2,252	$ 4,924	$ 4,416
INCOME				
MANUFACTURING:				
Aircraft	$ 39	$ 30	$ 75	$ 50
Automotive	41	29	76	50
Industrial	42	33	78	61
Systems and Components	14	34	26	75
	136	126	255	236
FINANCIAL SERVICES:				
Finance	83	71	161	141
Paul Revere	37	33	79	65

	120	104	240	206
Segment operating income	256	230	495	442
Corporate expenses and other - net	(17)	(19)	(34)	(36)
Interest expense - net	(54)	(58)	(107)	(118)
Income before income taxes	$ 185	$ 153	$ 354	$ 288

* Revenues by business segment exclude interest income of the Textron Parent Company Borrowing Group of $1 million for the three and six month periods ended July 2, 1994 and $1 million and $2 million for the respective three and six month periods ended July 3, 1993.

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

Financial Condition

Textron Parent Company Borrowing Group: During the six months ended July 2, 1994, the Textron Parent Company Borrowing Group's operating activities provided cash of $200 million versus $164 million during the corresponding period of 1993. The improvement in 1994 was due to increased income and customer deposits in 1994, partially offset by higher receivables in 1994, due primarily to changed payment terms with certain customers. The Group's debt decreased by $12 million principally as a result of cash provided by operations in excess of capital expenditures and payments of dividends.

During the six months ended July 3, 1993, the Group's operating activities provided cash of $164 million versus cash used of $13 million during the corresponding period of 1992, with the improvement in 1993 due primarily to (a) higher trade payables and other liabilities due primarily to the timing of certain payments in 1993 and (b) significant payments on trade payables and other liabilities in 1992. The Group's debt increased by $75 million principally as a result of financing the $139 million acquisition of Textron Acustar Plastics.

The Textron Parent Company Borrowing Group's credit facilities not used or reserved as support for outstanding commercial paper or bank borrowings at July 2, 1994 were $872 million. Textron had $236 million available at July 2, 1994 for unsecured debt securities under its shelf registration statement filed with the Securities and Exchange Commission.

In 1990, PRC purchased in the open market (on behalf of Textron) 1,696,500 shares of Textron common stock at a total cost of approximately $40 million. Such purchase was accounted for in the Textron Parent Company Borrowing Group's balance sheet as a purchase of stock for the Textron Parent Company Borrowing Group's treasury and as a dividend (special distribution) from PRC. In July 1993, Textron's Board of Directors approved Textron's purchase of all of the shares of Textron common stock owned by PRC in four annual installments of 424,125 shares each, beginning on April 10, 1994, at a share price to be equal to the average closing price of Textron's stock over the fiscal quarter preceding each such purchase. The first of the four purchases (for $25 million) was made in April 1994.

On May 12, 1994, Textron reactivated its share repurchase program to purchase up to five million shares of its common stock from time to time in the open market as conditions warrant.

In the second quarter of 1994, Textron announced its agreement to sell its Lycoming Turbine Engine Division to AlliedSignal Inc. for approximately $375 million, and on July 21, 1994, Textron announced its agreement to sell its Homelite Division to Deere & Company for approximately $120 million. See Note 3 to the consolidated financial statements for additional information.

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

Finance and insurance subsidiaries: The finance and insurance subsidiaries paid dividends of $55 million and $46 million to the Textron Parent Company Borrowing Group during the six month periods ended July 2, 1994 and July 3, 1993, respectively.

During the six months ended June 30, 1994, Avco Financial Services (AFS) issued $365 million of unsecured debt securities, including $300 million under its shelf registration statements. AFS had $1.3 billion and $154 million available at June 30, 1994 for unsecured debt securities under its shelf registration statements with the Securities and Exchange Commission and Canadian provincial security exchanges, respectively.

On July 27, 1994, AFS issued $200 million of unsecured debt securities under its shelf registration statement with the Securities and Exchange Commission.

In June 1994, TFC established a medium-term note facility for $500 million under Rule 144A of the Securities Act of 1933, as amended, which was fully available at June 30, 1994.

During the first half of 1994, the finance subsidiaries had $295 million of interest rate exchange agreements go into effect. Of these, $100 million expire in 1995 and had the effect of exchanging the indices used to determine interest expense under certain variable rate borrowings at June 30, 1994 for the purpose of better matching the rate of interest incurred on the finance subsidiaries' financing with the rate of interest earned on certain of the finance subsidiaries' variable rate finance receivables. The remainder of the agreements, which have a weighted average original term of 4.2 years and expire through 1999, had the effect of fixing the rate of interest at approximately 6.6% on $195 million of variable rate borrowings at June 30, 1994.

Results of Operations - Three months ended July 2, 1994 vs. Three months ended July 3, 1993

Textron reported second quarter net income of $110 million ($1.22 per share), up 17% from 1993 net income of $94 million ($1.05 per share). Revenues increased 12% to $2.5 billion in 1994 from $2.3 billion in 1993. Earnings per share for 1994 reflect an increased number of average shares outstanding.

