TEXTRON INC

FORM 8-K
(Current report filing)

Filed 10/23/98 for the Period Ending 10/05/98

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 8-K
(Unscheduled Material Events)

Filed 10/6/1998 For Period Ending 10/5/1998

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 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

October 6, 1998
(Date of earliest event reported)

TEXTRON INC.

(Exact name of registrant as specified in its charter)

Delaware	1-5480	05-0315468
(State of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

40 Westminster Street, Providence, Rhode Island 02903
(Address of principal executive offices, including zip code)

(401)-421-2800
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Item 5. Other Events

As previously reported by the Registrant, Textron Inc. ("Textron"), in a Current Report on Form 8-K dated August 11, 1998, Textron has entered into an agreement to sell its Avco Financial Services, Inc. (AFS) unit to Associates First Capital Corporation. Textron has restated its financial statements for the following periods to reflect AFS as a discontinued operation: 1) for each of the three years in the period ended January 3, 1998; 2) for the three month period ended April 4, 1998; and 3) for the six month period ended July 4, 1998. The restated financial statements, together with other restated financial information, are filed herewith as Exhibit 99.1, Exhibit 99.2 and Exhibit 99.3.

Item 7. Financial Statements and Exhibits.
(c) Exhibits.

Exhibit No.	Exhibit
23	Consent of Independent Auditors.
Note: Exhibits 27.1 through 27.14 are filed electronically only	
27.1	Restated financial data schedule for period ended April 1, 1995
27.2	Restated financial data schedule for period ended July 1, 1995
27.3	Restated financial data schedule for period ended September 30, 1995
27.4	Restated financial data schedule for period ended December 30,

	1995
27.5	Restated financial data schedule for period ended March 30, 1996
27.6	Restated financial data schedule for period ended June 29, 1996
27.7	Restated financial data schedule for period ended September 28, 1996
27.8	Restated financial data schedule for period ended December 28, 1996
27.9	Restated financial data schedule for period ended March 29, 1997
27.10	Restated financial data schedule for period ended June 28, 1997
27.11	Restated financial data schedule for period ended September 27, 1997
27.12	Restated financial data schedule for period ended January 3, 1998
27.13	Restated financial data schedule for period ended April 4, 1998
27.14	Restated financial data schedule for period ended July 4, 1998
99.1	Restated financial statements and related financial information for the period ended January 3, 1998
99.2	Restated financial statements and related financial information for the three month period ended April 4, 1998
99.3	Restated financial statements and related financial information for the six month period ended July 4, 1998

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 hereunto duly authorized.

TEXTRON INC.
(Registrant)

By:/s/ Richard Yates
Name: Richard L. Yates
Title: Vice President and Controller

Dated: October 6, 1998

INDEX TO EXHIBITS

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Note: Exhibits 27.1 through 27.12

27.1	Restated financial data schedule for period ended April 1, 1995
27.2	Restated financial data schedule for period ended July 1, 1995
27.3	Restated financial data schedule for period ended September 30, 1995
27.4	Restated financial data schedule for period ended December 30, 1995
27.5	Restated financial data schedule for period ended March 30, 1996
27.6	Restated financial data schedule for period ended June 29, 1996
27.7	Restated financial data schedule for period ended September 28, 1996
27.8	Restated financial data schedule for period ended December 28, 1996

27.9	Restated financial data schedule for period ended March 29, 1997
27.10	Restated financial data schedule for period ended June 28, 1997
27.11	Restated financial data schedule for period ended September 27, 1997
27.12	Restated financial data schedule for period ended January 3, 1998
27.13	Restated financial data schedule for period ended April 4, 1998
27.14	Restated financial data schedule for period ended July 4, 1998
99.1	Restated financial statements and related financial information for the period ended January 3, 1998
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Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-50931, Form S-3 No. 33-63227, Form S-8 No. 333-07121, Form S-8 No. 33-19402, Form S-8 No. 33-38094, Form S-8 No. 33-57025 and Form S-8 No. 33-63741) of Textron Inc. of our report dated January 27, 1998, except for note 21, as to which the date is August 11, 1998, with respect to the restated financial statements of Textron Inc. for the year ended January 3, 1998 included in its Current Report on Form 8-K dated October 6, 1998, filed with the Securities and Exchange Commission.

Boston, Massachusetts
October 2, 1998

ARTICLE 5

Exhibit 27.1 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of April 1, 1995 and Consolidated Statement of Income for the three months ended April 1, 1995, previously filed electronically with the Commission. The aforementioned financial statements were not required to be restated in the Company's Annual Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 30 1995
PERIOD END	APR 01 1995
CASH	40
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,267
CURRENT ASSETS	4,181
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	10,547
CURRENT LIABILITIES	1,946
BONDS	3,951
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	16
OTHER SE	2,952
TOTAL LIABILITY AND EQUITY	10,547
SALES	1,554
TOTAL REVENUES	1,629
CGS	1,278
TOTAL COSTS	1,278
OTHER EXPENSES	0
LOSS PROVISION	4
INTEREST EXPENSE	86
INCOME PRETAX	90
INCOME TAX	36
INCOME CONTINUING	54
DISCONTINUED	55
EXTRAORDINARY	0
CHANGES	0
NET INCOME	109
EPS PRIMARY	0.64
EPS DILUTED	0.63

ARTICLE 5

Exhibit 27.2 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of July 1, 1995 and Consolidated Statement of Income for the six months ended July 1, 1995, previously filed electronically with the Commission. The aforementioned financial statements were not required to be restated in the Company's Annual Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 30 1995
PERIOD END	JUL 01 1995
CASH	100
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,259
CURRENT ASSETS	4,380
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	10,755
CURRENT LIABILITIES	2,175
BONDS	4,064
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	15
OTHER SE	3,069
TOTAL LIABILITY AND EQUITY	10,755
SALES	3,205
TOTAL REVENUES	3,358
CGS	2,629
TOTAL COSTS	2,629
OTHER EXPENSES	0
LOSS PROVISION	10
INTEREST EXPENSE	176
INCOME PRETAX	201
INCOME TAX	80
INCOME CONTINUING	121
DISCONTINUED	109
EXTRAORDINARY	0
CHANGES	0
NET INCOME	230
EPS PRIMARY	1.35
EPS DILUTED	1.33

ARTICLE 5

Exhibit 27.3 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of September 30, 1995 and Consolidated Statement of Income for the nine months ended September 30, 1995, previously filed electronically with the Commission. The aforementioned financial statements were not required to be restated in the Company's Annual Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 30 1995
PERIOD END	SEP 30 1995
CASH	66
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,244
CURRENT ASSETS	4,458
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	10,895
CURRENT LIABILITIES	1,986
BONDS	3,948
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	15
OTHER SE	3,200
TOTAL LIABILITY AND EQUITY	10,895
SALES	4,763
TOTAL REVENUES	4,993
CGS	3,905
TOTAL COSTS	3,905
OTHER EXPENSES	0
LOSS PROVISION	15
INTEREST EXPENSE	257
INCOME PRETAX	301
INCOME TAX	120
INCOME CONTINUING	181
DISCONTINUED	172
EXTRAORDINARY	0
CHANGES	0
NET INCOME	353
EPS PRIMARY	2.07
EPS DILUTED	2.03

ARTICLE 5

Exhibit 27.4 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of December 30, 1995 and Consolidated Statement of Income for the year ended December 30, 1995, previously filed electronically with the Commission. The aforementioned financial statements were restated in the Company's Annual Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 30 1995
PERIOD END	DEC 30 1995
CASH	59
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,284
CURRENT ASSETS	4,489
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	11,207
CURRENT LIABILITIES	2,247
BONDS	4,051
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	15
OTHER SE	3,342
TOTAL LIABILITY AND EQUITY	11,207
SALES	6,469
TOTAL REVENUES	6,780
CGS	5,295
TOTAL COSTS	5,295
OTHER EXPENSES	0
LOSS PROVISION	20
INTEREST EXPENSE	325
INCOME PRETAX	413
INCOME TAX	165
INCOME CONTINUING	248
DISCONTINUED	231
EXTRAORDINARY	0
CHANGES	0
NET INCOME	479
EPS PRIMARY	2.82
EPS DILUTED	2.77

ARTICLE 5

Exhibit 27.5 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of March 30, 1996 and Consolidated Statement of Income for the three months ended March 30, 1996, previously filed electronically with the Commission. The aforementioned financial statements were not required to be restated in the Company's Annual Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 28 1996
PERIOD END	MAR 30 1996
CASH	59
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,368
CURRENT ASSETS	4,517
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	11,352
CURRENT LIABILITIES	2,095
BONDS	3,820
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	15
OTHER SE	3,201
TOTAL LIABILITY AND EQUITY	11,352
SALES	1,700
TOTAL REVENUES	1,779
CGS	1,393
TOTAL COSTS	1,393
OTHER EXPENSES	0
LOSS PROVISION	7
INTEREST EXPENSE	72
INCOME PRETAX	115
INCOME TAX	45
INCOME CONTINUING	67
DISCONTINUED	(32)
EXTRAORDINARY	0
CHANGES	0
NET INCOME	35
EPS PRIMARY	0.21
EPS DILUTED	0.20

ARTICLE 5

Exhibit 27.6 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of June 29, 1996 and Consolidated Statement of Income for the six months ended June 29, 1996, previously filed electronically with the Commission. The aforementioned financial statements were not required to be restated in the Company's Annual Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 28 1996
PERIOD END	JUN 29 1996
CASH	166
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,471
CURRENT ASSETS	4,824
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	11,947
CURRENT LIABILITIES	2,350
BONDS	4,139
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	15
OTHER SE	3,254
TOTAL LIABILITY AND EQUITY	11,947
SALES	3,567
TOTAL REVENUES	3,728
CGS	2,913
TOTAL COSTS	2,913
OTHER EXPENSES	0
LOSS PROVISION	14
INTEREST EXPENSE	147
INCOME PRETAX	259
INCOME TAX	101
INCOME CONTINUING	148
DISCONTINUED	12
EXTRAORDINARY	0
CHANGES	0
NET INCOME	160
EPS PRIMARY	0.95
EPS DILUTED	0.93

ARTICLE 5

Exhibit 27.7 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of September 28, 1996 and Consolidated Statement of Income for the nine months ended September 28, 1996, previously filed electronically with the Commission. The aforementioned financial statements were not required to be restated in the Company's Annual Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 28 1996
PERIOD END	SEP 28 1996
CASH	142
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,303
CURRENT ASSETS	4,434
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	11,572
CURRENT LIABILITIES	2,454
BONDS	4,048
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	14
OTHER SE	3,061
TOTAL LIABILITY AND EQUITY	11,572
SALES	5,289
TOTAL REVENUES	5,533
CGS	4,308
TOTAL COSTS	4,308
OTHER EXPENSES	0
LOSS PROVISION	20
INTEREST EXPENSE	221
INCOME PRETAX	393
INCOME TAX	154
INCOME CONTINUING	223
DISCONTINUED	(98)
EXTRAORDINARY	0
CHANGES	0
NET INCOME	125
EPS PRIMARY	0.74
EPS DILUTED	0.73

ARTICLE 5

Exhibit 27.8 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of December 28, 1996 and Consolidated Statement of Income for the year ended December 28, 1996, previously filed electronically with the Commission. The aforementioned financial statements were restated in the Company's Annual Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 28 1996
PERIOD END	DEC 28 1996
CASH	31
SECURITIES	0
RECEIVABLES	4,052
ALLOWANCES	75
INVENTORY	1,192
CURRENT ASSETS	4,287
PP&E	2,990
DEPRECIATION	1,531
TOTAL ASSETS	11,514
CURRENT LIABILITIES	2,496
BONDS	3,948
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	14
OTHER SE	3,157
TOTAL LIABILITY AND EQUITY	11,514
SALES	7,179
TOTAL REVENUES	7,506
CGS	5,837
TOTAL COSTS	5,837
OTHER EXPENSES	0
LOSS PROVISION	26
INTEREST EXPENSE	295
INCOME PRETAX	540
INCOME TAX	211
INCOME CONTINUING	306
DISCONTINUED	(53)
EXTRAORDINARY	0
CHANGES	0
NET INCOME	253
EPS PRIMARY	1.51
EPS DILUTED	1.47

ARTICLE 5

Exhibit 27.9 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of March 29, 1997 and Consolidated Statement of Income for the three months ended March 29, 1997, previously filed electronically with the Commission. The aforementioned financial statements were not required to be restated in the Company's Annual Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 03 1998
PERIOD END	MAR 29 1997
CASH	102
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,373
CURRENT ASSETS	4,112
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	11,753
CURRENT LIABILITIES	2,494
BONDS	3,895
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	14
OTHER SE	3,190
TOTAL LIABILITY AND EQUITY	11,753
SALES	2,021
TOTAL REVENUES	2,103
CGS	1,656
TOTAL COSTS	1,656
OTHER EXPENSES	0
LOSS PROVISION	6
INTEREST EXPENSE	76
INCOME PRETAX	144
INCOME TAX	58
INCOME CONTINUING	80
DISCONTINUED	45
EXTRAORDINARY	0
CHANGES	0
NET INCOME	125
EPS PRIMARY	0.75
EPS DILUTED	0.73

ARTICLE 5

Exhibit 27.10 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of June 28, 1997 and Consolidated Statement of Income for the six months ended June 28, 1997, previously filed electronically with the Commission. The aforementioned financial statements were not required to be restated in the Company's Annual Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	6 MOS
FISCAL YEAR END	JAN 03 1998
PERIOD END	JUN 28 1997
CASH	120
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,416
CURRENT ASSETS	4,042
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	11,716
CURRENT LIABILITIES	2,348
BONDS	3,858
COMMON	24
PREFERRED MANDATORY	0
PREFERRED	13
OTHER SE	3,183
TOTAL LIABILITY AND EQUITY	11,716
SALES	4,138
TOTAL REVENUES	4,310
CGS	3,386
TOTAL COSTS	3,386
OTHER EXPENSES	0
LOSS PROVISION	12
INTEREST EXPENSE	146
INCOME PRETAX	317
INCOME TAX	124
INCOME CONTINUING	180
DISCONTINUED	90
EXTRAORDINARY	0
CHANGES	0
NET INCOME	270
EPS PRIMARY	1.63
EPS DILUTED	1.59

ARTICLE 5

Exhibit 27.11 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of September 27, 1997 and Consolidated Statement of Income for the nine months ended September 27, 1997, previously filed electronically with the Commission. The aforementioned financial statements were not required to be restated in the Company's Annual Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	9 MOS
FISCAL YEAR END	JAN 03 1998
PERIOD END	SEP 27 1997
CASH	63
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,435
CURRENT ASSETS	4,051
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	11,476
CURRENT LIABILITIES	2,338
BONDS	3,558
COMMON	24
PREFERRED MANDATORY	0
PREFERRED	13
OTHER SE	3,251
TOTAL LIABILITY AND EQUITY	11,476
SALES	6,088
TOTAL REVENUES	6,352
CGS	4,975
TOTAL COSTS	4,975
OTHER EXPENSES	0
LOSS PROVISION	18
INTEREST EXPENSE	218
INCOME PRETAX	472
INCOME TAX	182
INCOME CONTINUING	271
DISCONTINUED	137
EXTRAORDINARY	0
CHANGES	0
NET INCOME	408
EPS PRIMARY	2.46
EPS DILUTED	2.40

