TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 11/14/94 for the Period Ending 10/01/94

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 11/14/1994 For Period Ending 10/1/1994

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 October 1, 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 October 29, 1994 - 88,056,000 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		Nine Months Ended	
	October 1, 1994	October 2, 1993	October 1, 1994	October 2, 1993
Revenues				
Sales	$ 1,621	$ 1,520	$ 5,084	$ 4,564
Interest, discount and service charges	332	313	981	942

Insurance premiums	315	287	908	842
Investment income (including net realized investment gains)	113	113	333	303
Total revenues	2,381	2,233	7,306	6,651
Costs and expenses				
Cost of sales	1,338	1,267	4,249	3,802
Selling and administrative	368	350	1,107	1,045
Interest expense	168	167	489	503
Provision for losses on collection of finance receivables, less recoveries	37	36	117	112
Insurance benefits and increase in policy liabilities	256	218	724	631
Amortization of insurance policy acquisition costs	29	37	81	112
Total costs and expenses	2,196	2,075	6,767	6,205
Income before income taxes	185	158	539	446
Income taxes	(71)	(58)	(207)	(169)
Elimination of minority interest in net income of Paul Revere	(3)	-	(11)	-
Net income	$ 111	$ 100	$ 321	$ 277
Net income per common share	$ 1.23	$ 1.10	$ 3.54	$ 3.07
Average shares outstanding*	90,577,000	90,303,000	90,567,000	89,952,000
Dividends per share:				
$2.08 Preferred stock, Series A	$.52	$.52	$ 1.56	$ 1.56
$1.40 Preferred stock, Series B	$.35	$.35	$ 1.05	$ 1.05
Common stock	$.35	$.31	$ 1.05	$ .93

* 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)

	October 1, 1994	January 1, 1994
Assets		

Cash	$ 87	$ 26
Investments	5,133	4,764
Receivables - net:		
Finance	8,048	7,562
Commercial and U.S. Government	824	678
	8,872	8,240
Inventories	1,455	1,488
Property, plant and equipment, less accumulated depreciation of $1,635 and $1,528	1,290	1,269
Unamortized insurance policy acquisition costs	867	784
Goodwill, less accumulated amortization of $387 and $343	1,578	1,437
Other assets (including net prepaid income taxes)	1,455	1,650
Total assets	$ 20,737	$ 19,658

Liabilities and shareholders' equity		
Liabilities		
Accounts payable	$ 622	$ 614
Accrued postretirement benefits other than pensions	1,042	1,033
Other accrued liabilities (including income taxes)	2,464	2,268
Insurance reserves and claims	4,511	4,091
Debt:		
Textron Parent Company Borrowing Group	1,851	2,025
Finance and insurance subsidiaries	7,252	6,847
	9,103	8,872
Total liabilities	17,742	16,878
Shareholders' equity		
Capital stock:		
Preferred stock	16	16
Common stock*	12	12
Capital surplus	700	687
Retained earnings	2,437	2,209
Other	(78)	(52)
	3,087	2,872
Less cost of treasury shares	92	92
Total shareholders' equity	2,995	2,780

Total liabilities and shareholders' equity	$ 20,737	$ 19,658
*Common shares outstanding	88,803,000	88,413,000

See notes to consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.
Consolidated Statement of Cash Flows (unaudited)

(In millions)

	Nine Months Ended	
	October 1, 1994	October 2, 1993
Cash flows from operating activities:		
Net income	$ 321	$ 277
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	222	206
Provision for losses on receivables	144	142
Deferred income taxes	39	20
Increase in insurance policy liabilities	305	234
Amortization of insurance policy acquisition costs	81	112
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in commercial and U.S. Government receivables	(173)	(48)
Decrease in inventories	27	27
Additions to insurance policy acquisition costs	(166)	(175)
Increase in other assets	(43)	(113)
Increase in accounts payable	12	128
Increase in accrued liabilities	95	25
Other - net	25	(12)
Net cash provided by operating activities	889	823
Cash flows from investing activities:		
Purchases of investments	(1,696)	(1,289)
Proceeds from sales of debt and marketable equity securities available for sale	737	308
Proceeds from sales of debt securities held to maturity	10	78
Proceeds from maturities and calls of debt and marketable equity securities	490	563
Proceeds from dispositions of other investments	53	38
Finance receivables originated or purchased	(4,246)	(3,578)