The Aircraft segment's revenues increased $60 million (13%), while income increased $9 million (30%). Bell's revenues and income increased, primarily as a result of higher sales of military aircraft and higher revenues under the Bell-Boeing V-22 engineering and manufacturing development contract (EMD), partially offset by lower sales of both military and commercial spare parts. Cessna's income approximated last year's level, as the benefit of increased aircraft sales and lower product development expenses related to the Citation X aircraft were offset by higher product support costs and higher bid and proposal expenses for the Joint Primary Aircraft Training System (JPATS) competition for a new military jet trainer.

The Automotive segment's revenues and income increased by $100 million (33%) and $12 million (41%), respectively, due primarily to the inclusion of the operating results of Textron Acustar Plastics (acquired in May 1993) for all three months in 1994 compared to two months in 1993 and higher automotive production, partially offset by higher costs related to the start-up of new plants at Textron Automotive Interiors.

The Industrial segment's revenues increased $61 million (17%), due principally to the inclusion of the operating results of Avdel plc, beginning in the second quarter of 1994, and higher sales at other fasteners businesses and in the outdoor products businesses. Income increased $9 million (27%), due primarily to the higher sales, improved productivity in the fasteners businesses and the addition of Avdel's operating income in 1994, which exceeded dividend income of $3 million from Avdel in 1993.

The Systems and Components segment's revenues decreased $12 million (3%) and income decreased $20 million (59%), due primarily to lower sales at Textron Lycoming Turbine Engine (principally attributable to reduced shipments of turbine engines for the Abrams main battle tank) and certain valuation adjustments at that division. Income was also lower at Textron Marine and Land Systems as a result of a cumulative unfavorable profit adjustment on certain combat vehicle and turret contracts. At the remaining divisions in this segment, revenues and income, in the aggregate, approximated the corresponding 1993 levels.

The Systems and Components income from operations for the full year 1994 is expected to be significantly below such income for 1993, principally as a result of lower sales and certain valuation adjustments in the first half of 1994 at Textron's Lycoming Turbine Engine division. The completion of the pending sale of that division (see Note 3 to the consolidated financial statements) would further reduce this segment's income from operations.

The Finance segment's revenues increased $6 million while income increased $12 million (17%). AFS' revenues increased slightly, due primarily to the higher level of finance receivables outstanding and an increase in investment income due to improving yields, largely offset by a decrease in yields on finance receivables and a decrease in premiums earned in its nonfinance-related insurance business. Its income increased, due to (a) a higher level of finance receivables outstanding, (b) a decrease in the cost of borrowed funds, (c) a decrease in insurance losses and (d) an increase in investment income due to improving yields, partially offset by (e) a decrease in yields on finance receivables. Revenues at TFC increased slightly, due to a higher level of finance receivables outstanding and higher prepayment fee income, partially offset by a decrease in yields on receivables. Its income increased due to those factors and a decrease in loan loss provisions, reflecting a reduction in commercial real estate asset charge-offs.

Paul Revere's revenues increased $49 million (17%), due to continued growth in its individual disability income and group lines of business, higher net realized investment gains and higher investment income. Its income increased $4 million (12%), primarily as a result of the higher net realized investment gains and increased premium and investment income, partially offset by higher individual and group disability income benefit ratios. The higher benefit ratios in the individual disability income business were the result of poor results in Paul Revere's excess risk reinsurance business and adverse experience on policies issued between 1985 and 1989. Group disability results were negatively impacted by

claims in southern California and the Province of Quebec and by claims on a specific product that had been sold to physicians and other professionals. Paul Revere's investment income increased as a result of
(a) a higher level of invested assets, offset in part by lower investment yields, and (b) higher net realized investment gains ($11 million in 1994 vs. $2 million in 1993).

Corporate expenses and other - net for the three months ended July 2, 1994 were slightly lower than the 1993 level. Lower interest expense of the Textron Parent Company Borrowing Group primarily reflected a lower level of average borrowing. The quarter's results reflected a slightly lower effective income tax rate than the corresponding prior year rate, as the effect of the increase in the federal statutory tax rate from 34% to 35% (new tax legislation passed in the third quarter of 1993, retroactive to the beginning of 1993) was offset by lower foreign and state income taxes, resulting from a change in mix of income among taxing jurisdictions.

Results of Operations - Six months ended July 2, 1994 vs. Six months ended July 3, 1993

Net income for the first half of 1994 was $210 million ($2.32 per share), up 19% from 1993 net income of $177 million ($1.97 per share). Revenues increased 11% to $4.9 billion in 1994 from $4.4 billion in 1993. Earnings per share for 1994 reflect an increased number of average shares outstanding.