ARTICLE 5

Exhibit 27.12 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of January 3, 1998 and Consolidated Statement of Income for the year ended January 3, 1998, previously filed electronically with the Commission. The aforementioned financial statements were restated in the Company's Annual Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	12 MOS
FISCAL YEAR END	JAN 03 1998
PERIOD END	JAN 03 1998
CASH	43
SECURITIES	0
RECEIVABLES	3,989
ALLOWANCES	76
INVENTORY	1,349
CURRENT ASSETS	3,698
PP&E	3,455
DEPRECIATION	1,685
TOTAL ASSETS	11,330
CURRENT LIABILITIES	2,141
BONDS	3,586
COMMON	24
PREFERRED MANDATORY	0
PREFERRED	13
OTHER SE	3,191
TOTAL LIABILITY AND EQUITY	11,330
SALES	8,333
TOTAL REVENUES	8,683
CGS	6,836
TOTAL COSTS	6,836
OTHER EXPENSES	0
LOSS PROVISION	23
INTEREST EXPENSE	282
INCOME PRETAX	648
INCOME TAX	250
INCOME CONTINUING	372
DISCONTINUED	186
EXTRAORDINARY	0
CHANGES	0
NET INCOME	558
EPS PRIMARY	3.38
EPS DILUTED	3.29

ARTICLE 5

Exhibit 27.13 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of April 4, 1998 and Consolidated Statement of Income for the three months ended April 4, 1998, previously filed electronically with the Commission. The aforementioned financial statements were restated in the Company's Quarterly Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 02 1999
PERIOD END	APR 04 1998
CASH	20
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,568
CURRENT ASSETS	4,128
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	12,191
CURRENT LIABILITIES	2,540
BONDS	4,120
COMMON	24
PREFERRED MANDATORY	0
PREFERRED	13
OTHER SE	3,325
TOTAL LIABILITY AND EQUITY	12,191
SALES	2,167
TOTAL REVENUES	2,252
CGS	1,765
TOTAL COSTS	1,765
OTHER EXPENSES	0
LOSS PROVISION	5
INTEREST EXPENSE	74
INCOME PRETAX	170
INCOME TAX	65
INCOME CONTINUING	99
DISCONTINUED	43
EXTRAORDINARY	0
CHANGES	0
NET INCOME	142
EPS PRIMARY	0.87
EPS DILUTED	0.85

ARTICLE 5

Exhibit 27.14 This schedule contains the restatement of summary financial information previously extracted from Textron Inc.'s Consolidated Balance Sheet as of July 4, 1998 and Consolidated Statement of Income for the six months ended July 4, 1998, previously filed electronically with the Commission. The aforementioed financial statements were restated in the Company's Quarterly Report on Form 8-K dated October 6, 1998.

RESTATED:

PERIOD TYPE	6 MOS
FISCAL YEAR END	JAN 02 1999
PERIOD END	JUL 04 1998
CASH	100
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,602
CURRENT ASSETS	4,321
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	12,650
CURRENT LIABILITIES	2,747
BONDS	4,339
COMMON	24
PREFERRED MANDATORY	0
PREFERRED	13
OTHER SE	3,425
TOTAL LIABILITY AND EQUITY	12,650
SALES	4,560
TOTAL REVENUES	4,736
CGS	3,712
TOTAL COSTS	3,712
OTHER EXPENSES	(10)
LOSS PROVISION	10
INTEREST EXPENSE	152
INCOME PRETAX	379
INCOME TAX	151
INCOME CONTINUING	215
DISCONTINUED	91
EXTRAORDINARY	0
CHANGES	0
NET INCOME	306
EPS PRIMARY	1.87
EPS DILUTED	1.83

Exhibit 99.1

TEXTRON INC.
INDEX TO RESTATED FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION

Business Segment Data

(In millions)	Revenues 1997	Revenues 1996	Revenues 1995	Operating Income 1997	Operating Income 1996	Operating Income 1995	Operating Income Margins 1997	Operating Income Margins 1996	Operating Income Margins 1995
Aircraft	$ 3,025	$2,593	$2,420	$ 313	$ 261	$ 237	10.3%	10.1%	9.8%
Automotive	2,127	1,627	1,534	150	146	135	7.1	9.0	8.8
Industrial	3,181	2,959	2,515	346	300	250	10.9	10.1	9.9
Finance	350	327	311	108	96	88	30.9	29.4	28.3
	$ 8,683	$7,506	$6,780	917	803	710	10.6	10.7	10.5
Corporate expenses and other - net				(140)	(115)	(119)			
Interest expense - net				(129)	(148)	(178)			
Income from continuing operations before income taxes*				$ 648	$ 540	$ 413			

*Before distributions on preferred securities of subsidiary trust in 1997 and 1996.
Income of the Finance segment is net of interest expense.
Prior year amounts have been reclassified to conform to the current year's segment presentation as more fully described on page 3.

1997 REVENUES - $8.7 BILLION	
AIRCRAFT	35%
AUTOMOTIVE	24%
INDUSTRIAL	37%
FINANCE	4%

1997 OPERATING INCOME - $917 MILLION	
AIRCRAFT	34%
AUTOMOTIVE	16%
INDUSTRIAL	38%
FINANCE	12%

(In millions)	Identifiable Assets 1997	Identifiable Assets 1996	Identifiable Assets 1995	Capital Expenditures 1997	Capital Expenditures 1996	Capital Expenditures 1995	Depreciation 1997	Depreciation 1996	Depreciation 1995
Aircraft	$ 1,941	$ 1,856	$ 1,739	$107	$116	$ 74	$ 69	$ 53	$ 49
Automotive	1,515	1,020	861	103	60	78	69	41	39
Industrial	2,596	2,455	2,378	153	130	100	101	104	82
Finance	3,178	3,269	3,061	8	3	2	3	3	2
Corporate, including investment in discontinued operations	2,557	3,161	3,243	3	3	4	4	4	5
Eliminations	(457)	(247)	(75)	-	-	-	-	-	-
	$11,330	$11,514	$11,207	$374	$312	$258	$246	$205	$177

Prior year amounts have been reclassified to conform to the current year's segment presentation as more fully described on page 3.

Results of Operations Textron Inc.

1997 vs. 1996

REVENUES

95	(3)%	$ 6,780
96	+11%	$ 7,506
97	+16%	$ 8,683

- Diluted earnings per share from continuing operations in 1997 were $2.19, up 23% from the 1996 amount of $1.78. Income from continuing operations in 1997 of $372 million was up 22% from $306 million for 1996. Revenues increased 16% to $8.7 billion in 1997 from $7.5 billion in 1996. Net income in 1997 was $558 million versus $253 million in 1996, which reflected the impact of a $229 million loss from a discontinued operation (Paul Revere) that was disposed of early in 1997.

On August 11, 1998, Textron announced that it had reached an agreement to sell Avco Financial Services (AFS) to Associates First Capital Corporation for $3.9 billion in cash. This transaction is subject to regulatory approvals and it is expected to close at the end of 1998 or early 1999. Textron has restated its financial statements as presented herein to treat AFS as a discontinued operation. See Note 21 to the consolidated financail statements for additional information.

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

EARNINGS PER SHARE *

95	+20%	$1.43
96	+24%	$1.78
97	+23%	$2.19

* From Continuing Operations

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

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

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

- Business segment data for prior years has been reclassified to reflect the combination of the Systems and Components segment into the Industrial segment due to the increased commercialization of the Systems and Components businesses and their underlying technologies. In addition, business segment data has been reclassified to reflect the transfer of Lycoming from the Aircraft segment to the Industrial segment.

1996 vs. 1995

- Diluted earnings per share from continuing operations in 1996 were $1.78, up 24% from the 1995 amount of $1.43. Income from continuing operations in 1996 of $306 million was up 23% from $248 million for 1995. Revenues increased 11% to $7.5 million in 1996 from $6.8 billion in 1995. Net income in 1996 was $253 million vs. $479 million in 1995, reflecting the impact of a $229 million loss from a discontinued operation in 1996.

- Segment operating income aggregated $803 million in 1996, up 13% from 1995, as a result of continued improved financial results across all business segments.

- The lower interest of the Parent Group - $148 million in 1996 vs. $178 million in 1995-was due to lower average debt, due in part to the payment of debt with the proceeds from the issuance of preferred securities in February 1996.

AIRCRAFT

1997 vs. 1996

AIRCRAFT REVENUES	
95 +11%	$2,420
96 + 7%	$2,593
97 +17%	$3,025

OPERATING INCOME	
95 +22%	$237
96 +10%	$261
97 +20%	$313

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

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

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

1996 vs. 1995

The Aircraft segment's revenues and income increased $173 million (7%) and $24 million (10%), respectively, due to higher results at Cessna Aircraft.

- Bell Helicopter's revenues decreased primarily as a result of lower sales of military helicopters to the U.S. government ($136 million) and lower revenues on the V-22 program ($69 million), partially offset by higher domestic and international helicopter sales, including increased deliveries on the Canadian Forces contract ($119 million), and increased military and commercial spares sales ($41 million). Bell's income decreased slightly, as the impact of lower revenues and costs associated with the introduction of new commercial aircraft models was partially offset by additional income on the V-22 program.

- Cessna's revenues increased primarily as a result of higher sales of business jets, principally the Citation X and Citation VII models, and utility turboprop aircraft. Its income increased as a result of the higher revenues, partially offset by higher product development and selling and administrative expenses due to the introduction and support of new products.

AUTOMOTIVE

1997 vs. 1996

AUTOMOTIVE REVENUES		
95	+ 2%	$1,534
96	+ 6%	$1,627
97	+31%	$2,127

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

1996 vs. 1995

OPERATING INCOME		
95	+ 2%	$135
96	+ 8%	$146
97	+ 3%	$150

The Automotive segment's revenues increased $93 million (6%) and income increased $11 million (8%). The improved results reflected the increased production of models with Textron content, particularly light trucks at Chrysler, and the benefits of the acquisitions of Valeo Wiper Systems and the remaining 50% of a joint venture in Born, Netherlands.

INDUSTRIAL

1997 vs. 1996

INUSTRIAL REVENUES		
95	(16)%	$2,515
96	+18 %	$2,959
97	+ 8 %	$3,181

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

1996 vs. 1995

OPERATING INCOME		
95	+ 1%	$250
96	+20 %	$300
97	+15 %	$346

The Industrial segment's revenues and income increased $444 million (18%) and $50 million (20%), respectively. These increases were due primarily to higher sales in the fastening systems business ($558 million), reflecting the fourth quarter 1995 acquisitions of Elco Industries and Boesner, and the first half 1996 acquisitions of Textron Industries S.A.S. and Xact Products. In addition, the year's results benefited from higher sales and improved performance at E-Z-GO, and continued strong performance in the contractor tool business, including the contribution from the Klauke acquisition. These increases were partially offset by reduced shipments on certain U.S. government and commercial aerospace contracts and the impact of the divestiture of Textron Aerostructures in the third quarter of 1996.

FINANCE

1997 vs. 1996

FINANCE REVENUES

95	+12%	$ 311
96	+ 5%	$ 327
97	+ 7%	$ 350

- Textron Financial Corporation's (TFC) revenues increased $23 million (7%), due to a higher level of average receivables ($3.128 billion in 1997 vs $3.036 billion in 1996) and increases in other income, due primarily to the securitization of $401 million of

Textron-related receivables and increased syndication fee income. Its income increased $12 million (13%), due to the higher revenues and a lower provision for loan losses related to the real estate portfolio, partially offset by growth in businesses with higher operating expense ratios.

OPERATING INCOME

95	+ 6%	$ 88
96	+ 9%	$ 96
97	+13%	$108

1996 vs. 1995

1996 vs. 1995

- TFC's revenues increased $16 million (5%), due to a higher level of average receivables ($3.036 billion in 1996 vs. $2.839 billion in 1995) and higher fee income, partially offset by lower yields of receivables (10.03% in 1996 and 10.34% in 1995) predominantly on floating rate receivables, reflecting a decline in the prevailing interest rate environment. Its income increased $8 million (9%), due to the higher revenues, partially offset by a higher provision for loan losses, principally due to charge-offs of nonperforming equipment loans.

DISCONTINUED OPERATIONS

1997 vs. 1996

- Avco Financial Services' (AFS) revenues and income increased $93 million and $13 million, respectively. Revenues in its finance and related insurance business increased $75 million, due to an increase in investment and other income, and an increase in average finance receivables ($7.546 billion in 1997 vs $6.892 billion in 1996), reflecting the benefit of the acquisition of approximately $720 million of finance receivables during 1997, which consists of commercial receivables ($534 million) and consumer receivables ($186 million). The increase in investment and other income was primarily attributable to a $22 million gain on the sale of certain underperforming branches in 1997, offset in part by a $7 million gain on the sale of its U.S. small-ticket leasing operation in 1996 and a decrease in capital gains of $3 million. The benefit of these revenue increases were partially offset by a decrease in yields on finance receivables (17.77% in 1997 vs 18.52% in 1996), reflecting both decreases in yields on consumer finance receivables and the impact of an increase in lower-yielding commercial receivables. Income increased $3 million due to the benefit of the higher revenues and a decrease in the average cost of borrowed funds (6.39% in 1997 vs 6.88% in 1996), partially offset by an increase in the provision for losses resulting from a higher level of net credit losses to average finance receivables (2.93% in 1997 vs 2.82% in 1996), and higher operating expenses related to international expansion and the start-up of centralized sales processing centers in the U.S. and Canada. The increase in the net credit losses to average finance receivables was primarily attributable to an increase in the ratio in the consumer finance business (3.18% in 1997 vs. 2.91% in 1996).

In AFS' nonrelated insurance business, revenues increased $18 million, due primarily to higher premiums earned and a higher level of investment income, partially offset by a decrease in capital gains. Income increased

$10 million, due to the higher revenues and a decrease in underwriting expenses in relation to earned premiums.

1996 vs. 1995

- AFS' revenues and income increased $96 million and $11 million, respectively. Revenues in its finance and related insurance business increased $55 million, primarily as a result of an increase in yields on finance receivables (18.52% in 1996 vs. 18.20% in 1995), an increase in earned premiums, and an increase in capital gains (due primarily to a higher volume of sales in the bond investment portfolio), and gains on the sale of certain finance receivables. Income increased $7 million due to the higher revenues and a decrease in the average cost of borrowed funds (6.88% in 1996 vs. 7.32% in 1995). This favorable impact was partially offset by an increase in the ratio of net credit losses to average finance receivables (2.82% in 1996 vs. 2.10% in 1995) and the strengthening of the allowance for credit losses (3.01% of finance receivables at December 31, 1996 vs. 2.82% at December 31, 1995).

In AFS' nonrelated insurance business, revenues increased $41 million, due primarily to higher premiums earned and investment income. Income increased $4 million, due to the higher revenues as well as an improved underwriting expense ratio (as a percent of earned insurance premiums), partially offset by an increase in the ratio of insurance losses to earned insurance premiums.

LIQUIDITY & CAPITAL RESOURCES

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

OPERATING CASH FLOWS

Textron's financial position remained strong in 1997. Cash flows from operations continue to be the primary source of funds for operating needs and capital expenditures of the Parent Group. Operating activities have generated increased cash flow in each of the past three years. The Statement of Cash Flows for each borrowing group detailing the changes in cash balances are on page 15. The Parent Group's operating cash flow includes dividends received from the Finance Group. Beginning in late 1997, the methodology used to determine the amount of dividends to be paid to the Parent Group changed from payments based on a percentage of net income to payments based on maintaining a leverage ratio of 6.5 to 1. This change resulted in the availability of additional Finance Group cash flows for the Parent Group in 1997.