Finance receivables repaid or sold	3,635	3,158
Cash used in acquisitions of businesses (net of cash acquired)	-	(139)
Net proceeds from sale of business	118	-
Capital expenditures	(198)	(163)
Other investing activities - net	43	20
Net cash used by investing activities	(1,054)	(1,004)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	(33)	203
Proceeds from issuance of long-term debt	1,854	1,310
Principal payments on long-term debt	(1,619)	(1,318)
Receipts from interest-sensitive insurance products	198	147
Return of account balances on interest-sensitive insurance products	(92)	(73)
Proceeds from exercise of stock options	11	15
Dividends paid	(94)	(83)
Net cash provided by financing activities	225	201
Effect of foreign exchange rate changes on cash	1	(1)
Net increase in cash	61	19
Cash at beginning of period	26	31
Cash at end of period	$ 87	$ 50

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 October 1, 1994 and January 1, 1994, and its consolidated results of operations for each of the respective three and nine month periods ended October 1, 1994 and October 2, 1993 and consolidated cash flows for each of the nine month periods ended October 1, 1994 and October 2, 1993. The results of operations for the nine months ended October 1, 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. Due to a challenge of the acquisition under the antitrust laws by the U.S. Federal Trade Commission (FTC) in February 1989, Textron did not acquire control of Avdel plc until May 1994 after complying with a settlement reached with the FTC. 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

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

Note 3: Dispositions

On August 29, 1994, Textron sold its Homelite Division and on October 28, 1994 it sold its Lycoming Turbine Engine Division for an aggregate of $495 million in cash plus the assumption of certain liabilities. The aftertax loss on the sales of these divisions (which was due to the nontax deductibility of goodwill) was immaterial.

Note 4: Investments

	October 1, 1994	January 1, 1994
	(In millions)	
Debt and marketable equity securities available for sale (October 1, 1994 amortized cost: $2,493)	$ 2,435	$ 648
Debt securities held to maturity (October 1, 1994 estimated fair value: $2,236)	2,397	3,778
Other	301	338
	$ 5,133	$ 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 estimated 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, net of applicable income taxes, 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 adoption of FAS 115 had no effect on Textron's net income.

During the nine months ended October 1, 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.

Note 5: Finance receivables - net

	October 1, 1994	January 1, 1994
	(In millions)	
Finance receivables	$ 8,538	$ 8,019
Less allowance for credit losses	246	225
Less finance-related insurance reserves and claims	244	232
	$ 8,048	$ 7,562

Note 6: Inventories

	October 1,	January 1,

	1994	1994
	(In millions)	
Finished goods	$ 379	$ 395
Work in process	1,099	1,120
Raw materials	218	241
	1,696	1,756
Less progress and advance payments	241	268
	$ 1,455	$ 1,488

Note 7: Insurance reserves and claims

	October 1, 1994	January 1, 1994
	(In millions)	
Paul Revere:		
Future policy benefits	$ 1,167	$ 1,090
Unpaid claims and claim expenses	1,523	1,358
Other policyholder funds	1,630	1,462
Other	191	181

$ 4,511 $ 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.

Item 1. FINANCIAL STATEMENTS (Continued)

Note 9: Financial information by borrowing group (continued)

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

Statement of Income	Three Months Ended October 1, 1994	Three Months Ended October 2, 1993	Nine Months Ended October 1, 1994	Nine Months Ended October 2, 1993
Revenues	$ 1,622	$ 1,521	$ 5,086	$ 4,567
Costs and expenses				
Cost of sales	1,338	1,267	4,249	3,802
Selling and administrative	161	151	492	460
Interest expense	52	59	160	179
Total costs and expenses	1,551	1,477	4,901	4,441
	71	44	185	126
Pretax income of finance and insurance subsidiaries	114	114	354	320
Income before income taxes	185	158	539	446
Income taxes	(71)	(58)	(207)	(169)
Elimination of minority interest in net income of Paul Revere	(3)	-	(11)	-
Net income	$ 111	$ 100	$ 321	$ 277