The Aircraft segment's revenues increased $152 million (17%), while income increased $25 million (50%). Bell's revenues and income increased, primarily as a result of higher sales of military aircraft, higher international sales and higher revenues under the V-22 EMD contract, partially offset by lower sales of both military and commercial spare parts sales. Cessna's income approximated last year's level, as the benefit of increased aircraft sales and lower product development expenses related to the Citation X aircraft were offset by higher product support costs and higher bid and proposal expenses for the JPATS competition for a new military jet trainer.

The Automotive segment's revenues and income increased $238 million (43%) and $26 million (52%), respectively, due primarily to the inclusion of the operating results of Textron Acustar Plastics (acquired in May 1993) for all six months in 1994 compared to two months in 1993 and higher automotive production, partially offset by higher costs related to the start-up of new plants at Textron Automotive Interiors.

The Industrial segment's revenues increased $90 million (13%), due principally to the inclusion of the operating results of Avdel plc, beginning in the second quarter of 1994, and higher sales at other fasteners businesses and in the outdoor products businesses. Income increased $17 million (28%), due to the higher sales, improved productivity in the fasteners business and the addition of Avdel's operating income.

The Systems and Components segment's revenues decreased $61 million (7%). Income decreased $49 million (65%), due primarily to (a) lower sales at Textron Lycoming Turbine Engine (principally attributable to reduced shipments of turbine engines for the Abrams main battle tank) and certain valuation adjustments at that division, (b) first quarter provisions for further consolidation of manufacturing operations and certain legal matters, (c) a cumulative unfavorable profit adjustment on certain combat vehicle and turret contracts at Textron Marine and Land Systems and (d) lower revenues at other divisions, principally Textron Defense Systems and Textron Aerostructures.

At Textron Defense Systems, income decreased on substantially lower revenues, due principally to the wind down of a military communications satellite contract and a cumulative favorable profit adjustment in 1993 on a missile contract, partially offset by increased revenues in 1994 on a sensor-fuzed weapon program and the effect of a loss in 1993 on a mobile microwave landing system contract. Textron Aerostructures' income decreased, principally as a result of a cumulative favorable profit adjustment on a long-term contract in 1993. Its revenues were lower than the 1993 level as lower commercial aerospace sales in 1994 and nonrecurring tooling revenues on a long-term contract in 1993 were partially offset by the completion of the Titan IV contract in 1994.

The Finance segment's revenues increased $4 million while income increased $20 million (14%). AFS' revenues decreased slightly, due primarily to a decrease in premiums earned in its nonfinance-related insurance business, partially offset by an increase in investment income due to improving yields. Its income increased, due to (a) a higher level of finance receivables outstanding, (b) a decrease in the cost of borrowed funds, (c) a decrease in insurance losses and
(d) an increase in investment income, due to improving yields, partially offset by (e) a decrease in yields on finance receivables. Revenues at TFC increased, due to a higher level of finance receivables outstanding and higher leveraged lease income primarily related to the sales of residual appreciation rights, partially offset by a decrease in yields on receivables. Its income increased due to those factors and a decrease in the cost of borrowed funds.

Paul Revere's revenues increased $85 million (15%), due to continued growth in its individual disability income and group lines of business, higher net realized investment gains and higher investment income. Its income increased $14 million (22%), primarily as a result of the higher net realized investment gains and increased premium and investment income, partially offset by higher individual and group disability income benefit ratios. The higher benefit ratios in the individual disability income business were the result of poor results in Paul Revere's excess risk reinsurance business and adverse experience on policies issued between 1985 and 1989. Group disability results were negatively impacted by claims in southern California and the Province of Quebec and by claims on a specific product that had been sold to physicians and other professionals. Paul Revere's investment income increased as a result of
(a) a higher level of invested assets, offset in part by lower investment yields, and (b) higher net realized investment gains ($16 million in 1994 vs. $3 million in 1993). Realized investment gains in 1994 ($20 million) were partially offset by an increased provision for other than temporary declines in values of investments ($4 million).

Corporate expenses and other - net for the first half of 1994 were slightly lower than the 1993 level. Lower interest expense of the Textron

Parent Company Borrowing Group primarily reflected a lower level of average borrowing. The first half results reflected a slightly lower effective income tax rate than the corresponding prior year rate, as the effect of the increase in the federal statutory tax rate from 34% to 35% (new tax legislation passed in the third quarter of 1993, retroactive to the beginning of 1993) was offset by lower foreign and state income taxes, resulting from a change in mix of income among taxing jurisdictions.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

In early 1989, Textron acquired Avdel plc, a fastening systems manufacturing business based in England, the total cost of which approximated $254 million. In February 1989, the U.S. Federal Trade Commission (FTC) challenged the acquisition under antitrust law. On May 10, 1994, the FTC gave final approval to a settlement of the matter. Textron acquired control of Avdel plc on May 17, 1994, after complying with the FTC settlement by licensing Avdel's Monobolt non-aerospace blind rivet and divesting certain manufacturing equipment to the licensee. Textron commenced consolidating the results of operations of Avdel in its financial statements in the second quarter of 1994.