FINANCING

Borrowings are a secondary source of funds for the Parent Group and, along with the collection of finance receivables, are a primary source of funds for the Finance Group. Both the Parent and Finance borrowing groups maintain debt levels considered prudent based on cash flows, interest coverage ratios and ratios of debt to capital. The Parent Group's debt to total capital decreased to 25 % in 1997. Both the Parent and Finance Group utilize a broad base of financial sources for their respective liquidity and capital requirements. The Company's strong credit ratings from Moody's and Standard & Poor's provide flexibility in obtaining funds on competitive terms. Credit facilities are summarized on page 20. In addition, at the end of 1997, the Parent Group had $311 million available for unsecured debt securities under shelf-registration statements with the Securities and Exchange Commission. The Finance Group has a medium-term note facility of which $92 million was available at year-end 1997. The Company believes that both borrowing groups, individually and in the aggregate, have adequate credit facilities and have available access to capital markets to meet their financing needs.

Periodically, capital resources are generated through dispositions. In August 1998, Textron announced that it had reached an agreement to sell AFS to Associats First Capital Corporation for $3.9 billion. This transactions is subject to regulatory approval and is expected to close at the end of 1998 or early 1999. In early 1997, Textron completed the sale of its 83.3% owned subsidiary, Paul Revere to Provident Companies Inc. Net proceeds to Textron after adjustments and contingent payments were approximately $800 million (which included the value of shares of Provident common stock subsequently sold for $245 million).

USES OF CAPITAL

Cash flows from operations and borrowing capacity provide both borrowing groups with the flexibility to actively manage acquisitions, dispositions and internal investments in a changing environment. During the past three years, Textron acquired 18 companies for an aggregate cost of $1.2 billion. The principal acquisitions in 1997 were the purchase of the Kautex Group, a world-wide supplier of plastic-molded fuel tanks and Brazil-based Brazaco Mapri Industrias S.A., a leading maker of fasteners in South America. In addition, in November 1997, the Company announced a tender offer to acquire the capital stock of Ransomes PLC, a UK-based equipment manufacturer, for approximately $230 million, plus the assumption of debt. This transaction closed in early 1998.

Capital spending increased in 1997 by $62 million. The increased capital was primarily used to increase automotive capacity and improve manufacturing productivity in the domestic fastening businesses. 1998 capital spending is expected to increase from 1997, as a result of anticipated investments to support increased fastening production and aircraft capacity.

On August 11, 1998, Textron announced that its Board of Directors had authorized a new 25 million share repurchase program that supersedes the 8 million shares that remained under its previous authorization.

In 1997, Textron repurchased 5 million shares of common stock under its Board authorized share repurchase program. Textron's Board of Directors has increased the cash dividend to shareholders by an average annual compound growth rate of 12% since 1992. Textron's Board of Directors raised the dividend per common share to $1.00 in 1997 from $.88 in 1996. Dividend payments to shareholders in 1997 amounted to $202 million. This amount represents an increase of $54 million over 1996. Because 1997 was a 53 week fiscal year for Textron, the 1997 dividend payment amount includes five payments as opposed to 1996 when four payments were paid.

FINANCIAL RISK MANAGEMENT

INTEREST RATE RISKS

Textron's financial results could be affected by changes in U.S. and foreign interest rates. As part of managing this risk, the Company enters into interest rate exchange agreements to convert certain variable-rate debt to long-term fixed-rate debt and vice versa. The overall objective of Textron's interest rate risk management is to reduce the risk that near-term earnings could be adversely affected by changes in interest rates while also reducing the overall cost of debt.

The Parent Group generally uses these agreements to alter the underlying interest rate and effective maturity of certain variable-rate short-term borrowings (and their anticipated replacements) to that of a fixed-rate debt instrument. By doing so, the Parent Group is able to obtain fixed-rate financing at a lower cost than had fixed-rate debt instruments been issued. The difference between the variable-rate the Parent Group received and the fixed-rate it paid on interest rate exchange agreements increased its reported interest expense by $11 million in 1997, $12 million in 1996 and $14 million in 1995.

By adjusting the underlying effective interest rate of certain variable-rate debt instruments with fixed-pay interest rate exchange agreements, the Finance Group matches the effective maturity and interest rates of the debt to certain finance receivables to reduce the risk of the interest rate margins declining from increases in interest rates. The difference between the variable-rate the Finance Group received and the fixed-rate it paid on interest rate exchange agreements increased its reported interest expense by $1 million in 1997, $3 million in 1996 and $3 million in 1995. The Finance Group's ratio of variable-rate debt to total debt, after considering the impact of interest rate exchange agreements, was approximately 64% at year-end 1997 (67% in 1996).

FOREIGN EXCHANGE RISKS

Textron's financial results could be affected by changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which products are manufactured and sold. The Parent Group's primary currency exposures are the Deutschemark, British pound, Canadian dollar and French franc.

Textron's Parent Group manages its foreign currency exposures primarily by funding certain foreign currency denominated assets with liabilities in the same currency and, as such, certain exposures are naturally offset. In addition, as part of managing its foreign currency exposures, Textron enters into foreign currency forward exchange contracts. These agreements are generally used to fix the local currency cost of purchased goods or services or selling prices denominated in currencies other than the functional currency. These contracts are also used to hedge certain assets and liabilities denominated in foreign currencies.

QUANTITATIVE RISK MEASURES

Textron has used a value-at-risk model to quantify the market risk inherent in its financial instruments at year end. The value-at-risk model is intended to measure the maximum amount of fair value Textron's financial instruments could hypothetically lose over a given time period from adverse movements in interest rates and foreign exchange rates at a 95% confidence level. The model considers financial instruments (finance receivables, debt, interest rate swaps and foreign exchange forward contracts) but not all underlying exposures. The model only assumes adverse market conditions and most likely is not indicative of actual results. The estimated value-at-risk amounts representing the potential loss in value the Company's financial instruments could realize from adverse changes in interest rates and foreign exchange rates for a one day period are not material.

OTHER MATTERS

ENVIRONMENTAL

As with other industrial enterprises engaged in similar businesses, Textron is involved in a number of remedial actions under various federal and state laws and regulations relating to the environment which impose liability on companies to clean up, or contribute to the cost of cleaning up, sites on which their hazardous wastes or materials were disposed or released. Expenditures to evaluate and remediate contaminated sites approximated $10 million, $12 million and $15 million in 1997, 1996 and 1995, respectively. Textron currently projects that expenditures for remediation will range between $10 million and $20 million for each of the years 1998 and 1999.

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

YEAR 2000 COMPUTER CONVERSION COSTS

Many computer programs, including those used by Textron and Textron's suppliers and customers, use only two digits to identify a year, and were not designed to handle years beginning after 1999. These programs, some of which are critical to operations, could fail to properly process data that contain dates after 1999 unless they are modified. Textron commenced a company-wide effort to substantially complete the necessary modifications to our computer programs by early 1999. Textron also is working with its principal suppliers and customers to ensure that problems in their computer programs will not materially affect Textron. The remaining cost of the Year 2000 remediation effort is estimated to be between $25 million - $35 million. Textron believes it is on track to resolve this issue in a timely fashion without having a material adverse effect on its business, operations or financial condition.

BACKLOG

Textron's commercial backlog was $4.1 billion and $3.1 billion at the end of 1997 and 1996, respectively, and U.S. government backlog was $2.2 billion at the end of both of those years. Backlog for the Aircraft segment was approximately 79% and 73% of Textron's commercial backlog at the end of 1997 and 1996, respectively, and 71% of Textron's U.S. government backlog at the end of both of those years.

FOREIGN MILITARY SALES

Certain Textron products are sold through the Department of Defense's Foreign Military Sales Program. In addition, Textron sells directly to select foreign military organizations, primarily Canada. Sales under these programs totaled approximately 4.1% of Textron's consolidated revenues in 1997 and 5.8% in 1996. Such sales, which include spare parts, are made only after approval of applicable United States government agencies.

NEW ACCOUNTING PRONOUNCEMENTS

In 1997, the Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" was issued. This Statement establishes new standards for reporting information about operating segments. This Statement is effective for periods beginning after December 15, 1997. Textron is evaluating the impact of this Statement on future segment reporting.

* * * * *

Forward-looking Information: Certain statements in this Report, and other oral and written statements made by Textron from time to time, are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or project revenues, income, returns or other financial measures. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the following: (i) continued market demand for the types of products and services produced and sold by Textron, (ii) changes in worldwide economic and political conditions and associated impact on interest and foreign exchange rates, (iii) the level of sales by original equipment manufacturers of vehicles for which Textron supplies parts and (iv) the successful integration of companies acquired by Textron. The statement on Year 2000 Computer Conversion Costs that appears above is subject to Textron's ability to complete the conversion without unexpected complications and the ability of its suppliers and customers to successfully modify their own programs.

REPORT OF

INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
Textron Inc.

We have audited the accompanying consolidated balance sheets of Textron Inc. as of January 3, 1998 and December 28, 1996, and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended January 3, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Textron Inc. at January 3, 1998 and December 28, 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 3, 1998, in conformity with generally accepted accounting principles.

/s/ERNST & YOUNG LLP

Boston, Massachusetts
January 27, 1998, except for note 21, as to which the date is August 11, 1998.

STATEMENT OF INCOME
For each of the three years in the period ended January 3, 1998

(In millions except per share amounts)	CONSOLIDATED 1997	1996	1995
REVENUES			
Manufacturing sales	$ 8,333	$7,179	$6469
Finance revenues	350	327	311
Total revenues	8,683	7,506	6,780
COSTS AND EXPENSES			
Cost of sales	6,836	5,837	5,295
Selling and administrative	894	808	727
Interest	282	295	325
Provision for losses on collection of finance receivables	23	26	20
Total costs and expenses	8,035	6,966	6,367
	648	540	413
Pretax income of the Finance Group	-	-	-
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	648	540	413
Income taxes	(250)	(211)	(16)
Distributions on preferred securities of subsidiary trust, net of income taxes	(26)	(23)	-
Income from continuing operations	372	306	248
Discontinued operations, net of income taxes:			
Income from operations	186	192	231
Loss on disposal	-	(245)	-
	186	(53)	231
NET INCOME	$ 558	$ 253	$ 479
PER COMMON SHARE**:			
BASIC:			
INCOME FROM CONTINUING OPERATIONS	$ 2.25	$ 1.82	$ 1.45
Discontinued operations	1.13	(.31)	1.37
NET INCOME	$ 3.38	$ 1.51	$ 2.82
DILUTED:			
INCOME FROM CONTINUING OPERATIONS	$ 2.19	$ 1.78	$ 1.43
Discontinued operations	1.10	(.31)	1.34
NET INCOME	$ 3.29	$ 1.47	$ 2.77

*"Parent Group" includes all entities of Textron (primarily manufacturing) other than its commercial finance subsidiary (TFC). The Parent Group's investment in Textron's commercial finance subsidiary is reflected on a one-line basis under the equity method of accounting. "Finance Group" consists of Textron's wholly-owned commercial finance subsidiary, TFC. All significant transactions between the Parent Group and the Finance Group have been eliminated from the "Consolidated" column. The principles of consolidation are described in Note 1 to the consolidated financial statements.

**Reflects the effect of the two-for-one stock split in the form of a stock dividend in May 1997.

See notes to the consolidated financial statements.

STATEMENT OF INCOME

For each of the three years in the period ended January 3, 1998

(In millions except per share amounts)	PARENT GROUP* 1997	1996	1995	FINANCE GROUP 1997	1996	1995
REVENUES						
Manufacturing sales	$8,333	$7,179	$6,469	$ -	$ -	$ -
Finance revenues	-	-	-	350	327	311
Total revenues	8,333	7,179	6,469	350	327	311
COSTS AND EXPENSES						
Cost of sales	6,836	5,837	5,295	-	-	-
Selling and administrative	828	750	671	66	58	56
Interest	129	148	178	153	147	147
Provision for losses on collection of finance receivables	-	-	-	23	26	20
Total costs and expenses	7,793	6,735	6,144	242	231	223
	540	444	325	108	96	88
Pretax income of the Finance Group	108	96	88	-	-	-
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	648	540	413	108	96	88
Income taxes	(250)	(211)	(165)	(40)	(38)	(34)
Distributions on preferred securities of subsidiary trust, net of income taxes	(26)	(23)	-	-	-	-
Income from continuing operations	372	306	248	68	58	54
Discontinued operations, net of income taxes:						
Income from operations	186	192	231	-	-	-
Loss on disposal	-	(245)	-	-	-	-
	186	(53)	231	-	-	-
NET INCOME	$ 558	$ 253	$ 479	$ 68	$ 58	$ 54

*"Parent Group" includes all entities of Textron (primarily manufacturing) other than its commercial finance subsidiary (TFC). The Parent Group's investment in Textron's commercial finance subsidiary is reflected on a one-line basis under the equity method of accounting. "Finance Group" consists of Textron's wholly-owned commercial finance subsidiary, TFC. All significant transactions between the Parent Group and the Finance Group have been eliminated from the "Consolidated" column. The principles of consolidation are described in Note 1 to the consolidated financial statements.

See notes to the consolidated financial statements.

Balance Sheet
As of January 3, 1998 and December 28, 1996
(Dollars in millions)

	1997	1996
ASSETS		
PARENT GROUP		
Cash	$ 30	$ 24
Commercial and U.S. government receivables - net	920	882
Inventories	1,349	1,192
Investment in discontinued operations	1,214	1,958
Other current assets	185	231
TOTAL PARENT GROUP CURRENT ASSETS	3,698	4,287
Property, plant, and equipment - net	1,761	1,454
Goodwill - net	1,567	1,466
Other assets	1,126	1,038
TOTAL PARENT GROUP ASSETS	8,152	8,245
FINANCE GROUP		
Cash	13	7
Finance receivables - net	2,993	3,094
Other assets	172	168
TOTAL FINANCE GROUP ASSETS	3,178	3,269
TOTAL COMPANY ASSETS	$11,330	$11,514
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
PARENT GROUP		
Current portion of long-term debt and short-term debt	$ 476	$ 960
Accounts payable	812	724
Accrued liabilities	853	812
TOTAL PARENT GROUP CURRENT LIABILITIES	2,141	2,496
Accrued postretirement benefits other than pensions	766	782
Other liabilities	1,195	1,166
Long-term debt	745	547
TOTAL PARENT GROUP LIABILITIES	4,847	4,991
Finance Group		
Other liabilities	88	101
Deferred income taxes	319	315
Debt	2,365	2,441
TOTAL FINANCE GROUP LIABILITIES	2,772	2,857
TOTAL COMPANY LIABILITIES	7,619	7,848
TEXTRON - OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY TEXTRON JUNIOR SUBORDINATED DEBT SECURITIES	483	483
SHAREHOLDERS' EQUITY		
Capital stock:		
Preferred stock:		
$2.08 Cumulative Convertible Preferred Stock, Series A (liquidation value - $14)	6	7
$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends)	7	7
Common stock (190,689,000 and 94,456,000 shares issued)	24	12
Capital surplus	830	793
Retained earnings	3,362	2,969
Other	(62)	7
	4,167	3,795
Less cost of treasury shares	939	612
TOTAL SHAREHOLDERS' EQUITY	3,228	3,183
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$11,330	$11,514

See notes to the consolidated financial statements.