Balance Sheet	October 1, 1994	January 1, 1994
Assets		
Cash	$ 63	$ 12
Receivables - net	824	695
Inventories	1,455	1,488
Investments in finance and insurance subsidiaries	2,237	2,161
Property, plant and equipment - net	1,172	1,150
Goodwill, less accumulated amortization of $203 and $173	1,293	1,138
Other assets (including net prepaid income taxes)	1,274	1,433
Total assets	$ 8,318	$ 8,077
Liabilities and shareholders' equity		
Accounts payable and accrued liabilities (including income taxes)	$ 3,472	$ 3,272
Debt	1,851	2,025
Shareholders' equity	2,995	2,780
Total liabilities and shareholders' equity	$ 8,318	$ 8,077

Item 1. FINANCIAL STATEMENTS (Continued)

Note 9: Financial information by borrowing group (continued)

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

Statement of Cash Flows	Nine Months Ended October 1, 1994	Nine Months Ended October 2, 1993
Cash flows from operating activities:		
Net income	$ 321	$ 277
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed earnings of finance and insurance subsidiaries	(121)	(123)
Depreciation and amortization	182	166
Interest accretion	27	27
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in receivables	(156)	(79)
Decrease in inventories	27	27
Increase in other assets	(82)	(46)
Increase in accounts payable and accrued liabilities	123	47
Other - net	11	3
Net cash provided by operating activities	332	299
Cash flows from investing activities:		
Cash used in acquisitions of businesses (net of cash acquired)	-	(139)
Net proceeds from sale of business	118	-
Capital expenditures	(176)	(145)
Other investing activities - net	43	15
Net cash used by investing activities	(15)	(269)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	(31)	8
Proceeds from issuance of long-term debt	560	316
Principal payments on long-term debt	(714)	(272)
Proceeds from exercise of stock options	11	15
Dividends paid	(94)	(83)
Net cash used by financing activities	(268)	(16)
Effect of foreign exchange rate changes on cash	2	-

Net increase in cash	51	14
Cash at beginning of period	12	28
Cash at end of period	$ 63	$ 42

Item 1. FINANCIAL STATEMENTS (Continued)

Note 9: Financial information by borrowing group (continued)

FINANCE AND INSURANCE SUBSIDIARIES
(unaudited) (In millions)

	Three Months Ended		Nine Months Ended	
Statement of Income	September 30, 1994	September 30, 1993	September 30, 1994	September 30, 1993
Revenues				
Interest, discount and service charges	$ 332	$ 313	$ 981	$ 942
Credit life, credit disability and casualty insurance premiums	75	75	208	226
Non-cancellable disability income, life and group insurance premiums	240	212	700	616
Investment income (including net realized investment gains)	112	112	331	300
Total revenues	759	712	2,220	2,084
Costs and expenses				
Selling and administrative	207	199	615	585
Interest expense	116	108	329	324
Provision for losses on collection of finance receivables, less recoveries	37	36	117	112
Credit life, credit disability and casualty insurance losses and adjustment expenses, less recoveries	33	33	95	100
Death and other insurance benefits	114	98	332	289
Increase in insurance policy liabilities	109	87	297	242
Amortization of insurance policy acquisition costs	29	37	81	112
Total costs and expenses	645	598	1,866	1,764
Income before income taxes	114	114	354	320
Income taxes	(44)	(51)	(138)	(130)
Net income	70	63	216	190
Elimination of minority interest in net income of Paul Revere	(3)	-	(11)	-

Textron's equity in net income	$ 67	$ 63	$ 205	$ 190

Item 1. FINANCIAL STATEMENTS (Continued)

Note 9: Financial information by borrowing group (continued)

FINANCE AND INSURANCE SUBSIDIARIES
(unaudited) (In millions)