On October 5, 1993, the Ohio Environmental Protection Agency ("Ohio EPA") issued a proposed consent order concerning compliance issues related to air emissions from Textron's Randall Division plant in Wilmington, Ohio. The Ohio EPA is currently seeking a civil penalty of $300,000. Textron is negotiating with the Ohio EPA to resolve the matter.

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

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

At Textron's annual meeting of shareholders held on April 27, 1994, the following items were voted upon:

1. The following persons were elected to serve as directors in Class I for three year terms expiring in 1997 and received the votes listed. There were no abstentions or broker non-votes applicable to the election of directors:

Name	For	Withheld
Lewis B. Campbell	78,256,591	1,080,006
R. Stuart Dickson	78,260,723	1,075,874
John D. Macomber	78,252,693	1,083,904
John W. Snow	78,235,880	1,100,717

The following directors have terms of office which continued after the meeting: H. Jesse Arnelle, B. F. Dolan, James F. Hardymon, Webb C. Hayes, III, Barbara Scott Preiskel, Sam F. Segnar, Jean Head Sisco, Martin D. Walker and Thomas B. Wheeler.

2. The adoption of the Textron 1994 Long-Term Incentive Plan was approved by the following vote:

For	Against	Abstain	Broker Non-Votes
64,137,912	9,596,181	911,730	4,690,774

3. The appointment of Ernst & Young as Textron's independent auditors for 1994 was ratified by the following vote:

For	Against	Abstain	Broker Non-Votes
78,402,561	544,832	389,204	0

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10 Long-Term Incentive Plan

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

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

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the second quarter ended July 2, 1994.

SIGNATURES

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

TEXTRON INC.

Date: August 11, 1994

s/W. P. Janovitz

W. P. Janovitz
Vice President and Controller
(principal accounting officer)

LIST OF EXHIBITS

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

	Name of Exhibit
10	Long-Term Incentive Plan
12.1	Computation of ratio of income to fixed charges of the Textron Parent Company Borrowing Group
12.2	Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries

Exhibit 10

TEXTRON 1994 LONG-TERM INCENTIVE PLAN ARTICLE I -- GENERAL 1.1 PURPOSE. This Plan authorizes the grant of stock options ("Options") and/or performance share units ("Performance Share Units") to officers and other selected employees of Textron Inc. ("Textron") and its related companies to induce them to continue as Textron employees and to reward them for improvement in Textron's long-term performance. 1.2 ADMINISTRATION. (a) The Board of Directors of Textron (the "Board") shall appoint from among its members a committee (the "Committee") consisting of no fewer than three directors, none of whom shall be eligible, and none of whom shall have been eligible at any time within one year prior to or after exercising discretion in administering the Plan, for any award under the Plan or under any other employee benefit plan of Textron or any related company. Unless otherwise specified by the Board, the Committee, for purposes hereof, shall mean the Organization and Compensation Committee of the