STATEMENT OF CASH FLOWS

For each of the three years in the period ended January 3, 1998	CONSOLIDATED		
(In millions)	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations	$ 372	$ 306	$ 248
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Earnings of Finance Group (greater than) less than distributions	-	-	-
Dividends received from discontinued operations	108	95	99
Depreciation	246	205	177
Amortization	64	62	57
Provision for losses on receivables	25	29	26
Deferred income taxes	68	15	24
Changes in assets and liabilities excluding those related to acquisitions and divestitures:			
Decrease (increase) in commercial and U.S. government receivables	44	(33)	(40)
Increase in inventories	(89)	(33)	(28)
Decrease (increase) in other assets	(67)	(110)	26
Increase in accounts payable	74	62	65
Increase (decrease) in accrued liabilities	(103)	74	(69)
Other - net	1	(16)	44
NET CASH PROVIDED BY OPERATING ACTIVITIES	743	656	629
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of investments	251	6	30
Proceeds from disposition of investments	-	(5)	(9)
Finance receivables:			
Originated or purchased	(2,712)	(2,287)	(1,965)
Repaid or sold	2,441	2,088	1,770
Proceeds on sales of securitized assets	373	-	-
Cash used in acquisitions	(364)	(216)	(212)
Proceeds from sales of businesses	549	180	-
Capital expenditures	(374)	(312)	(258)
Other investing activities - net	48	24	33
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	212	(522)	(611)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term debt	(425)	(85)	200
Proceeds from issuance of long-term debt	401	345	593
Principal payments on long-term debt	(427)	(499)	(567)
Issuance of Textron - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	-	483	-
Proceeds from exercise of stock options	38	42	42
Purchases of Textron common stock	(299)	(266)	(100)
Purchases of Textron common stock from Paul Revere	(29)	(34)	(22)
Dividends paid	(202)	(148)	(133)
Dividends paid to Parent Group	-	-	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(943)	(162)	13
NET INCREASE (DECREASE) IN CASH	12	(28)	31
Cash at beginning of year	31	59	28
Cash at end of year	$ 43	$ 31	$ 59
SUPPLEMENTAL INFORMATION:			
Cash paid during the year for interest	$ 293	$ 289	$ 303
Cash paid during the year for income taxes	156	167	151

*"Parent Group" includes all entities of Textron (primarily manufacturing) other than its commercial finance subsidiary (TFC). The Parent Group's investment in Textron's commercial finance subsidiary is reflected on a one-line basis under the equity method of accounting. "Finance Group" consists of Textron's wholly-owned commercial finance subsidiary, TFC. All significant transactions between the Parent Group and the Finance Group have been eliminated from the "Consolidated" column. The principles of consolidation are described in Note 1 to the consolidated financial statements.

See notes to the consolidated financial statements.

STATEMENT OF CASH FLOWS

For each of the three years in the period ended January 3, 1998	PARENT GROUP*			FINANCE GROUP		
(In millions)	1997	1996	1995	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:						
Income from continuing operations	$ 372	$ 306	$ 248	$ 68	$ 58	$ 54
Adjustment to reconcile income from continuing operations to net cash provided by operating activities:						
Earnings of Finance Group (greater than) less than distributions	6	(30)	(28)	-	-	-
Dividends received from discontinued operations	108	95	99	-	-	-
Depreciation	243	202	175	3	3	2
Amortization	56	54	46	8	8	11
Provision for losses on receivables	2	3	4	23	26	23
Deferred income taxes	61	6	18	7	9	6
Changes in assets and liabilities excluding those related to acquisitions and divestitures:						
Decrease (increase) in commercial and U.S. government receivables	44	(33)	(40)	-	-	-
Increase in inventories	(89)	(33)	(28)	-	-	-
Decrease (increase) in other assets	(54)	(123)	49	(1)	4	(1)
Increase (decrease) in accounts payable	70	66	58	(12)	3	(17)
Increase (decrease) in accrued liabilities	(99)	70	(116)	(4)	2	17
Other - net	8	(7)	49	(7)	(8)	(4)
NET CASH PROVIDED BY OPERATING ACTIVITIES	728	576	534	85	105	91
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of investments	-	(5)	(9)	-	-	-
Proceeds from disposition of investments	251	6	30	-	-	-
Finance receivables:						
Originated or purchased	-	-	-	(2,712)	(2,287)	(1,965)
Repaid or sold	-	-	-	2,444	2,091	1,802
Proceeds on sales of securitized assets	-	-	-	373	-	-
Cash used in acquisitions	(364)	(216)	(212)	-	-	-
Proceeds from sales of businesses	549	180	-	-	-	-
Capital expenditures	(366)	(309)	(256)	(8)	(3)	(2)
Other investing activities - net	35	28	12	14	(3)	21
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	105	(316)	(435)	111	(202)	(144)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Increase (decrease) in short-term debt	(484)	(90)	131	59	5	69
Proceeds from issuance of long-term debt	201	-	132	200	345	461
Principal payments on long-term debt	(52)	(279)	(113)	(375)	(220)	(454)
Issuance of Textron - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	-	483	-	-	-	-
Proceeds from exercise of stock options	38	42	42	-	-	-
Purchases of Textron common stock	(299)	(266)	(100)	-	-	-
Purchases of Textron common stock from Paul Revere	(29)	(34)	(22)	-	-	-
Dividends paid	(202)	(148)	(133)	-	-	-
Dividends paid to Parent Group	-	-	-	(74)	(29)	(27)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(827)	(292)	(63)	(190)	101	49
NET INCREASE (DECREASE) IN CASH	6	(32)	36	6	4	(4)
Cash at beginning of year	24	56	20	7	3	7
Cash at end of year	$ 30	$ 24	$ 56	$ 13	$ 7	$ 3
SUPPLEMENTAL INFORMATION:						
Cash paid during the year for interest	$ 140	$ 140	$ 161	$ 153	$ 149	$ 142
Cash paid during the year for income taxes	112	142	131	44	25	20

*"Parent Group" includes all entities of Textron (primarily manufacturing) other than its commercial finance subsidiary (TFC). The Parent Group's investment in Textron's commercial finance subsidiary is reflected on a one-line basis under the equity method of accounting. "Finance Group" consists of Textron's wholly-owned commercial finance subsidiary, TFC. All significant transactions between the Parent Group and the Finance Group have been eliminated from the "Consolidated" column. The principles of consolidation are described in Note 1 to the consolidated financial statements.

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For each of the three years in the period ended January 3, 1998	SHARES OUTSTANDING* (In thousands) 1997	1996	1995	DOLLARS (In millions) 1997	1996	1995
$2.08 PREFERRED STOCK						
Beginning balance	243	267	297	$ 7	$ 8	$ 9
Conversion to common stock	(42)	(24)	(30)	(1)	(1)	(1)
Ending balance	201	243	267	$ 6	$ 7	$ 8
$1.40 PREFERRED STOCK						
Beginning balance	107	118	126	$ 7	$ 7	$ 7
Conversion to common stock	(15)	(11)	(8)	-	-	-
Ending balance	92	107	118	$ 7	$ 7	$ 7
COMMON STOCK						
Beginning balance	82,809	84,935	85,497	$ 12	$ 12	$ 12
Purchases	(4,103)	(3,193)	(1,734)	-	-	-
Stock dividend declared	82,397	-	-	12	-	-
Conversion of preferred stock to common stock	166	71	81	-	-	-
Exercise of stock options	1,066	923	1,091	-	-	-
Other issuances of common stock	8	73	-	-	-	-
Ending balance	162,343	82,809	84,935	$ 24	$ 12	$ 12
CAPITAL SURPLUS						
Beginning balance				$ 793	$ 750	$ 702
Conversion of preferred stock to common stock				1	1	1
Exercise of stock options and other issuances				48	48	47
Stock dividend declared				(12)	-	-
Purchases of common stock				-	(6)	-
Ending balance				$ 830	$ 793	$ 750
RETAINED EARNINGS						
Beginning balance				$2,969	$2,864	$2,518
Net income				558	253	479
Dividends declared:						
Preferred stock				(1)	(1)	(1)
Common stock (per share: $1.00 in 1997; $.88 in 1996; and $.78 in 1995)				(164)	(147)	(132)
Ending balance				$3,362	$2,969	$2,864
TREASURY STOCK						
Beginning balance				$ 612	$ 358	$ 258
Purchases of common stock				328	259	100
Issuance of common stock				(1)	(5)	-
Ending balance				$ 939	$ 612	$ 358
OTHER						
Beginning balance				$ 7	$ 129	$ (108)
Currency translation adjustment				(73)	35	5
Securities valuation adjustment				4	(155)	216**
Pension liability adjustment				-	(2)	3
Shares allocated to ESOP participants' accounts				-	-	13
Ending balance				$ (62)	$ 7	$ 129

*Shares issued at the end of 1997, 1996, 1995, and 1994 were as follows (in thousands): $2.08 Preferred - 270; 312; 336; and 366 shares, respectively; $1.40 Preferred - 579; 594; 604; and 613 shares, respectively; Common - 190,689; 94,456; 93,462; and 92,284 shares, respectively.

**Includes net unrealized gains relating to the transfer of all of Paul Revere's debt securities from the held to maturity category to the available for sale category of its investment portfolio ($133 million) partially offset by an adjustment to deferred policy acquisition costs ($73 million).

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. FINANCIAL STATEMENT PRESENTATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NATURE OF OPERATIONS AND PRINCIPLES OF CONSOLIDATION

Textron is a global multi-industry company with manufacturing and finance operations. Its principal markets (listed within segments in order of the amount of 1997 revenues) and the major locations of such markets are as follows:

SEGMENT	PRINCIPAL MARKETS	MAJOR LOCATIONS
AIRCRAFT	- Commercial and military helicopters - Business jets - General aviation - Overnight express package carriers - Commuter airlines, relief flights, tourism, and freight	- North America - Asia/Pacific - South America - Western Europe
AUTOMOTIVE	- Automotive original equipment manufacturers and their suppliers	- North America - Western Europe
INDUSTRIAL	- Fastening systems: automotive, electronics, aerospace, other OEMs, distributors, and consumers - Industrial components: commercial aerospace and defense - Golf and turf-care products: golf courses, resort communities, and commercial and industrial users - Fluid and power systems: original equipment manufacturers, distributors, and end-users of a wide variety of products	- North America - Western Europe - Asia/Pacific - South America
FINANCE	- Commercial loans	- North America

The consolidated financial statements include the accounts of Textron and all of its majority- and wholly-owned subsidiaries. All significant intercompany transactions are eliminated. Paul Revere is reflected as a discontinued operation for 1996 and 1995 and Avco Financial Services is reflected as a discontinued operation for all periods presented.

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these statements and accompanying notes. Consequently, actual results could differ from such estimates.

2. ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

In 1997, Textron acquired Germany-based Kautex Group, a worldwide supplier of blow-molded plastic fuel tanks and other automotive components and systems for approximately $350 million, which includes the assumption of debt. In addition, Textron acquired Brazil-based Brazaco Mapri Industrias, S.A., South America's leading maker of fasteners. The purchase price of $70 million is payable on or before March 31, 1998. Smaller acquisitions made in 1997 aggregated approximately $70 million.

In November 1997, Textron announced a tender offer to acquire the capital stock of Ransomes PLC, a UK-based equipment manufacturer, for approximately $230 million, plus the assumption of debt. This transaction closed in early 1998.

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

In 1995, Textron acquired Elco Industries and Friedr. Boesner GmbH for an aggregate of approximately $260 million.

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

DISPOSITIONS

In 1997, Textron completed the sale of its 83.3% owned subsidiary, the Paul Revere Corporation to Provident Companies, Inc. Net proceeds to Textron after adjustments and contingent payments were approximately $800 million (which included the value of shares of Provident common stock subsequently sold for $245 million). In 1996, the Parent Group sold, for no gain or loss, its Aerostructures division for $180 million in cash plus a subordinated note.

3. FINANCE RECEIVABLES

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

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

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

Commercial installment contracts have initial terms ranging from one to 12 years. Commercial real estate loans have initial terms ranging from three to five years. Finance leases have initial terms up to 12 years. Leveraged leases have initial terms up to approximately 30 years. Floorplan and other receivables generally mature within one year. Nonearning commercial loans were $87 million at the end of 1997 ($91 million at the end of 1996).

The following table displays the contractual maturity of the finance receivables. It does not necessarily reflect future cash collections because of various factors including the refinancing of receivables and repayments prior to maturity. Cash collections from receivables, excluding finance charges, were $2.3 billion and $2.1 billion in 1997 and 1996, respectively. In the same periods, the ratio of cash collections to average net receivables was approximately 76% and 69%, respectively.

(In millions)	Contractual Maturities 1998	1999	After 1999	Less Finance Charges	Outstanding 1997	1996
Installment contracts	328	242	728	157	1,141	1,023
Real estate loans	57	54	236	2	345	402
Finance leases	118	109	251	86	392	789
Leveraged leases	10	33	570	283	330	327
Floorplan and other receivables	553	122	191	5	861	628
	$1,066	$ 560	$1,976	$ 533	3,069	3,169
Less allowance for credit losses					76	75
					$2,993	$ 3,094

Textron had both fixed-rate and variable-rate loan commitments totaling $376 million at year-end 1997. Because interest rates on these commitments are not set until the loans are funded, Textron is not exposed to interest rate changes.

A portion of TFC's business involves financing the sale and lease of Textron products. In 1997, 1996, and 1995, TFC paid Textron $736 million, $663 million, and $461 million, respectively, for receivables and operating lease equipment. Operating agreements with Textron specify that TFC generally has recourse to Textron with respect to these purchases. At year-end 1997, finance receivables and operating lease equipment of $519 million and $90 million, respectively, ($713 million and $86 million, respectively, at year-end 1996) were due from Textron or subject to recourse to Textron.

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

(In millions)	JANUARY 3, 1998	December 28, 1996
Finished goods	$ 454	$ 364
Work in process	675	769
Raw materials	366	259
	1,495	1,392
Less progress payments and customer deposits	146	200
	$1,349	$1,192

Inventories aggregating $894 million at year-end 1997 and $848 million at year-end 1996 were valued by the last-in, first-out (LIFO) method. (Had such LIFO inventories been valued at current costs, their carrying values would have been approximately $159 million and $143 million higher at those respective dates.) The remaining inventories, other than those related to certain long-term contracts, are valued generally by the first-in, first-out method. Inventories related to long-term contracts, net of progress payments and customer deposits, were $147 million at year-end 1997 and $181 million at year-end 1996.

5. LONG-TERM CONTRACTS

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

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

Long-term contract receivables at year-end 1997 and year-end 1996 totaled $146 million and $127 million, respectively. This includes $111 million and $56 million, respectively, of unbilled costs and accrued profits that had not yet met the contractual billing criteria. Long-term contract receivables do not include significant amounts (a) billed but unpaid due to contractual retainage provisions or (b) subject to collection uncertainty.