Balance Sheet	September 30, 1994	December 31, 1993
Assets		
Cash	$ 24	$ 14
Investments	5,127	4,760
Finance receivables - net	8,103	7,605
Property, plant and equipment - net	104	99
Unamortized insurance policy acquisition costs	867	784
Goodwill, less accumulated amortization of $184 and $170	285	299
Other assets	625	660
Total assets	$ 15,135	$ 14,221
Liabilities and equity		
Accounts payable and accrued liabilities (including income taxes)	$ 951	$ 939
Insurance reserves and claims	4,511	4,091
Debt	7,252	6,847
Equity:		
Textron	2,237	2,161
Minority interest	184	183
Total liabilities and equity	$ 15,135	$ 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		Nine Months Ended	
	October 1, 1994	October 2, 1993	October 1, 1994	October 2, 1993
REVENUES				

MANUFACTURING:				
Aircraft	$ 549	$ 494	$ 1,589	$ 1,382
Automotive	331	272	1,121	824
Industrial	349	301	1,109	971
Systems and Components	392	453	1,265	1,387
	1,621	1,520	5,084	4,564
FINANCIAL SERVICES:				
Finance	421	403	1,227	1,205
Paul Revere	338	309	993	879
	759	712	2,220	2,084
Total revenues*	$ 2,380	$ 2,232	$ 7,304	$ 6,648
INCOME				
MANUFACTURING:				
Aircraft	$ 56	$ 64	$ 131	$ 114
Automotive	21	11	97	61
Industrial	39	21	117	82
Systems and Components	30	21	56	96
	146	117	401	353
FINANCIAL SERVICES:				
Finance	86	74	247	215
Paul Revere	28	40	107	105
	114	114	354	320
Segment operating income	260	231	755	673
Corporate expenses and other - net	(24)**	(15)	(58)**	(51)
Interest expense - net	(51)	(58)	(158)	(176)
Income before income taxes	$ 185	$ 158	$ 539	$ 446

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

1993.

** Includes a pretax charge of $9 million related to the early redemption of debt.

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

Financial Condition

Textron Parent Company Borrowing Group: During the nine months ended October 1, 1994, the Textron Parent Company Borrowing Group's operating activities provided cash of $332 million up from $299 million during the corresponding period of 1993. The improvement was due to (a) increased income,
(b) higher payables due primarily to the timing of dividend payments in 1994 and (c) increased customer deposits, partially offset by higher receivables, due primarily to changed payment terms with certain customers. The Group's debt decreased by $174 million principally as a result of cash provided by operations and the proceeds from the sale of Homelite. Its ratio of debt to total capital was 38% at October 1, 1994, down from 42% at January 1, 1994.

During the nine months ended October 2, 1993, the Group's operating activities provided cash of $299 million versus $71 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, (b) significant payments on trade payables and other liabilities in 1992, (c) higher income and (d) improvements in inventory management and increased deliveries. The Group's debt increased in 1993 by $38 million 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 October 1, 1994 were $915 million. Textron had $236 million available at October 1, 1994 for unsecured debt securities under its shelf registration statement filed with the Securities and Exchange Commission.

In 1993, Textron's Board of Directors approved Textron's purchase of all of the shares of Textron common stock owned by Paul Revere in four annual installments of 424,125 shares each 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.

In May 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. As of October 31, 1994, 776,700 shares had been purchased under the program (all in October) at an aggregate cost of $39 million.

On August 29, 1994, Textron sold its Homelite Division and on October 28, 1994 it sold its Lycoming Turbine Engine Division for an aggregate of $495 million. The proceeds from these sales are being used for general corporate purposes including debt reduction and the repurchase of common shares. See Note 3 to the consolidated financial statements for additional information.

On September 30, 1994, Textron redeemed an aggregate principal amount of $109 million of its 9-1/4% Debentures, due 2016 and 2017, with the proceeds from the sale of Homelite.

Management believes that the Textron Parent Company Borrowing Group 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 $84 million and $67 million to the Textron Parent Company Borrowing Group during the nine month periods ended October 1, 1994 and October 2, 1993, respectively.

During the nine months ended September 30, 1994, Avco Financial Services (AFS) issued $946 million of unsecured debt securities, including $873 million under its shelf registration statements. AFS had $847 million and $84 million available at September 30, 1994 for unsecured debt securities under its shelf registration statements with the Securities and Exchange Commission and Canadian provincial security exchanges, respectively.