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Board.        (b) The Committee shall have the power subject to and within  the
limits of the Plan:                 (1)  to determine from  time to time  which
eligible persons shall be       granted  Options under the Plan, which  Options
shall be "Incentive       Options" and which shall be "Non-Qualified  Options,"
as each is      hereinafter defined, the term of each granted Option, the  time
or times       during the term of each  Option within which all or portions  of
the Option        may be  exercised and the  number of shares  covered by  each
Option;             (2) to determine from time to time which eligible  persons
shall be      granted Performance Share Units under the Plan, to fix the number
of       Performance Share  Units covered by each  grant and the conditions  of
each      grant;              (3) to construe  and interpret the Plan and  to
establish, amend and      revoke rules and regulations for its  administration.
The Committee, in       the exercise  of this power, shall generally  determine
all questions of      policy and expediency that may arise and may correct  any
defect, omission          or inconsistency  in  the Plan  or in  any  agreement
evidencing an award      hereunder in a manner and to the extent it shall  deem
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necessary or expedient to make the Plan fully effective; (4) to prescribe the terms and provisions of any award under an Option or Performance Share Unit granted pursuant to this Plan; (5) to authorize payments in accordance with Sections 2.5, 3.3, 3.4 or 3.6; and (6) generally, to exercise such powers and to perform such acts in connection with the Plan as are deemed necessary or expedient to promote the best interests of Textron. (c) The Board at any time may designate one or more officers or committees of Textron to act in place of the Committee in making any determination or taking any action under the Plan. Notwithstanding the above, all decisions concerning the Plan that relate to persons who are Directors or Principal Officers of Textron shall be made by the Committee. (d) The Board at any time may revest administration of the Plan, including all powers and duties of the Committee, in the Board, provided that in any matter relating to the administration of the Plan, a majority of the Board and a majority of the directors acting on such matter shall not be eligible, and shall not have been eligible at any time within one year prior thereto, for a grant under the Plan or under any other employee benefit plan of Textron or any related company. In such event all references herein to the Committee shall be deemed to refer to the Board. A-1 (e) All actions of the Board, the Committee or any designate under Section 1.2(c) in connection with the Plan shall be final, conclusive and binding. No member of the Board, the Committee or any designated committee, nor any designated officer, shall be liable for any action taken or decision made in good faith relating to the Plan or any grant or award hereunder. 1.3 ELIGIBILITY. The Committee may grant Options or Performance Share Units under the Plan to any full-time employee of Textron or of any related company (determined at the date of grant) who is a corporate officer, Division or subsidiary president, administrative or professional employee, or other selected employee capable of making a substantial contribution to the success of Textron. Options or Performance Share Units may be granted to full-time employees who are also members of the Board. In making grants and determining their form and amount, the Committee shall consider functions and responsibilities of the employee, the employee's potential contributions to profitability and sound growth of Textron and such other factors as the Committee deems relevant. 1.4 GRANTS. Grants under the Plan may be comprised of either or both of the following: (a) Options as described in Article II; and (b) Performance Share Units as described in Article III; 1.5 EFFECTIVE DATE OF PLAN. The Plan shall be submitted to Textron shareholders for approval at the annual meeting on April 27, 1994, or at any adjournment of such meeting, and shall become effective immediately following its approval by the affirmative vote of the holders of a majority of the shares present and entitled to vote at such meeting. 1.6 AGGREGATE LIMITATION ON GRANTS. (a) Shares of Textron Common Stock ("Common Stock") which may be issued pursuant to grants under the Plan may be either authorized and unissued shares of Common Stock or authorized and issued shares of Common Stock purchased or acquired by Textron for this or any other purpose. Subject to section 4.9(a) (relating to adjustments upon changes in stock), the maximum number of shares of Common Stock which may be subject to Options under the Plan shall be 5,000,000, and the maximum number of Performance Share Units which may be granted under the Plan shall be 1,200,000. (b) In the event that (1) any Option granted under the Plan expires unexercised or is terminated or cancelled for any reason without having been exercised in full or (2) all or any part of any Performance Share Units granted under the Plan are terminated or unearnable for any reason, the number of shares of Common Stock theretofore subject to such Option, or the number of such Performance Share Units, or the unexercised, terminated, cancelled or unearnable portion thereof, shall be added to the remaining number of shares of Common Stock and Performance Share Units, respectively, available for grant under the Plan. ARTICLE II -- OPTIONS 2.1 GRANT OF OPTIONS. The Committee may from time to time, subject to the provisions of the Plan and such other terms and conditions as it may prescribe, grant to eligible employees one or more Options to purchase shares of Common Stock under the Plan. A maximum of 75,000 Options can be granted to any eligible employee during any calendar year. Options granted hereunder may be incentive stock options ("Incentive Options") under Section 422 of the Internal Revenue Code of 1986, as it may be amended. Section 422 and the Internal Revenue Code of 1986, as each may be in effect from time to time, are hereinafter referred to, respectively as Section 422 and the Code. Options granted hereunder which are not Incentive Options are referred to as "Non-Qualified Options." A-2 ^L 2.2 OPTION AGREEMENTS. The grant of an Option shall be evidenced by a written Option Agreement, executed by Textron and the optionee, stating the number of shares of Common Stock subject to the Option, designating whether and to what extent the Option is an Incentive Option and containing such investment representations and other terms and conditions as the Committee may from time to time determine, or as may be required by Section 422 or any other applicable law. 2.3 OPTION PRICE. The purchase price for the Common Stock covered by any Option granted under the Plan shall in no case be less than 100% of the fair market value of such Common Stock at the time the Option is granted. The purchase price of the shares as to which an Option shall be exercised shall be paid in full at the time of exercise at the election of the optionee (1) in cash, (2) by tendering to Textron shares of Common Stock then owned by the optionee having a fair market value equal to such purchase price, or (3) partly in cash and partly in shares of Common Stock valued at fair market value. 2.4 TERM OF OPTION. The term of each Option granted under the Plan shall be for such period as the Committee shall determine but not more than 10 years from the date of grant thereof in the case of an Incentive Option. Each Option shall be subject to earlier termination as provided in Section 2.6 or under Section 2.7, if applicable. 2.5 EXERCISE OF OPTION. Each Option granted under the Plan shall be exercisable on such date or dates during the term thereof and for such number of shares of Common Stock as may be provided in the Option Agreement evidencing its grant provided that an Option shall not be exercisable for less than 50 shares (or the remaining number of shares subject to the Option if that number is less than 50). No option shall be exercisable for at least six months after the date of its issuance. To exercise an Option as to all or part of the shares covered thereby, an optionee shall furnish to the Secretary of Textron at Textron's principal office written notice of such exercise together with the purchase price for the shares. The notice shall specify the number of shares then being purchased. In the discretion of the Committee, the Option Agreement may provide that shares may be issued in the name of the optionee and another person jointly with rights of survivorship. During the life of the optionee, an Option shall be exercisable only by the optionee or by the optionee's guardian or legal representative. 