6. PROPERTY, PLANT, AND EQUIPMENT

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

(In millions)	JANUARY 3, 1998	December 28, 1996

At cost:		
Land and buildings	$ 808	$ 716
Machinery and equipment	2,647	2,274
	3,455	2,990
Less accumulated depreciation	1,685	1,531
	$1,770	$1,459

7.GOODWILL

GOODWILL IS AMORTIZED ON THE STRAIGHT-LINE METHOD AND IS AMORTIZED OVER 20 TO 40 YEARS. Accumulated amortization of goodwill totaled $329 million at January 3, 1998 and $278 million at December 28, 1996.

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

8. DEBT AND CREDIT At the end of 1997 and 1996, debt consisted of the FACILITIES following:

(In millions)	JANUARY 3, 1998	December 28, 1996
PARENT GROUP:		
Senior:		
Borrowings under or supported by long-term credit facilities*	$ 375	$ 878
Medium-term notes; due 1999 to 2011 (average rate - 9.54%)	229	291
6.63% - 10.04%; due 2001 to 2022	405	209
Other notes (average rate - 6.99%)	182	100
Total senior	1,191	1,478
Subordinated - 8.86% - 8.97%; due 1998 to 1999	30	29
Total Parent Group	1,221	1,507
FINANCE GROUP:		
Senior:		
Borrowings under or supported by credit facilities**	1,074	1,014
5.47% - 5.85%; due 1998	21	56
6.10% - 6.51%; due 1998 to 2000	112	65
7.14% - 7.67%; due 1998 to 2000	259	384
Variable rate notes; due 1998 to 2001 (average rate - 6.11%)	899	922
Total Finance Group	2,365	2,441
Total debt	$ 3,586	$ 3,948

*The weighted average interest rates on these borrowings, before the effect of interest rate exchange agreements, were 4.8%, 5.0%, and 6.1% at year-end 1997, 1996, and 1995, respectively. Comparable rates during the years 1997, 1996, and 1995 were 4.8%, 5.0%, and 6.1%, respectively.

**The weighted average interest rates on these borrowings, before the effect of interest rate exchange agreements, were 6.1%, 5.7%, and 6.1% at year-end 1997, 1996, and 1995, respectively. Comparable rates during the years 1997, 1996, and 1995 were 5.8%, 5.7%, and 6.2%, respectively.

The following table shows required payments and sinking fund requirements during the next five years on debt outstanding at the end of 1997. The payments schedule excludes amounts that may become payable under credit facilities and revolving credit agreements.

(In millions)	1998	1999	2000	2001	2002
Parent Group	$ 97	$ 58	$ 53	$138	$ 29
Finance Group	102	491	478	220	-
	$ 199	$ 549	$ 531	$358	$ 29

The Parent Group maintains credit facilities with various banks for both short- and long-term borrowings. The Parent Group has a $1.5 billion domestic credit agreement with 33 banks available on a fully revolving basis until July 1, 2002. At year-end 1997, $1.4 billion of the credit facility was not used or reserved as support for commercial paper or bank borrowings. Textron also has two five-year multi-currency credit agreements with 25 banks for $700 million for its foreign operations; $445 million was available at year-end 1997.

The Finance Group has lines of credit with various banks aggregating $1.1 billion at year-end 1997, of which $163 million was not used or reserved as support for commercial paper or bank borrowings. Lending agreements limit the Finance Group's net assets available for cash dividends and other payments to the Parent Group to approximately $102 million of the Finance Group's net assets of $406 million at year-end 1997. The Finance Group's loan agreements also contain provisions regarding additional debt, creation of liens or guarantees, and the making of investments.

The Parent Group has agreed to cause TFC to maintain certain minimum levels of financial performance. No payments from the Parent Group were necessary in 1997, 1996, or 1995 for TFC to meet these standards.

9. DERIVATIVES AND FOREIGN CURRENCY TRANSACTIONS

INTEREST RATE EXCHANGE AGREEMENTS

Interest rate exchange agreements are used to help manage interest rate risk by converting certain variable-rate debt to fixed-rate debt and vice versa. These agreements involve the exchange of fixed-rate interest for variable-rate amounts over the life of the agreement without the exchange of the notional amount. INTEREST RATE EXCHANGE AGREEMENTS ARE ACCOUNTED FOR ON THE ACCRUAL BASIS WITH THE DIFFERENTIAL TO BE PAID OR RECEIVED RECORDED CURRENTLY AS AN ADJUSTMENT TO INTEREST EXPENSE.

SOME AGREEMENTS THAT REQUIRE THE PAYMENT OF FIXED-RATE INTEREST ARE DESIGNATED AGAINST SPECIFIC LONG-TERM VARIABLE-RATE BORROWINGS, WHILE THE BALANCE IS DESIGNATED AGAINST EXISTING SHORT-TERM BORROWINGS THROUGH MATURITY AND THEIR ANTICIPATED REPLACEMENTS. TEXTRON CONTINUOUSLY MONITORS VARIABLE-RATE BORROWINGS TO MAINTAIN THE LEVEL OF BORROWINGS ABOVE THE NOTIONAL AMOUNT OF THE DESIGNATED AGREEMENTS. IF IT IS NOT PROBABLE VARIABLE-RATE BORROWINGS WILL CONTINUOUSLY EXCEED THE NOTIONAL AMOUNT OF THE DESIGNATED AGREEMENTS, THE EXCESS IS MARKED TO MARKET AND THE ASSOCIATED GAIN OR LOSS RECORDED IN INCOME. PREMIUMS PAID TO TERMINATE AGREEMENTS DESIGNATED AS HEDGES ARE DEFERRED AND AMORTIZED TO EXPENSE OVER THE REMAINING TERM OF THE ORIGINAL LIFE OF THE CONTRACT. IF THE UNDERLYING DEBT IS THEN PAID EARLY, UNAMORTIZED PREMIUMS ARE RECOGNIZED AS AN ADJUSTMENT TO THE GAIN OR LOSS ASSOCIATED WITH THE DEBT'S EXTINGUISHMENT.

During 1997, the Finance Group had $150 million of interest rate exchange agreements go into effect. Interest rate exchange agreements in effect at the end of 1997 and 1996 had weighted average remaining terms of 1.5 years and 3.2 years, respectively, for the Parent Group and 1.2 years and 2.2 years, respectively, for the Finance Group. Agreements that effectively fix the rate of interest on variable-rate borrowings are summarized as follows:

	JANUARY 3, 1998		December 28, 1996	
FIXED-PAY INTEREST RATE EXCHANGE AGREEMENTS*				
(Dollars in millions)	Notional amount	Weighted average interest rate	Notional amount	Weighted average interest rate
Parent Group	$ 275**	9.01%	$ 453	8.53%
Finance Group	450***	6.02	300	5.90
	$ 725	7.20	$ 753	7.53

* During 1997, the Parent Group and Finance Group also entered into variable-pay interest rate exchange agreements for $200 million and $50 million, respectively, which were designated against specific long-term fixed-rate notes. These agreements effectively adjusted the rate of interest on certain long-term fixed-rate notes to 6.2% from 6.6% for the Parent Group and to 6.0% from 6.4% for the Finance Group as of year-end. ** The Parent Group's fixed-pay interest rate exchange agreements were designated against existing and anticipated short-term variable-

rate borrowings. These agreements effectively adjusted the average rate of interest on short-term variable-rate notes to 7.0% from 4.8%. The interest rate exchange agreements in effect at the end of 1997 expire as follows: $100 million (8.7%) in 1998; $25 million (7.2%) in 1999; $150 million (9.4%) in 2000. *** The Finance Group's interest rate exchange agreements were designated against specific long-term variable-rate notes. These agreements effectively adjusted the average rate of interest on long-term variable-rate notes to 6.3% from 6.1%. The fixed-pay interest rate exchange agreements in effect at the end of 1997 expire as follows: $200 million (5.94%) in 1998 and $250 million (6.26%) in 1999.

Textron had minimal exposure to loss from nonperformance by the counterparties to its interest rate exchange agreements at the end of 1997, and does not anticipate nonperformance by counterparties in the periodic settlements of amounts due. Textron currently minimizes this potential for risk by entering into contracts exclusively with major, financially sound counterparties having no less than a long-term bond rating of "A," by continuously monitoring the Counterparties' credit ratings, and by limiting exposure with any one financial institution. The credit risk generally is limited to the amount by which the counterparties' contractual obligations exceed Textron's obligations to the counterparty.

TRANSLATION OF FOREIGN CURRENCIES, FOREIGN EXCHANGE TRANSACTIONS AND FOREIGN CURRENCY EXCHANGE CONTRACTS

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

FORWARD EXCHANGE CONTRACTS ARE USED TO HEDGE CERTAIN FOREIGN CURRENCY TRANSACTIONS AND CERTAIN FIRM SALES AND PURCHASE COMMITMENTS DENOMINATED IN FOREIGN CURRENCIES. GAINS AND LOSSES FROM CURRENCY RATE CHANGES ON HEDGES OF FOREIGN CURRENCY TRANSACTIONS ARE RECORDED CURRENTLY IN INCOME. GAINS AND LOSSES RELATING TO THE HEDGE OF THE FIRM SALES AND PURCHASE COMMITMENTS ARE INCLUDED IN THE MEASUREMENT OF THE UNDERLYING TRANSACTIONS WHEN THEY

OCCUR. Foreign exchange gains and losses included in income have not been material.

Forward exchange contracts, predominantly denominated in Canadian dollars, Deutschemarks and French francs, totaling approximately $524 million and $124 million were outstanding at the end of 1997 and 1996, respectively. Unrealized gains or losses relating to these contracts approximated the contracts' fair value at year-end (see Note 17).

10. TEXTRON-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY TEXTRON JUNIOR SUBORDINATED DEBT SECURITIES

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

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

11. SHAREHOLDERS' EQUITY

PREFERRED STOCK

Textron has authorization for 15,000,000 shares of preferred stock. Each share of $2.08 Preferred Stock ($23.63 approximate stated value) is convertible into

4.4 shares of common stock and can be redeemed by Textron for $50 per share. Each share of $1.40 Preferred Dividend Stock ($11.82 approximate stated value) is convertible into 3.6 shares of common stock and can be redeemed by Textron for $45 per share.

COMMON STOCK

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

PERFORMANCE SHARE UNITS AND STOCK OPTIONS

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

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

Compensation expense under Textron's performance share program was approximately $65 million in 1997, $45 million in 1996, and $23 million in 1995. To mitigate the impact of stock price increases on compensation expense, Textron entered into a cash-settlement option program on Textron's common stock in November 1995. This program generated income of approximately $37 million in 1997 and $21 million in 1996.

Pro forma information regarding net income and earnings per share is required by FAS 123, "Accounting for Stock-Based Compensation" and has been determined under the fair value method of that Statement. For the purpose of developing the pro forma information, the fair values of options granted after 1995 are estimated at the date of grant using the Black-Scholes option-pricing model. The estimated fair values are amortized to expense over the options' vesting period. Using this methodology, net income would have been reduced by $15 million or $.09 per share in 1997 and $10 million or $.06 per share in 1996. The pro forma effect on 1995 net income was not material. The pro forma effect on net income is not necessarily representative of the effect in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1995.

The assumptions used to estimate the fair value of an option granted in 1997, 1996 and 1995, respectively, are approximately as follows: dividend yield of 2%; expected volatility of 16%; risk-free interest rates of 6%, 6%, and 5%; and weighted average expected lives of 3.5 years. Under these assumptions, the weighted-average fair value of an option to purchase one share granted in 1997, 1996, and 1995, respectively, was approximately $14, $10, and $8.

Stock option transactions during the last three years are summarized as follows:

	1997		1996		1995	
(Shares in thousands)	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares under option at beginning of year	9,290	$31.08	9,116	$26.05	9,392	$22.16
Options granted	1,333	62.54	2,136	45.37	2,124	36.06
Options exercised	(1,541)	24.56	(1,846)	22.89	(2,196)	19.13
Options canceled	(81)	43.40	(116)	29.38	(204)	25.57
Shares under option at end of year	9,001	36.74	9,290	31.08	9,116	26.05
Shares exercisable at end of year	6,641	30.21	6,128	25.26	5,888	22.69

Stock options outstanding at the end of 1997 and 1996 are summarized as follows:

Range of Exercise Prices (Shares in thousands)	Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Price
JANUARY 3, 1998:					
$11 - $32	3,952	5.6	$23.44	3,952	$23.44
$33 - $50	3,745	8.5	41.67	2,689	40.15
$51 - $68	1,304	9.9	62.87	-	-
December 28, 1996:					
$10 - $32	5,292	6.6	$23.24	5,192	$23.15
$33 - $40	1,938	9.0	36.95	936	36.93
$40 - $46	2,060	9.9	45.69	-	-

RESERVED SHARES OF COMMON STOCK

At year-end 1997, 3,277,000 shares of common stock were reserved for the subsequent conversion of preferred stock and 9,001,000 shares were reserved for the exercise of stock options.

PREFERRED STOCK PURCHASE RIGHTS

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

INCOME PER COMMON SHARE

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

For the years ended	JANUARY 3, 1998		December 28, 1996		December 30, 1995	
($ in millions, shares in thousands)	Income	Average Shares	Income	Average Shares	Income	Average Shares
Income from continuing operations	$372		$306		$248	
Less: Preferred stock dividends	(1)		(1)		(1)	
BASIC						
Available to common shareholders	371	164,830	305	167,453	247	169,848
Dilutive effect of convertible preferred stock and stock options	1	4,673	1	4,199	1	3,404
DILUTED						
Available to common shareholders and assumed conversions	$372	169,503	$306	171,652	$248	173,252

12. LEASES

Rental expense approximated $65 million, $54 million, and $56 million in 1997, 1996, and 1995, respectively. Future minimum rental commitments for noncancellable operating leases in effect at year-end 1997 approximated $54 million for 1998; $43 million for 1999; $29 million for 2000; $23 million for 2001; $20 million for 2002; and a total of $161 million thereafter.

13. RESEARCH AND DEVELOPMENT

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

RESEARCH AND DEVELOPMENT COSTS FOR WHICH TEXTRON IS RESPONSIBLE ARE EXPENSED AS INCURRED. THESE COMPANY FUNDED COSTS INCLUDE AMOUNTS FOR COMPANY INITIATED PROGRAMS, THE COST SHARING PORTIONS OF CUSTOMER INITIATED PROGRAMS, AND LOSSES INCURRED ON CUSTOMER INITIATED PROGRAMS. The company funded and customer funded research and development costs for 1997, 1996, and 1995 were as follows:

(In millions)	1997	1996	1995
Company funded	$ 222	$ 185	$ 181
Customer funded	380	391	475
Total research and development	$602	$ 576	$ 656

14. PENSION BENEFITS

Textron has defined benefit and defined contribution pension plans which together cover substantially all employees. The costs of the defined contribution plans are funded as accrued and amounted to approximately $36 million, $32 million, and $15 million for 1997, 1996, and 1995, respectively. Defined benefits under salaried plans are based on salary and years of service. Hourly plans generally provide benefits based on stated amounts for each year of service. Textron's funding policy is consistent with federal law and regulations. Plan assets consist principally of corporate and government bonds and common stocks.

Pension income in 1997, 1996, and 1995 included the following components:

(In millions)	1997	1996	1995
Service cost - benefits earned during the year	$ 71	$ 69	$ 55
Interest cost on projected benefit obligation	223	207	209
Actual return on plan assets	(720)	(494)	(745)
Amortization of unrecognized transition net asset	(17)	(17)	(17)
Net amortization and deferral of actuarial gains	438	230	482
Net pension income	$ (5)	$ (5)	$ (16)

The following table sets forth the funded status of Textron's pension plans.