In June 1994, Textron Financial Corporation (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 September 30, 1994.

During the nine months ended September 30, 1994, the finance subsidiaries had $422 million of interest rate exchange agreements go into effect. Of these, $150 million expire in 1995 and had the effect of exchanging the indices used to determine interest expense under certain variable rate borrowings at September 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 3.8 years and expire through 1999, had the effect of fixing the rate of interest at approximately 7.0% on $272 million of variable rate borrowings at September 30, 1994.

Results of Operations - Three months ended October 1, 1994 vs. Three months ended October 2, 1993

Textron reported third quarter net income of $111 million ($1.23 per share), up 11% from 1993 net income of $100 million ($1.10 per share). Revenues increased 7% to $2.4 billion in 1994 from $2.2 billion in 1993. Earnings per share for 1994 reflect an increased number of average shares outstanding.

The Aircraft segment's revenues increased $55 million (11%), while income decreased $8 million (13%), due to an $18 million gain in 1993 at Cessna from an insurance settlement. Bell's revenues and income increased, primarily as a result of higher revenues under the Bell-Boeing V-22 engineering and manufacturing development contract (EMD) and higher sales of military aircraft. Excluding the $18 million insurance gain in 1993, Cessna's income increased slightly from the corresponding 1993 level as lower bid and proposal expenses related to the Joint Primary Aircraft Training System (JPATS) competition for a new military jet trainer and lower product development expenses principally related to the Citation X aircraft were partially offset by the effect of lower aircraft sales.

The Automotive segment's revenues and income increased by $59 million (22%) and $10 million (91%), respectively, due primarily to higher automotive production in 1994 and a $5 million provision in 1993 for the consolidation of certain manufacturing operations.

The Industrial segment's revenues increased $48 million (16%), due primarily to higher fasteners sales, including the addition of Avdel's operating results in 1994, partially offset by lower sales in outdoor products, due to the sale of the Homelite division in August 1994. Income increased $18 million (86%), due primarily to (a) the gain on the sale of the Homelite division, (b) a $6 million provision in 1993 for the consolidation of certain manufacturing operations and (c) the higher fasteners sales, partially offset by the effect of the lower sales at Homelite.

The Systems and Components segment's revenues decreased $61 million (13%) while its income increased $9 million (43%), due primarily to provisions aggregating $22 million in 1993 for the consolidation of certain manufacturing operations and legal matters, partially offset by lower income at Textron Lycoming Turbine Engine. Excluding the effect of those provisions and the lower results at Textron Lycoming Turbine Engine, the aggregate income at the other divisions in this segment was slightly higher than the corresponding 1993 level despite slightly lower revenues.

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 at Textron's Lycoming Turbine Engine division. The sale of that division (see Note 3 to the consolidated financial statements) will further reduce this segment's income from operations.

The Finance segment's revenues increased $18 million (4%) while income increased $12 million (16%). AFS' revenues increased slightly, due primarily to a higher level of finance receivables outstanding, partially offset by a decrease in yields on finance receivables to meet market conditions. Its income increased, due to (a) the higher level of finance receivables outstanding and (b) a decrease in the cost of borrowed funds, partially offset by (c) an increase in loan loss provisions associated with growth in finance receivables outstanding and (d) the decrease in yields on finance receivables. Revenues at TFC increased, due to a higher level of finance receivables outstanding and an increase in yields on finance receivables. Its income increased due to those factors and a decrease in loan loss provisions, reflecting a stabilization of nonperforming real estate loans, partially offset by an increase in the cost of borrowed funds.

Paul Revere's revenues increased $29 million (9%), due to continued growth in its individual disability income line of business and higher net investment income. Its income decreased $12 million (30%), however, primarily as a result of a higher individual disability income benefit ratio, partially offset by increased premium and net investment income and improved group disability results. The higher benefit ratio in the individual disability income business was the result of continuing adverse experience on the block of policies issued between 1985 and 1989, especially physicians in Florida and California. Ongoing morbidity studies being conducted by Paul Revere indicate that the higher benefit ratio will not improve in the fourth quarter of 1994, so that the operating income for that quarter will be lower than the operating income for the corresponding quarter of 1993. Group disability results improved as a result of an improved benefit ratio, increased sales of more profitable products and increased persistency on higher-priced renewals. Paul Revere's net investment income increased as a result of a higher level of invested assets, offset in part by lower overall portfolio yields and lower net realized investment gains ($6 million in 1994 vs. $10 million in 1993).