2.6 TERMINATION OF EMPLOYMENT. (a) If an optionee's employment with Textron or a related company shall terminate for cause, as determined by the Committee, all Options held by the optionee shall expire immediately. (b) If the employment with Textron and its related companies of an optionee who is not described in Section 2.6(a) shall end after the optionee has become eligible under a Textron salaried employees' pension plan for a normal or an early retirement benefit, the optionee shall have the right to exercise each Option granted to the optionee within 36 months after the end of the optionee's employment (or within such shorter period as may be specified in the related Option Agreement) to the extent the Option is exercisable at the time of exercise. (c) If an optionee's employment with Textron and its related companies shall end as a result of the optionee's total disability, the optionee shall have the right to exercise each Option granted to the optionee as to all unexercised shares until the expiration of its term. For purposes of the foregoing sentence and section 3.5(b)(1), "total disability" shall mean a permanent mental or physical disability as determined by the Committee. (d) If an optionee shall die while employed by Textron or a related company or while any Option granted to the optionee is still exercisable under Section 2.6(b), (c) or (e), any such Option may be exercised as to all unexercised shares within a period of one year from the date of the optionee's death by the executor or A-3 ^L administrator of the optionee's estate or by the person or persons to whom the optionee shall have transferred such right by will or by the laws of descent or distribution. (e) If an optionee's employment with Textron and its related companies shall end for any reason not specified in Sections 2.6(a), (b), (c) or (d), the optionee shall have the right to exercise each Option granted to the optionee within three months after his or her termination but, unless otherwise determined by the Committee, only to the extent the Option is exercisable at the time of such termination of employment. (f) Notwithstanding anything to the contrary in this Section 2.6, in no event shall an Option be exercisable after the expiration of its term. 2.7 INCENTIVE OPTIONS. (a) Incentive Options shall be subject to the additional terms and conditions of this Section 2.7. (b) No Incentive Option shall be issued hereunder to any individual who, at the time the Incentive Option is granted, owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of Textron or any related company. (c) To the extent that the aggregate fair market value (determined as of the time the Incentive Option is granted) of the Common Stock with respect to which any incentive stock options granted are exercisable for the first time by an optionee during any calendar year (under all employee benefit plans of Textron and its related companies) exceeds $100,000 (or such larger maximum as may be permitted under the Code for incentive stock options granted to an individual employee at the time the Incentive Option is granted), such options shall be treated as Non-Qualified Options. (d) Any optionee who disposes of shares of Common Stock acquired by or pursuant to exercise of an Incentive Option by sale, exchange, gift or other disposition described in Section 424(c) of the Code, either (1) within two years after the date of the grant of the Incentive Option under which the shares were acquired, or (2) within one year of the acquisition of such shares, shall notify the Secretary of Textron at Textron's principal office of such disposition, the amount realized, the exercise price and the date of exercise of such shares. Textron shall have the right to withhold from other sums which it may owe to the optionee, or to accept remittance by the optionee of sums in lieu of, an amount sufficient to satisfy any Federal, state and local withholding tax requirements relating to such a disposition. (e) The Option Agreement with respect to Incentive Options shall contain such other provisions as may be required by Section 422 or any other applicable law. ARTICLE III -- PERFORMANCE SHARE UNITS 3.1 AWARD OF PERFORMANCE SHARE UNITS. (a) The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, grant to eligible employees one or more Performance Share Units. Such grants shall be evidenced in writing. (b) "Performance Share Units" means fictional shares of Textron Common Stock accumulated and accounted for under this Plan for the sole purpose of determining the cash amount of any distribution on account of earned Performance Share Units. The existence of Performance Share Units is for record-keeping purposes only and does not require any segregation of assets. 3.2 CONDITIONS OF GRANT. When a grant of Performance Share Units is made, the Committee shall determine: (1) the number of Performance Share Units included in the grant; (2) the primary and minimum performance targets ("Performance Targets") or measures ("Performance Measures"), as described further in Section 3.4; and (3) the period ("Award Period") during which the Performance Targets or Performance Measures are to be accomplished. A-4 3.3 PAYMENT FOR PERFORMANCE SHARE UNITS. Payment in respect of earned Performance Share Units shall be due not more than 90 days after the Award Period for such Performance Share Units has ended. Such payment shall be in an amount determined under Section 3.6, or in a greater amount pursuant to the last two sentences of Section 3.4, and shall be made in one or more equal annual installments subject to such terms and conditions as the Committee shall specify. Payments for Performance Share Units shall be made in cash. 3.4 PERFORMANCE MEASURES AND PERFORMANCE TARGETS. Upon making a grant of Performance Share Units, the Committee shall establish one or more Performance Measures or primary and minimum Performance Targets to be attained for the Award Period as a condition of the related Performance Share Units being earned in whole or part. The Committee may establish Performance Measures or Performance Targets for Textron and for any of its Divisions, subsidiaries or other business units. Performance Measures or Performance Targets may be expressed as an increase in Textron's earnings per share, net operating profit, return on equity or in terms of any other standard, financial or otherwise, as the Committee may determine. Attainment of a primary Performance Target in an Award Period shall result in the earning of all of the Performance Share Units related to that Performance Target. Failure to attain a minimum Performance Target in an Award Period shall result in the failure to earn any of Performance Share Units related to that Performance Target. Attainment between a primary and a minimum Performance Target in an Award Period shall result in the earning of a portion of the Performance Share Units related to those Performance Targets, as the Committee or, in the case of non-officers, the chief executive officer of Textron, may determine. Achievement beyond a primary Performance Target may result in the earning of more than the value of the Performance Share Units related to that Performance Target, as the Committee may determine. Performance Share Units, or any amount in excess of the value of the Performance Share Units, related to one or more Performance Measures shall be earned only as determined by the Committee. 3.5 TERMINATION OF EMPLOYMENT. (a) If a grantee's employment with Textron or a related company shall terminate for less than acceptable performance, as determined by the Committee, all of the grantee's outstanding Performance Share Units will be cancelled immediately. (b) If the employment with Textron and its related companies of a grantee who is not described in Section 3.5(a) shall end during an Award Period but more than one year after its beginning: (1) due to