	January 3, 1998		December 28, 1996	
(In millions)	Assets exceed accumulated benefits	Accumulated benefits exceed assets	Assets exceed accumulated benefits	Accumulated benefits exceed assets
Plan assets at fair value	$4,069	$ 61	$3,516	$ 124
Actuarial present value of:				
Vested benefit obligation	2,619	161	2,397	197
Nonvested benefit obligation	73	17	67	19
Accumulated benefit obligation	2,692	178	2,464	216
Effect of projected pay increases	301	35	251	35
Projected benefit obligation	2,993	213	2,715	251
Plan funded status	1,076	(152)	801	(127)
Unrecognized net actuarial (gains) losses	(716)	20	(469)	30
Unrecognized prior service cost	84	21	93	21
Unrecognized transition net obligation (net asset)	(104)	7	(120)	5
Adjustment required to recognize minimum liability	-	(18)	-	(24)
Net pension asset (liability) recognized on the consolidated balance sheet	$ 340	$(122)	$ 305	$ (95)

Major actuarial assumptions used in accounting for the defined benefit pension plans are shown in the following table. Net pension income is determined using these assumptions as of the end of the prior year. The funded status of the plans is determined using these assumptions as of the end of the current year.

	January 3, 1998	December 28, 1996	December 30, 1995	December 31, 1994
Discount rate	7.25%	7.50%	7.25%	8.25%
Weighted average long-term rate of compensation increase	5.00	5.00	5.00	5.00
Long-term rate of return on plan assets	9.00	9.00	9.00	9.00

15. POSTRETIREMENT Textron offers health care and life insurance benefits for BENEFITS OTHER certain retired employees. Postretirement benefit costs other THAN PENSIONS than pension-related expenses in 1997, 1996, and 1995 included the components shown in the following table. Textron's postretirement benefit plans other than pensions are unfunded.

(In millions)	1997	1996	1995
Service cost - benefits earned during the year	$ 5	$ 5	$ 5
Interest cost on accumulated postretirement benefit obligation	46	51	56
Net amortization	(13)	(12)	(13)
Postretirement benefit costs	$ 38	$ 44	$ 48

The following table sets forth the status of these plans at the end of 1997 and 1996:

(In millions)	January 3, 1998	December 28, 1996
Actuarial present value of benefits attributed to:		
Retirees	$490	$499
Fully eligible active plan participants	62	61
Other active plan participants	88	85
Accumulated postretirement benefit obligation	640	645
Unrecognized net actuarial gains	100	107
Unrecognized prior service cost benefit	26	30
Postretirement benefit liability recognized on the consolidated balance sheet	$766	$782

The discount rates used to determine postretirement benefit costs other than pensions and the status of those plans were the same as those used for Textron's defined benefit pension plans.

The 1997 health care cost trend rate, which is the weighted average annual assumed rate of increase in the per capita cost of covered benefits, was 6.5% for retirees age 65 and over and 7.5% for retirees under age 65. Both rates are assumed to decrease gradually to 5.5% by 2001 and 2003, respectively, and then remain at that level. Increasing the health care cost trend rates by one percentage point in each year would have increased the accumulated postretirement benefit obligation as of year-end 1997 by $58 million and the aggregate of the service and interest cost components of postretirement benefit costs for 1997 by $5 million.

16. INCOME TAXES

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

The following table shows income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust:

(In millions)	1997	1996	1995
United States	$441	$393	$329
Foreign	207	147	84
Total	$648	$540	$413

Income tax expense is summarized as follows:

(In millions)	1997	1996	1995
Federal:			
Current	$ 82	$121	$ 81
Deferred	71	15	34
State	27	25	24
Foreign	70	50	26
Income tax expense	$250	$211	$165

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

	1997	1996	1995
Federal statutory income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
State income taxes	2.8	3.0	3.7
Goodwill	2.7	2.8	3.3
Other - net	(1.9)	(1.7)	(2.0)
Effective income tax rate	38.6%	39.1%	40.0%

Textron's net deferred tax asset consisted of gross deferred tax assets and gross deferred tax liabilities of $1,517 million and $1,362 million, respectively, at the end of 1997 and $1,316 million and $1,096 million, respectively, at the end of 1996.

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

(In millions)	January 3, 1998	December 28, 1996
Finance Group transactions, principally leasing	$(334)	$(343)
Obligation for postretirement benefits other than pensions	305	307
Fixed assets, principally depreciation	(146)	(133)
Self insured liabilities	147	152
Deferred compensation	115	102
Allowance for credit losses	25	31
Other, principally timing of other expense deductions	43	104
	$ 155	$ 220

Deferred income taxes have not been provided for the undistributed earnings of foreign subsidiaries, which approximated $455 million at the end of 1997. Management intends to reinvest those earnings for an indefinite period, except for distributions having an immaterial tax effect. If foreign subsidiaries' earnings were distributed, 1997 taxes, net of foreign tax credits, would be increased by approximately $20 million, primarily because of foreign withholding taxes.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(In millions)	January 3, 1998 Carrying value	January 3, 1998 Estimated fair value	December 28, 1996 Carrying value	December 28, 1996 Estimated fair value
ASSETS:				
FINANCE RECEIVABLES	2,280	2,334	2,227	2,270
LIABILITIES:				
DEBT:				
Parent Group:				
Debt	1,221	1,276	1,507	1,565
Interest rate exchange agreements	-	10	-	37
Finance Group:				
Debt	2,365	2,380	2,441	2,448
FOREIGN CURRENCY EXCHANGE CONTRACTS	(4)	-	-	2

NOTES:

(i) Finance receivables - The estimated fair values of real estate loans and commercial installment contracts were based on discounted cash flow analyses. The estimated fair values of variable-rate receivables approximated the net carrying value. The estimated fair values of nonperforming loans were based on discounted cash flow analyses using risk-adjusted interest rates or the fair value of the related collateral.
(ii) Debt, interest rate exchange agreements, and foreign currency exchange contracts - The estimated fair value of fixed-rate debt was determined by independent investment bankers or discounted cash flow analyses. The estimated fair values of variable-rate debt approximated their carrying values. The estimated fair values of interest rate exchange agreements were determined by independent investment bankers and represent the estimated amounts that Textron or its counterparty would be required to pay to assume the other party's obligations under the agreements. The estimated fair values of the foreign currency exchange contracts were determined by Textron's foreign exchange banks.

18. CONTINGENCIES AND ENVIRONMENTAL REMEDIATION

CONTINGENCIES

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

ENVIRONMENTAL REMEDIATION

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

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

19. GEOGRAPHIC Presented below is selected financial information by DATA geographic area of Textron's operations.

GEOGRAPHIC AREAS	REVENUES BY ORIGIN			INCOME BY ORIGIN		
(In millions)	1997	1996	1995	1997	1996	1995
United States	$ 6,401	$5,919	$5,801	$ 710	$ 656	$ 626
Europe	1,213	891	660	118	69	38
Other North America	919	532	172	81	70	37
Other	150	164	147	8	8	9
	$ 8,683	$7,506	$6,780	917	803	710
Corporate expenses and other - net				(140)	(115)	(119)
Interest expense - net				(129)	(148)	(178)
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust				$ 648	$ 540	$ 413

	DESTINATION OF U.S. EXPORT REVENUE		
(In millions)	1997	1996	1995
North America	$ 340	$ 342	$ 280
Europe	227	256	306
Asia/Pacific	215	220	194
South America	172	92	110
Australia/New Zealand	32	33	41
Middle East	25	55	43
Other locations	32	43	26
	$ 1,043	$1,041	$1,000

	IDENTIFIABLE ASSETS		
(In millions)	1997	1996	1995
United States	$ 7,436	$ 7,247	$ 7,283
Europe	1,200	952	448
Other North America	423	330	305
Other	170	54	42
Corporate, including investment in discontinued operations	2,557	3,161	3,243
Eliminations	(456)	(230)	(114)
	$11,330	$11,514	$11,207

NOTES:

(i) Revenues include sales to the U.S. government of $1.0 billion, $1.0 billion, and $1.3 billion in 1997, 1996, and 1995, respectively and of $1.1 billion in 1997 to a single customer.
(ii) Revenues between geographic areas, predominantly revenues of U.S. divisions, were approximately 5% in each of the years 1997, 1996, and 1995.

20. Other Information
- Parent Group Current Liabilities

Included in accrued liabilities at the end of 1997 and 1996 were the following:

(In millions)	January 3, 1998	December 28, 1996
Salary, wages and employer taxes	$170	$168
Customer deposits	137	93
Other	546	551
Total accrued liabilities	$853	$812

21. Subsequent Events

On August 11, 1998, Textron announced that it had reached an agreement to sell Avco Financial Services (AFS) to Associates First Capital Corporation for $3.9 billion in cash. This transaction is subject to regulatory approvals and it is expected to close at the end of 1998 or early 1999. Textron has restated its financial statements as presented herein to treat AFS as a discontinued operation. Also, on August 11, 1998 Textron announced that its Board of Directors had authorized a new 25 million share repurchase program that supersedes the 8 million shares that remained under its previous authorization.

The operating results of AFS are summarized below:

For each of the three years ended December 31, (In millions)	1997	1996	1995
Revenues	$1,851	$1,758	$1,662
Costs and expenses	1,550	1,471	1,386
Income before taxes	301	287	276
Income taxes	(115)	(112)	(108)
Net income	$ 186	$ 175	$ 168

Presented below is a summary of AFS's financial position at December 31, 1997 and 1996:

(In millions)	1997	1996
Assets		
Investments	$ 844	$ 814
Finance receivables - net	7,234	6,763
Other assets	654	563
Total assets	$8,732	$8,140

Liabilities		
Accounts payable	$ 123	$ 98
Other liabilities	485	456
Debt	6,910	6,398
Total liabilities	7,518	6,952
Equity		
Common stock	1	1
Capital surplus	747	703
Retained earnings	509	472
Other	(43)	12
Total equity	1,214	1,188
Total liabilities and equity	$8,732	$8,140

QUARTERLY DATA

(Unaudited) (Dollars in millions except per share amounts)	1997 Q4	Q3	Q2	Q1	1996 Q4	Q3	Q2	Q1
REVENUES								
Aircraft	$ 866	$ 725	$ 755	$ 679	$ 735	$ 611	$ 620	$ 627
Automotive	583	464	523	557	428	355	439	405
Industrial	796	761	839	785	727	756	808	668
Finance	86	92	90	82	83	83	82	79
TOTAL REVENUES	$2,331	$2,042	$2,207	$2,103	$1,973	$1,805	$1,949	$1,779
INCOME								
Aircraft	$ 95	$ 79	$ 79	$ 60	$ 72	$ 70	$ 66	$ 53
Automotive	39	28	33	50	41	27	41	37
Industrial	83	87	94	82	75	76	81	68
Finance	28	29	27	24	25	25	23	23
TOTAL OPERATING INCOME	245	223	233	216	213	198	211	181
Corporate expenses and other - net	(41)	(36)	(30)	(33)	(29)	(28)	(30)	(28)
Interest expense - net	(28)	(32)	(30)	(39)	(37)	(36)	(37)	(38)
Income taxes	(68)	(58)	(66)	(58)	(57)	(53)	(56)	(45)
Distributions on preferred securities of subsidiary trust, net of income taxes	(7)	(6)	(7)	(6)	(7)	(6)	(7)	(3)
INCOME FROM CONTINUING OPERATIONS	101	91	100	80	83	75	81	67
Discontinued operations, net of income taxes:								
Income from operations	49	47	45	45	45	45	44	58
Loss on disposal	-	-	-	-	-	(155)	-	(90)
	49	47	45	45	45	(110)	44	(32)
Net income (loss)	$ 150	$ 138	$ 145	$ 125	$ 128	$ (35)	$ 125	$ 35
EARNINGS PER COMMON SHARE								
BASIC:								
Income from continuing operations	$ .62	$ .55	$ .60	$ .48	$ .50	$ .45	$ .48	$ .39
Discontinued operations	.30	.28	.28	.27	.27	(.66)	.26	(.18)
Net income (loss)	$ .92	$ .83	$ .88	$ .75	$ .77	$ (.21)	$ .74	$ .21
Average shares outstanding (in thousands)	163,697	164,912	165,173	165,897	165,551	167,060	168,188	168,929
DILUTED:								
Income from continuing operations	$ .60	$ .54	$ .59	$ .47	$ .49	$ .44	$ .47	$ .38
Discontinued operations	.29	.27	.27	.26	.26	(.64)	.26	(.18)
Net income (loss)	$ .89	$ .81	$ .86	$ .73	$ .75	$ (.20)	$ .73	$ .20
Average shares outstanding (in thousands)	168,527	169,675	169,797	170,388	169,745	171,357	172,516	172,963
OPERATING INCOME MARGINS								
Aircraft	11.0%	10.9%	10.5%	8.8%	9.8%	11.5%	10.6%	8.5%
Automotive	6.7	6.0	6.3	9.0	9.6	7.6	9.3	9.1
Industrial	10.4	11.4	11.2	10.4	10.3	10.1	10.0	10.2
Finance	32.6	31.5	30.0	29.3	30.1	30.1	28.0	29.1
OPERATING INCOME MARGIN	10.5	10.9	10.6	10.3	10.8	11.0	10.8	10.2
COMMON STOCK INFORMATION								
Price range: High	$65 11/16	$70 3/4	$67 11/16	$53 5/8	$48 7/8	$43 15/16	$44 1/2	$42 7/8
Low	$55 1/2	$59 1/2	$49 11/16	$ 45	$42 3/8	$36 1/2	$38 1/2	$34 9/16
Dividends per share	$ .25	$ .25	$ .25	$ .25	$ .22	$ .22	$ .22	$ .22

All share related data has been restated to reflect the effect of the two-for-one common stock split in the form of a stock dividend in May 1997. Prior year amounts have been reclassified to conform to the current year's segment presentation.