Corporate expenses and other - net for the three months ended October 1, 1994 were higher than the corresponding level in 1993 as a result of a $9 million pretax charge related to the early redemption of high coupon debt. Lower interest expense of the Textron Parent Company Borrowing Group reflected a lower level of average borrowing, partially offset by an increased average cost of borrowing. The quarter's results reflected a higher effective income tax rate than the corresponding prior year rate, principally as a result of new tax legislation passed in the third quarter of 1993, retroactive to the beginning of 1993. The resulting effect of the one-time benefit in 1993 was partially offset by the cumulative catch-up effect of the increase in the federal statutory tax rate from 34% to 35% on the first half income in 1993 and lower foreign and state income taxes in 1994, resulting from a change in mix of income among taxing jurisdictions, and higher research and development credits in 1994.

Results of Operations - Nine months ended October 1, 1994 vs. Nine months ended October 2, 1993

Net income for the nine months ended October 1, 1994 was $321 million ($3.54 per share), up 16% from 1993 net income of $277 million ($3.07 per share). Revenues increased 10% to $7.3 billion in 1994 from $6.7 billion in 1993. Earnings per share for 1994 reflect an increased number of average shares outstanding.

The Aircraft segment's revenues increased $207 million (15%), while income increased $17 million (15%). Bell's revenues and income increased, primarily as a result of higher revenues under the V-22 EMD contract, higher sales of military aircraft and higher international sales, partially offset by lower sales of both military and commercial spare parts. Cessna's revenues increased slightly, while its income decreased, due to an $18 million gain in 1993 from an insurance settlement. Excluding the $18 million insurance gain in 1993, Cessna's income increased slightly as the benefit of higher aircraft sales and lower product development expenses related to the Citation X aircraft were partially offset by higher product support costs.

The Automotive segment's revenues and income increased $297 million (36%) and $36 million (59%), respectively, due primarily to (a) the inclusion of the operating results of Textron Acustar Plastics (acquired in May 1993) for all nine months in 1994 compared to five months in 1993, (b) higher automotive production and (c) an $8 million provision in 1993 for the consolidation of certain manufacturing operations, partially offset by (d) higher costs related to the start-up of new plants at Textron Automotive Interiors.

The Industrial segment's revenues increased $138 million (14%), due primarily to higher fasteners sales, including the addition of Avdel's operating results for six months in 1994. Income increased $35 million (43%), due primarily to
(a) higher sales and improved productivity in the fasteners business, (b) a gain on the sale of the Homelite division and (c) a $9 million provision in 1993 for the consolidation of certain manufacturing operations.

The Systems and Components segment's revenues decreased $122 million (9%). Income decreased $40 million (42%), due primarily to (a) lower sales at Textron Lycoming Turbine Engine and certain adjustments at that division. Lower income at other divisions, principally Textron Marine and Land Systems, Textron Specialty Materials and Textron Defense Systems was offset by the benefit of lower provisions in 1994 than in 1993 ($13 million vs. $22 million) for the consolidation of certain manufacturing operations and legal matters and higher income at Textron Lycoming Reciprocating Engine.

Income decreased at Textron Marine and Land Systems as a result of a cumulative unfavorable profit adjustment on certain combat vehicle and turret contracts. Textron Specialty Materials' income decreased primarily as a result of lower sales related to market contraction in its fire protection materials business. At Textron Defense Systems, income decreased on substantially lower revenues, due primarily 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 under the sensor-fuzed weapon program and the effect of a loss in 1993 on a mobile microwave landing system contract. Textron Lycoming Reciprocating Engine's income increased as a result of higher sales related to a special overhaul engine program.