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death  or total disability,  or after the grantee   has       become  eligible
for an early or normal retirement benefit under a Textron      pension plan for
salaried employees,  the grantee or the  grantee's       successor  in interest
shall be entitled to payment on  account of the       Performance  Share  Units
earned  during that   Award Period,   if any,  as  if          the   grantee's
employment had continued throughout  that Award Period;  or                (2)
otherwise than as described in Section 3.5(b)(1), the  Committee      may  deem
all or any portion of the grantee's Performance Share Units for      that Award
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Period to have been earned. (c) If a grantee's employment with Textron and its related companies shall end during an Award Period but one year or less after its beginning, all of the grantee's Performance Share Units relating to that Award Period shall be cancelled. 3.6 AMOUNT OF PAYMENT FOR SHARE UNITS. Any payment with respect to earned Performance Share Units shall be made in cash and shall be in an amount equal to the product of (1) the current value of Textron Common Stock on the date on which they are deemed earned, times (2) the number of whole and fractional Performance Share Units which have been earned. For purposes of this Plan, earned Performance Share Units shall be deemed earned as of the last day of the applicable Award Period unless the Committee determines otherwise. A-5
^L 3.7 CURRENT VALUE. As used in the Plan, the "current value" of a share of Textron Common Stock on any date shall be the average of the composite closing prices therefor, as reported in The Wall Street Journal, for the ten trading days after the date. ARTICLE IV -- MISCELLANEOUS 4.1 GENERAL RESTRICTION. Each grant or award under the Plan shall be subject to the requirement that, if at any time the Committee shall determine that any listing or registration of the shares of Common Stock or any consent or approval of any governmental body, or any other agreement or consent, is necessary or desirable as a condition of a grant, an award or issuance of Common Stock or cash in satisfaction thereof, such grant or award may not be consummated unless each such requirement is satisfied in a manner acceptable to the Committee. 4.2 NON-ASSIGNABILITY. No award under the Plan shall be assignable or transferable by the recipient thereof, except by will or by the laws of descent and distribution. 4.3 WITHHOLDING TAXES. Whenever Textron proposes to or is required to issue or transfer shares of Common Stock under the Plan, Textron shall have the right to withhold or to require the participant to remit to Textron an amount sufficient to satisfy any Federal, state and local withholding tax requirements. Whenever under the Plan payments by Textron are to be made in cash, such payments shall be net of an amount sufficient to satisfy any Federal, state and local withholding tax requirements. 4.4 NO RIGHT TO EMPLOYMENT. Nothing in the Plan or in any agreement entered into pursuant to it shall confer upon any participant the right to continue in the employment of Textron or a related company or affect any right which Textron or a related company may have to terminate the employment of such participant. 4.5 NON-UNIFORM DETERMINATION. The determinations under the Plan of the Committee or of any designate (including without limitation its determinations of the persons to receive grants or awards, the form, amount, timing and payment of such grants or awards, the terms and provisions of such grants or awards, and the establishment of Performance Measures or Performance Targets) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated. 4.6 NO RIGHTS AS SHAREHOLDERS. Recipients of grants or awards under the Plan shall have no rights as shareholders of Textron unless and until certificates for shares of Common Stock are issued to them. 4.7 FAIR MARKET VALUE. Except as may be required by Section 422 or any other applicable law, as used in the Plan, "fair market value" on any date shall be the simple average of the high and low prices of the Common Stock on the New York Stock Exchange Composite Transactions Listing on such date. 4.8 RELATED COMPANY. As used in the Plan "related company" means any corporation in which Textron at the time in question owns, directly or indirectly, stock possessing 50 percent or more of the total combined voting power of all classes of stock and any corporation which at the time in question owns, directly or indirectly, a similar interest in Textron. 4.9 ADJUSTMENTS FOR CERTAIN CHANGES. (a) The aggregate number of shares of Common Stock and of Performance Share Units available for grant under the Plan, the number of shares of Common Stock covered by each outstanding Option or Performance Share Unit and the price per share thereof, and the maximum number of Options that can be awarded to any eligible employee shall all be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, stock dividend or any other increase or decrease in such shares effective without receipt of consideration by Textron. A-6 ^L (b) The Committee may in its discretion and for purposes of determining whether Performance Measures or Performance Targets have been met, equitably restate Textron's earnings per share, net operating profit, return on equity or any other standard utilized in establishing the Performance Measures or Performance Targets in order to take into account the effect, if any, of (1) acquisitions or dispositions of businesses by Textron, (2) extraordinary and non-recurring events, (3) a change in capitalization described in Section 4.9(a), or (4) any change in accounting practices, tax laws or other laws or regulations that, in the opinion of the Committee, significantly affects the financial performance of Textron. 4.10 CHANGE IN CONTROL. (a) Notwithstanding any other provision of this Plan, in the event of a change in