SELECTED FINANCIAL INFORMATION

(Dollars in millions except per share amounts)	1997	1996	1995
REVENUES			
Aircraft	$ 3,025	$ 2,593	$ 2,420
Automotive	2,127	1,627	1,534
Industrial	3,181	2,959	2,515
Finance	350	327	311
Total revenues	$ 8,683	$ 7,506	$ 6,780
INCOME			
Aircraft	$ 313	$ 261	$ 237
Automotive	150	146	135
Industrial	346	300	250
Finance	108	96	88
TOTAL OPERATING INCOME	917	803	710
Corporate expenses and other - net	(140)	(115)	(119)
Interest expense - net	(129)	(148)	(178)
Income taxes	(250)	(211)	(165)
Distributions on preferred securities of subsidiary trust, net of income taxes	(26)	(23)	-
INCOME FROM CONTINUING OPERATIONS*	$ 372	$ 306	$ 248
PER SHARE OF COMMON STOCK			
Income from continuing operations - basic*	$ 2.25	$ 1.82	$ 1.45
Income from continuing operations - diluted*	$ 2.19	$ 1.78	$ 1.43
Dividends declared	$ 1.00	$ .88	$ .78
Book value at year-end	$ 19.78	$ 19.10	$ 19.96
Common stock price: High	$ 70 3/4	$ 48 7/8	$ 38 11/16
Low	$ 45	$ 34 9/16	24 5/16
Year-end	$ 62 5/8	$ 46 11/16	$ 33 3/4
Common shares outstanding (in thousands):			
Basic average	164,830	167,453	169,848
Diluted average	169,503	171,652	173,252
Year-end	167,315	169,745	173,340
FINANCIAL POSITION			
Total assets	$ 11,330	$ 11,514	$ 11,207
Debt:			
Parent Group	$ 1,221	$ 1,507	$ 1,774
Finance Group	$ 2,365	$ 2,441	$ 2,277
Preferred securities of subsidiary trust	$ 483	$ 483	$ -
Shareholders' equity	$ 3,228	$ 3,183	$ 3,412
Parent Group debt to total capital	25%	29%	34%
INVESTMENT DATA			
Capital expenditures	$ 374	$ 312	$ 258
Depreciation	$ 246	$ 205	$ 177
Research and development	$ 602	$ 576	$ 656
OTHER DATA			
Number of employees at year-end	56,000	49,000	46,000
Number of common shareholders at year-end	24,000	25,000	26,000

	1994	1993	1992	1991
REVENUES				
Aircraft	$ 2,186	$ 1,987	$ 1,521	$ 1,256
Automotive	1,511	1,178	788	661
Industrial	2,982	3,106	3,308	3,294
Finance	277	259	258	202
Total revenues	$ 6,956	$ 6,530	$ 5,875	$ 5,413
INCOME				
Aircraft	$ 194	$ 172	$ 128	$ 113
Automotive	132	89	68	50
Industrial	248	237	285	311
Finance	83	74	62	45
TOTAL OPERATING INCOME	657	572	543	519
Corporate expenses and other - net	(92)	(103)	(81)	(89)
Interest expense - net	(190)	(214)	(238)	(213)
Income taxes	(160)	(87)	(87)	(92)
Distributions on preferred securities of subsidiary trust, net of income taxes	-	-	-	-

Income from continuing operations*	$ 215	$ 168	$ 137	$ 125
PER SHARE OF COMMON STOCK				
Income from continuing operations - basic*	$ 1.21	$ .95	$ .78	$ .72
Income from continuing operations - diluted*	$ 1.19	$ .94	$ .77	$ .71
Dividends declared	$ .70	$ .62	$ .56	$ .515
Book value at year-end	$ 16.72	$ 15.59	$ 14.05	$ 16.82
Common stock price: High	$30 5/16	$29 7/16	$22 3/8	$19 3/4
Low	$23 1/4	$20 3/16	$16 7/8	$12 1/2
Year-end	$25 3/16	$29 1/8	$22 3/8	$19 1/4
Common shares outstanding (in thousands):				
Basic average	176,474	176,071	173,334	171,061
Diluted average	180,208	179,713	177,087	174,724
Year-end	174,616	180,509	178,366	175,903
FINANCIAL POSITION				
Total assets	$ 10,374	$ 10,462	$10,009	$ 7,862
Debt:				
Parent Group	$ 1,582	$ 2,025	$ 2,283	$ 1,820
Finance Group	$ 2,162	$ 2,037	$ 1,873	$ 1,495
Preferred securities of subsidiary trust	$ -	$ -	$ -	$ -
Shareholders' equity	$ 2,882	$ 2,780	$ 2,488	$ 2,928
Parent Group debt to total capital	35%	42%	48%	45%
INVESTMENT DATA				
Capital expenditures	$ 274	$ 227	$ 199	$ 135
Depreciation	$ 190	$ 185	$ 178	$ 163
Research and development	$ 611	$ 514	$ 430	$ 457
OTHER DATA				
Number of employees at year-end	43,000	46,000	44,000	42,000
Number of common shareholders at year-end	27,000	28,000	30,000	31,000

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

All share related data has been restated to reflect the effect of the two-for-one common stock split in the form of a stock dividend in May 1997. Prior year amounts have been reclassified to conform to the current year's segment presentation.

document3
Exhibit 99.2

TEXTRON INC.
INDEX TO APRIL 4, 1998 RESTATED FINANCIAL STATEMENTS
AND RELATED INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	Three months ended April 4, 1998	March 29, 1997
Revenues		
Manufacturing sales	$ 2,167	$ 2,021
Finance revenues	85	82
Total revenues	2,252	2,103
Costs and expenses		
Cost of sales	1,765	1,656
Selling and administrative	238	221
Interest	74	76
Provision for losses on collection of finance receivables	5	6
Total costs and expenses	2,082	1,959
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	170	144
Income taxes	(65)	(58)
Distributions on preferred securities of subsidiary trust, net of income taxes	(6)	(6)
Income from continuing operations, net of income taxes	99	80
Income from discontinued operation, net of income taxes	43	45
Net income	$ 142	$ 125
Earnings per common share:		
Basic:		
Income from continuing operations	$ .60	$ .48
Income from discontinued operation	.27	.27
Net income	$ .87	$ .75
Diluted:		
Income from continuing operations	$ .59	$ .47
Income from discontinued operation	.26	.26

Net income	$ .85	$ .73
Average shares outstanding:		
Basic	162,809,000	165,897,000
Diluted	167,155,000	170,388,000
Dividends per share:		
$2.08 Preferred stock, Series A	$ .52	$ .52
$1.40 Preferred stock, Series B	$ .35	$ .35
Common stock	$ .285	$ .25

See notes to condensed consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.
Condensed Consolidated Balance Sheet (unaudited)
(Dollars in millions)

	April 4, 1998	January 3, 1998
Assets		
Parent Group:		
Cash	$ 7	$ 30
Commercial and U.S. government receivables	1,050	920
Inventories	1,568	1,349
Investment in discontinued operation	1,174	1,214
Other current assets	329	185
Total Parent Group current assets	4,128	3,698
Property, plant, and equipment, less accumulated depreciation of $1,699 and $1,676	1,825	1,761
Goodwill, less accumulated amortization of $342 and $329	1,733	1,567
Other	1,188	1,126
Total Parent Group assets	8,874	8,152
Finance Group:		
Cash	13	13
Finance receivables - net	3,110	2,993
Other assets	194	172
Total Finance Group assets	3,317	3,178
Total Company assets	$ 12,191	$ 11,330
Liabilities and shareholders' equity		
Liabilities		
Parent Group:		
Current portion of long-term debt and short-term debt	$ 866	$ 476
Accounts payable	827	812
Accrued liabilities	847	853
Total Parent Group current liabilities	2,540	2,141
Accrued postretirement benefits other than pensions	763	766
Other liabilities	1,317	1,195
Long-term debt	841	745
Total Parent Group liabilities	5,461	4,847
Finance Group:		
Other liabilities	153	88
Deferred income taxes	319	319
Debt	2,413	2,365
Total Finance Group liabilities	2,885	2,772
Total Company liabilities	8,346	7,619
Textron - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	483	483
Shareholders' equity		
Capital stock:		
Preferred stock	13	13
Common stock	24	24
Capital surplus	865	830
Retained earnings	3,457	3,362
Accumulated other comprehensive income	(58)	(62)
	4,301	4,167
Less cost of treasury shares	939	939
Total shareholders' equity	3,362	3,228
Total liabilities and shareholders' equity	$ 12,191	$ 11,330
Common shares outstanding	163,361,000	162,343,000

See notes to condensed consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

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

	Three Months Ended April 4, 1998	Three Months Ended March 29, 1997
Cash flows from operating activities:		
Income from continuing operations	$ 99	$ 80
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation	65	57
Amortization	17	16
Provision for losses on receivables	7	8
Dividends from discontinued operation	90	25
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in commercial and U.S. government receivables	(90)	(8)
Increase in inventories	(156)	(138)
Decrease (increase) in other assets	(123)	9
Increase (decrease) in accounts payable	(13)	17
Increase in accrued liabilities	114	2
Other - net	29	(7)
Net cash provided by operating activities	39	61
Cash flows from investing activities:		
Finance receivables:		
Originated or purchased	(801)	(528)
Repaid or sold	749	516
Cash used in acquisitions	(227)	(324)
Cash received from dispositions	-	549
Capital expenditures	(82)	(82)
Other investing activities - net	(5)	13
Net cash provided (used) by investing activities	(366)	144
Cash flows from financing activities:		
Increase (decrease) in short-term debt	350	(59)
Proceeds from issuance of long-term debt	(329)	2
Principal payments on long-term debt	300	(45)
Proceeds from exercise of stock options	30	16
Purchases of Textron common stock	-	(6)
Dividends paid	(47)	(42)
Net cash provided (used) by financing activities	304	(134)
Net increase (decrease) in cash	(23)	71
Cash at beginning of period	43	31
Cash at end of period	$ 20	$ 102

See notes to condensed consolidated financial statements.

TEXTRON INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1: Basis of presentation

The financial statements should be read in conjunction with the financial statements included in Textron's Annual Report on Form 10-K and the restated financial statements on Form 8-K dated October 6, 1998 for the year ended January 3, 1998. 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 April 4, 1998, and its consolidated results of operations and cash flows for each of the respective three month periods ended April 4, 1998 and March 29, 1997. Business segment data has been reclassified to reflect the transfer of Lycoming from the Aircraft segment to the Industrial segment.

Note 2: Subsequent events

On August 11, 1998, Textron announced that it had reached an agreement to sell Avco Financial Services (AFS) to Associates First Capital Corporation for $3.9 billion in cash. This transaction is subject to regulatory approvals and it is expected to close at the end of 1998 or early 1999. Textron has restated its financial statements as presented herein to treat AFS as a discontinued operation. Also, on August 11, 1998 Textron announced that its Board of Directors had authorized a new 25 million share repurchase program that supersedes the 8 million shares that remained under its previous authorization.

Summarized operating results of AFS are represented below:

	Three months ended April 4, 1998	Three months ended March 29, 1997
	(In millions)	
Revenues	$ 464	$ 446

Cost and expenses	394	373
Income before income taxes	70	73
Income taxes	(27)	(28)
Net income	$ 43	$ 45

Presented below is a summary of AFS' financial position at April 4 and January 3, 1998:

	April 4, 1998	January 3, 1998
	(In millions)	
Assets:		
Investments	$ 909	$ 844
Finance receivables - net	7,192	7,234
Other	638	654
Total assets	$ 8,739	$ 8,732
Liabilities:		
Accounts payable	$ 115	$ 123
Accrued liabilities, including income taxes	462	485
Debt	6,988	6,910
Total equity	1,174	1,214
Total liabilities and equity	$ 8,739	$ 8,732

Note 3: Earnings per Share

In 1997, Textron adopted FAS 128 "Earnings Per Share." FAS 128 requires companies to present basic and diluted earnings per share amounts. The dilutive effect of convertible preferred stock and stock options was 4,436,000 and 4,491,000 shares for the three month periods ending April 4, 1998 and March 29, 1997, respectively. Income available to common shareholders used to calculate both basic and diluted earnings per share approximated net income for both periods.

Note 4: Inventories

	April 4, 1998	January 3, 1998
	(In millions)	
Finished goods	$ 458	$ 454
Work in process	865	675
Raw materials	420	366
	1,743	1,495
Less progress payments and customer deposits	175	146
	$ 1,568	$ 1,349

Note 5: Textron-obligated mandatorily redeemable preferred securities of
subsidiary trust holding solely Textron junior subordinated debt securities

In 1996, a trust sponsored and wholly-owned by Textron issued preferred securities to the public (for $500 million) and shares of its common securities to Textron (for $15.5 million), the proceeds of which were invested by the trust in $515.5 million aggregate principal amount of Textron's newly issued 7.92% Junior Subordinated Deferrable Interest Debentures, due 2045. The debentures are the sole asset of the trust. The amounts due to the trust under the debentures and the related income statement amounts have been eliminated in Textron's consolidated financial statements.

The preferred securities accrue and pay cash distributions quarterly at a rate of 7.92% per annum. Textron has guaranteed, on a subordinated basis, distributions and other payments due on the preferred securities. The guarantee, when taken together with Textron's obligations under the debentures and in the indenture pursuant to which the debentures were issued and Textron's obligations under the Amended and Restated Declaration of Trust governing the trust, provides a full and unconditional guarantee of amounts due on the preferred securities.

The preferred securities are mandatorily redeemable upon the maturity of the debentures on March 31, 2045, or earlier to the extent of any redemption by Textron of any debentures. The redemption price in either such case will be $25 per share plus accrued and unpaid distributions to the date fixed for redemption.

Note 6: Contingencies

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

Note 7: Comprehensive Income

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

During the first quarter of 1998 and 1997, total comprehensive income amounted to $146 million and $90 million, respectively.

Note 8: Financial information by borrowing group

Textron consists of two borrowing groups - the Textron Parent Company Borrowing Group (Parent Group) and Textron's commercial finance subsidiary (Finance Group). The Parent Group consists of all entities of Textron (primarily manufacturing) other than its wholly-owned commercial finance subsidiary. The Finance Group consists of Textron Financial Corporation (TFC). Summarized financial information for the Parent Group (Statement of Income and Statement of Cash Flows) includes the Finance Group on a one-line basis under the equity method of accounting.

Item 1 FINANCIAL STATEMENTS (Continued)
Note 8: Financial information by borrowing group (continued)

PARENT GROUP
(unaudited) (In millions)

	Three Months Ended	
	April 4, 1998	March 29, 1997
Condensed Statement of Income		
Sales	$ 2,167	$ 2,021
Costs and expenses		
Cost of sales	1,765	1,656
Selling and administrative	221	206
Interest	36	39
Total costs and expenses	2,022	1,901
	145	120
Pretax income of Finance Group	25	24
Income from continuing operations before income taxes and distribution on preferred securities of subsidiary trust	170	144
Income taxes	(65)	(58)
Distributions on preferred securities of subsidiary trust, net of income taxes	(6)	(6)
Income from continuing operations, net of income taxes	99	80
Income from discontinued operation, net of income taxes	43	45
Net income	$ 142	$ 125

Item 1. FINANCIAL STATEMENTS (Continued)
Note 8: Financial information by borrowing group (continued)

PARENT GROUP (continued)
(Unaudited) (In millions)

	Three Months Ended	
	April 4, 1998	March 29, 1997
Condensed Statement of Cash Flows		
Cash flows from operating activities:		
Income from continuing operations	$ 99	$ 80
Adjustments to reconcile income from continuing operations to net cash provided (used) by operating activities:		
Earnings of Finance Group (greater than) less than distributions to Parent Group	(3)	9
Dividends received from discontinued operation	90	25
Depreciation	64	55
Amortization	16	15
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in receivables	(90)	(8)
Increase in inventories	(156)	(138)
Increase in other assets	(149)	(25)
Increase in accounts payable and accrued		

liabilities	71	16
Other - net	31	(8)
Net cash provided (used) by operating activities	(27)	21
Cash flows from investing activities:		
Capital expenditures	(82)	(81)
Cash used in acquisitions	(210)	(324)
Cash received from dispositions	-	549
Other investing activities - net	7	14
Net cash provided (used) by investing activities	(285)	158
Cash flows from financing activities:		
Increase in short-term debt	374	(80)
Proceeds from issuance of long-term debt	-	2
Principal payments on long-term debt	(45)	(5)
Proceeds from exercise of stock options	30	16
Purchases of Textron common stock	-	(6)
Dividends paid	(47)	(42)
Contributions paid to Finance Group	(23)	-
Net cash provided (used) by financing activities	289	(115)
Net increase (decrease) in cash	(23)	64
Cash at beginning of period	30	24
Cash at end of period	$ 7	$ 88

Item 1 FINANCIAL STATEMENTS (Continued)
Note 8: Financial information by borrowing group (continued)

FINANCE GROUP
(unaudited) (In millions)

	Three Months Ended	
Condensed Statement of Income	March 31, 1998	March 31, 1997
Revenues	$ 85	$ 82
Costs and expenses		
Selling and administrative	18	15
Interest	37	37
Provision for losses on collection of finance receivables	5	6
Total costs and expenses	60	58
Income before income taxes	25	24
Income taxes	(10)	(10)
Net income	$ 15	$ 14

<\TABLE\

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	
	April 4, 1998	March 29, 1997
REVENUES		
MANUFACTURING:		
Aircraft	$ 656	$ 679
Automotive	618	557
Industrial	893	785
	2,167	2,021
FINANCE	85	82
Total revenues	$ 2,252	$ 2,103
INCOME		
MANUFACTURING:		
Aircraft	$ 61	$ 60
Automotive	56	50
Industrial	95	82
	212	192
FINANCE	25	24
Segment operating income	237	216
Corporate expenses and other - net	(31)	(33)
Interest expense - net	(36)	(39)
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	$ 170	$ 144

Liquidity and Capital Resources

The Statements of Cash Flows for Textron Inc. and the Parent Group detailing the changes in cash balances are on pages 4 and 10, respectively. The Parent Group's operating cash flow includes dividends received from the Finance Group of $12 million and $23 million during the first three months of 1998 and 1997, respectively.