The Finance segment's revenues increased $22 million (2%), while income increased $32 million (15%). AFS' revenues increased slightly, due primarily to a 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 to meet market conditions and a decrease in premiums earned in its nonfinance-related insurance business. Its income increased, due to (a) the 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) an increase in loan loss provisions associated with growth in finance receivables outstanding and (f) 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 finance receivables. Its income increased due to those factors and a decrease in loan loss provisions, reflecting a stabilization of nonperforming real estate loans and an improvement in equipment portfolios.

Paul Revere's revenues increased $114 million (13%), due to continued growth in its individual disability income, increased premium volume in group insurance and higher net investment income. Its income increased $2 million (2%), primarily as a result of increased premium and net investment income, largely offset by higher individual and group disability income benefit ratios. The higher benefit ratio in the individual disability income business was the result of adverse experience on the block of policies issued between 1985 and 1989, especially physicians in Florida and California, and poor results in Paul Revere's excess risk reinsurance business. Group disability results, which improved in the third quarter of 1994 vs. 1993, were negatively impacted by claims in southern California on a specific product that had been sold to physicians and other professionals. Paul Revere's net investment income increased as a result of (a) a higher level of invested assets, offset in part by lower overall portfolio yields, and (b) higher net realized investment gains ($22 million in 1994 vs. $13 million in 1993).

Corporate expenses and other - net for the nine months ended October 1, 1994 were higher than the corresponding 1993 level as a result of a $9 million pretax charge related to the early redemption of high coupon debt. Lower interest expense of the Textron Parent Company Borrowing Group primarily reflected a lower level of average borrowing. Results for the nine months ended October 1, 1994 reflected a slightly higher effective income tax rate than the corresponding prior year rate, as the effect of a one-time benefit in 1993 (new tax legislation passed in the third quarter of 1993) was largely offset by lower foreign and state income taxes in 1994, resulting from a change in mix of income among taxing jurisdictions, and higher research and development credits in 1994.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

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

27 Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the third quarter ended October 1, 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: November 14, 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
12.1	Computation of ratio of income to fixed charges of the Textron Parent Company Borrowing Group
12.2	Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries
27	Financial Data Schedule

EXHIBIT 12.1

TEXTRON PARENT COMPANY BORROWING GROUP

COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES

(unaudited)

(In millions except ratio)

	Nine Months Ended October 1, 1994
Fixed charges:	
Interest expense (1)	$ 160
Estimated interest portion of rents	16
Total fixed charges	$ 176
Income:	
Income before income taxes	$ 539
Fixed charges	176
Eliminate equity in undistributed pretax income of finance and insurance subsidiaries	(271)
Adjusted income	$ 444
Ratio of income to fixed charges	2.52

(1) Includes interest unrelated to borrowings of $27 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)

	Nine Months Ended October 1, 1994
Fixed charges:	
Interest expense (1)	$ 489
Estimated interest portion of rents	32
Total fixed charges	$ 521
Income:	
Income before income taxes	$ 539
Elimination of minority interest in pretax income of Paul Revere	(18)
Fixed charges	521
Adjusted income	$ 1,042
Ratio of income to fixed charges	2.00

(1) Includes interest unrelated to borrowings of $27 million (primarily interest accretion).

ARTICLE 5

This schedule contains summary financial information extracted from Textron Inc.'s Consolidated Balance Sheet as of October 1, 1994 and Consolidated Statement of Income for the nine months ended October 1, 1994 and is qualified in its entirety by reference to such financial statements.

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1994
PERIOD END	OCT 1 1994
CASH	87
SECURITIES	0
RECEIVABLES	8,872
ALLOWANCES	246
INVENTORY	1,455
CURRENT ASSETS	0
PP&E	1,290
DEPRECIATION	1,635
TOTAL ASSETS	20,737
CURRENT LIABILITIES	0
BONDS	9,103
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	16
OTHER SE	2,967
TOTAL LIABILITY AND EQUITY	20,737
SALES	5,084
TOTAL REVENUES	7,306
CGS	4,249
TOTAL COSTS	5,054
OTHER EXPENSES	0
LOSS PROVISION	117
INTEREST EXPENSE	489
INCOME PRETAX	539
INCOME TAX	207
INCOME CONTINUING	321
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	321
EPS PRIMARY	3.54
EPS DILUTED	3.54

End of Filing