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control as defined in Section 4.10(b):                 (1) the Award Period  for
each outstanding Performance  Share Unit        shall end,  and each such  unit
shall be deemed to have been earned, as of      the end of the Award Period and
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shall be payable immediately and in full; and (2) each unexpired Option shall be exercisable, beginning immediately, as to all remaining shares subject to the Option. (b) For purposes of this Plan, a "change in control" shall occur if (i) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act")) other than Textron, any "person" who on February 23, 1994 was a director or officer of Textron, any trustee or other fiduciary holding Common Stock under an employee benefit plan of Textron or a related company, or any corporation which is owned, directly or indirectly, by the stockholders of Textron in substantially the same proportions as their ownership of Common Stock, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act) of more than thirty percent (30%) of the then outstanding voting stock of Textron, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board or whose nomination for election by Textron's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof, or (iii) the shareholders of Textron approve a merger or consolidation of Textron with any other corporation, other than a merger or consolidation which would result in the voting securities of Textron outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than eighty percent (80%) of the combined voting power of the voting securities of Textron or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the shareholders of Textron approve a plan of complete liquidation of Textron of an agreement for the sale or disposition by Textron of all or substantially all of Textron's assets. 4.11 AMENDMENT OR TERMINATION OF THE PLAN. The Board, without further approval of the shareholders, may at any time terminate the Plan or any part thereof and may from time to time amend the Plan as it may deem advisable including with respect to Incentive Options any changes deemed necessary or desirable to comply with Section 422 and any regulations thereunder; provided, however, that without shareholder approval, the Board may not (a) increase the aggregate number of shares of Common Stock which may be issued under the Plan (other than increases permitted under Section 4.9(a)) or (b) extend the period during which an Incentive Option may be exercised beyond 10 years. Termination or amendment of the Plan shall not, without the consent of the individual, affect any right of such individual (including without limitation any right under Section 4.10) under an award previously granted.

EXHIBIT 12.1

TEXTRON PARENT COMPANY BORROWING GROUP

COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES

(unaudited)

(In millions except ratio)

	Six Months Ended July 2, 1994
Fixed charges:	
Interest expense (1)	$ 108
Estimated interest portion of rents	11
Total fixed charges	$ 119
Income:	
Income before income taxes	$ 354
Fixed charges	119
Eliminate equity in undistributed pretax income of finance and insurance subsidiaries	(185)
Adjusted income	$ 288
Ratio of income to fixed charges	2.42

(1) Includes interest unrelated to borrowings of $20 million (primarily interest accretion).

EXHIBIT 12.2

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES

(unaudited)

(In millions except ratio)

	Six Months Ended July 2, 1994
Fixed charges:	
Interest expense (1)	$ 321
Estimated interest portion of rents	21
Total fixed charges	$ 342
Income:	
Income before income taxes	$ 354
Elimination of minority interest in pretax income of Paul Revere	(13)
Fixed charges	342
Adjusted income	$ 683
Ratio of income to fixed charges	2.00

(1) Includes interest unrelated to borrowings of $20 million (primarily interest accretion).