The Parent Group's debt to total capital ratio was 31% at April 4, 1998, up from 25% at year end. The Parent Group has credit facilities outstanding at April 4, 1998 aggregating $2.0 billion, $1.1 billion of which was not used or reserved as support for outstanding commercial paper or bank borrowings. At March 31, 1998, the Finance Group had credit facilities outstanding of approximately $1.1 billion, $125 million of which was available at quarter end. The Parent Group had $311 million available at quarter end under its shelf registration statement with the Securities and Exchange Commission. In the first quarter of 1998, the Finance Group increased its medium-term note facility by $750 million and issued $300 million medium-term notes under this facility. The Finance Group had $542 million available under the facility at March 31, 1998.

In the first quarter, Textron acquired the capital stock of Ransomes PLC, a UK- based manufacturer of commercial turf-care machinery, and Sukosim, a German fastener manufacturer. The cost of these acquisitions was approximately $290 million, which includes notes issued for approximately $80 million, plus the assumption of debt.

In the first three months of 1998, the Parent Group terminated $275 million of fixed-pay interest rate exchange agreements.

On August 11, 1998, Textron announced that its Board of Directors had authorized a new 25 million share repurchase program that supersedes the 8 million shares that remained under its previous authorization.

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

Results of Operations - Three months ended April 4, 1998 vs Three months ended March 29, 1997

Diluted earnings per share from continuing operations in the first quarter of 1998 were $0.59 per share, up 26% from the 1997 amount of $0.47. Income from continuing operations in 1998 of $99 million was up 24% from $80 million for 1997.

Diluted earnings per share - net income in the first quarter 1998 were $0.85 per share, up 16% from the 1997 amount of $0.73. Net income in 1998 of $142 million was up 14% from $125 million for 1997. Revenues increased 7% to $2.3 billion in 1998 from $2.1 billion in 1997.

On August 11, 1998, Textron announced that it had reached an agreement to sell Avco Financial Services (AFS) to Associates First Capital Corporation for $3.9 billion in cash. This transaction is subject to regulatory approvals and it is expected to close at the end of 1998 or early 1999. Textron has restated its financial statements as presented herein to treat AFS as a discontinued operation. See Note 2 to the condensed consolidated financial statements for additional information.

The Aircraft segment's revenues decreased $23 million (3%), while income increased $1 million (2%), due to higher results at Cessna Aircraft. Cessna's revenues and income increased as a result of higher sales of business jets and single engine aircraft. Bell Helicopter's revenues and income decreased due to lower commercial helicopter sales ($89 million), reflecting the completion in 1997 of the three-year contract for model 412 helicopters with the Canadian Forces, partially offset by higher revenues on the six-year contract to upgrade Huey and Cobra helicopters for the U.S. Marines ($14 million). The impact of a favorable profit adjustment on the V-22 EMD contract in 1997 was offset by a lower level of product development expense in 1998.

The Automotive segment's revenues increased $61 million (11%), while income increased $6 million (12%). These revenue and income increases were due to higher volume at Kautex associated with capacity expansion in North America, and higher sales and improved performance in the Trim operations, reflecting increased production of models with Textron content, primarily at Chrysler.

The Industrial segment's revenues and income increased $108 million (14%) and $13 million (16%), respectively, reflecting the contribution from acquisitions, principally Ransomes PLC., and internal growth combined with ongoing margin improvement. Internal growth was driven by continued strength in the fastening systems, aerospace components and contractor tools businesses. These benefits were partially offset by the fourth quarter 1997 divestiture of Speidel.

The Finance segment's (TFC) revenues increased $3 million, due to an increase in other income, and higher yields on receivables (10.10% in the first quarter 1998 vs 9.84% in the first quarter 1997), partially offset by a lower level of average receivables ($3.059 billion in the first quarter 1998 vs $3.139 billion in the first quarter 1997), due primarily to the securitization of $401 million of Textron-related receivables in the third quarter of 1997. The increase in other income is due primarily to servicing fees related to securitized receivables, an increase in fee-based services and higher prepayment income, partially offset by lower arrangement fee income. Its income increased $1 million, due to the higher revenues and a lower provision for losses, partially offset by growth in businesses with higher operating expense ratios.

Discontinued Operations - AFS' revenues increased $18 million, while income decreased $3 million. Revenues in its finance and related insurance business increased $11 million, due to an increase in average finance receivables ($7.683 billion in the first quarter 1998 vs $7.179 billion in the first quarter 1997), reflecting the benefit of the acquisition of $534 million of commercial receivables during 1997, and a gain of

$4 million on the sale of certain underperforming branches in 1998. The benefit of these revenue increases was partially offset by a decrease in yields on finance receivables (17.18% in the first quarter 1998 vs 18.08% in the first quarter 1997), reflecting both decreases in yields on consumer finance receivables and the impact of an increase in lower-yielding commercial receivables. Income decreased $6 million, due primarily to the lower yields on finance receivables and a slight increase in the average cost of borrowed funds (6.55% in the first quarter 1998 vs 6.49% in the first quarter 1997), partially offset by the benefit of the revenue increases and a decrease in the provision for losses resulting from a decrease in the ratio of net credit losses to average finance receivables (2.86% in the first quarter 1998 vs 3.06% in the first quarter 1997). The decrease in the net credit losses to average finance receivables was attributable to the impact of the increase in commercial receivables, which have a lower loss ratio, partially offset by a slight increase in the loss ratio for the consumer finance business (3.20% in the first quarter 1998 vs 3.17% in the first quarter 1997). Delinquencies and charge-offs remain at higher than historical levels. AFS continued to reconfigure its branch network in the U.S. and sold nine additional underperforming branches in the first quarter.

In AFS' nonrelated insurance business, revenues increased $7 million and income increased $3 million, due primarily to higher premiums earned and an increase in investment income, reflecting a higher level of invested assets and capital gains.

Corporate expenses and other -net decreased $2 million due primarily to 1997 litigation costs related to a divested operation. Interest expense-net for the Parent Group decreased $3 million, due to lower average debt, resulting from the payment of debt with proceeds in 1997 from the divestiture of Paul Revere, partially offset by the incremental debt associated with acquisitions. Income taxes - the current quarter's effective income tax rate of 38.2% was lower than the corresponding prior year rate of 40.3%, due primarily to lower state income taxes and an increase in tax benefits on export sales.

Forward-looking Information: Certain statements in this Report, and other oral and written statements made by Textron from time to time, are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or project revenues, income, returns or other financial measures. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the following: (i) continued market demand for the types of products and services produced and sold by Textron, (ii) changes in worldwide economic and political conditions and associated impact on interest and foreign exchange rates, (iii) the level of sales by original equipment manufacturers of vehicles for which Textron supplies parts, and (iv) the successful integration of companies acquired by Textron.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the Company's most recent Restated Financial Statements and Related Financial Information filed on Form 8-K Exhibit 99.1 (Management's Discussion and Analysis on pages 3 through 9). There has been no material change in this information.

PARENT GROUP

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

(unaudited)

(In millions except ratio)

	Three Months Ended April 4, 1998
Fixed charges:	
Interest expense	$ 36
Distributions on preferred securities of subsidiary trust, net of income taxes	6
Estimated interest portion of rents	5
Total fixed charges	$ 47
Income:	
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	$ 170
Eliminate equity in undistributed pretax income of Finance Group	(13)
Fixed charges (1)	41
Adjusted income	$ 198
Ratio of income to fixed charges	4.21

(1)Adjusted to exclude distributions on preferred securities of subsidiary trust, net of income taxes.

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

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

(unaudited)

(In millions except ratio)

	Three Months Ended April 4,1998
Fixed charges:	
Interest expense	$ 74
Distributions on preferred securities of subsidiary trust, net of income taxes	6
Estimated interest portion of rents	5
Total fixed charges	$ 85
Income:	
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	$ 170
Fixed charges (1)	79
Adjusted income	$ 249
Ratio of income to fixed charges	2.93

(1) Adjusted to exclude distributions on preferred securities of subsidiary trust, net of income taxes

Exhibit 99.3

TEXTRON INC.
INDEX TO JULY 4, 1998 RESTATED FINANCIAL STATEMENTS AND RELATED INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	Three Months Ended		Six Months Ended	
	July 4, 1998	June 28, 1997	July 4, 1998	June 28, 1997
Revenues				
Manufacturing sales	$ 2,393	$ 2,117	$ 4,560	$ 4,138
Finance revenues	91	90	176	172
Total revenues	2,484	2,207	4,736	4,310
Costs and expenses				
Cost of sales	1,947	1,730	3,712	3,386
Selling and administrative	254	228	493	449
Gain on sale of division	(97)	-	(97)	-
Special charges	87	-	87	-
Interest	79	70	152	146
Provision for losses on collection of finance receivables	5	6	10	12
Total costs and expenses	2,275	2,034	4,357	3,993
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	209	173	379	317
Income taxes	(86)	(66)	(151)	(124)
Distributions on preferred securities of subsidiary trust, net of income taxes	(7)	(7)	(13)	(13)
	116	100	215	180
Income from continuing operations				
Income from discontinued operation, net of income taxes	48	45	91	90
Net income	$ 164	$ 145	$ 306	$ 270
Earnings per share:				
Basic:				
Income from continuing operations	$ .71	$ .60	$ 1.32	$ 1.09
Income from discontinued operation	.29	.28	.55	.54
Net income	$ 1.00	$ .88	$ 1.87	$ 1.63
Diluted:				
Income from continuing operations	$ .70	$ .59	$ 1.29	$ 1.06
Income from discontinued operation	.28	.27	.54	.53

Net income	$ .98	$ .86	$ 1.83	$ 1.59
Average shares outstanding:				
Basic	163,613,000	165,173,000	163,189,000	165,442,000
Diluted	168,027,000	169,797,000	167,541,000	169,993,000
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	$ .285	$ .25	$ .57	$ .50

See notes to condensed consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.
Condensed Consolidated Balance Sheet (unaudited)
(Dollars in millions)

	July 4, 1998	January 3, 1998
Assets		
Parent Group:		
Cash	$ 77	$ 30
Commercial and U.S. government receivables	1,077	920
Inventories	1,602	1,349
Investment in discontinued operation	1,178	1,214
Other current assets	387	185
Total Parent Group current assets	4,321	3,698
Property, plant, and equipment, less accumulated depreciation of $1,762 and $1,676	1,917	1,761
Goodwill, less accumulated amortization of $354 and $329	1,807	1,567
Other	1,208	1,126
Total Parent Group assets	9,253	8,152
Finance Group:		
Cash	23	13
Finance receivables - net	3,179	2,993
Other assets	195	172
Total Finance Group assets	3,397	3,178
Total Company assets	$ 12,650	$ 11,330
Liabilities and shareholders' equity		
Liabilities		
Parent Group:		
Current portion of long-term debt and short-term debt	$ 1,019	$ 476
Accounts payable	823	812
Accrued liabilities	905	853
Total Parent Group current liabilities	2,747	2,141
Accrued postretirement benefits other than pensions	772	766
Other liabilities	1,375	1,195
Long-term debt	854	745
Total Parent Group liabilities	5,748	4,847
Finance Group:		
Other liabilities	183	88
Deferred income taxes	308	319
Debt	2,466	2,365
Total Finance Group liabilities	2,957	2,772
Total Company liabilities	8,705	7,619
Textron - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	483	483
Shareholders' equity		
Capital stock:		
Preferred stock	13	13
Common stock	24	24
Capital surplus	881	830
Retained earnings	3,575	3,362
Accumulated other comprehensive income	(92)	(62)
	4,401	4,167
Less cost of treasury shares	939	939
Total shareholders' equity	3,462	3,228
Total liabilities and shareholders' equity	$ 12,650	$ 11,330
Common shares outstanding	163,772,000	162,343,000

See notes to condensed consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.

Condensed Consolidated Statement of Cash Flows (Unaudited)
(In millions)

	Six Months Ended July 4, 1998	Six Months Ended June 28, 1997
Cash flows from operating activities:		
Income from continuing operations	$ 215	$ 180
Adjustments to reconcile income from continuing operations		
to net cash provided by operating activities:		
Depreciation	137	118
Amortization	31	32
Provision for losses on receivables	12	13
Special charges	87	-
Gain on sale of business	(97)	-
Dividends received from discontinued operation	115	50
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in commercial and U.S. government receivables	(113)	(61)
Increase in inventories	(198)	(171)
Increase in other assets	(126)	(52)
Decrease in accounts payable	(53)	(11)
Increase in accrued liabilities	189	65
Other - net	(16)	11
Net cash provided by operating activities	183	174
Cash flows from investing activities:		
Proceeds from disposition of investments	-	245
Finance receivables:		
Originated or purchased	(1,857)	(1,279)
Repaid or sold	1,741	1,153
Cash used in acquisitions	(441)	(324)
Cash received from dispositions	160	549
Capital expenditures	(196)	(142)
Other investing activities - net	11	20
Net cash provided (used) by investing activities	(582)	222
Cash flows from financing activities:		
Increase (decrease) in short-term debt	561	(119)
Proceeds from issuance of long-term debt	310	55
Principal payments on long-term debt	(361)	(75)
Proceeds from exercise of stock options	39	27
Purchases of Textron common stock	-	(112)
Dividends paid	(93)	(83)
Net cash provided (used) by financing activities	456	(307)
Net increase in cash	57	89
Cash at beginning of period	43	31
Cash at end of period	$ 100	$ 120

See notes to condensed consolidated financial statements.

TEXTRON INC.

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1: Basis of presentation

The financial statements should be read in conjunction with the financial statements included in Textron's Annual Report on Form 10-K and the restated financial statements included on Form 8-K dated October 6, 1998 for the year ended January 3, 1998. 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 4, 1998, and its consolidated results of operations for each of the respective three and six month periods ended July 4, 1998 and June 28, 1997 and consolidated cash flows for each of the six month periods ended July 4, 1998 and June 28, 1997. The results of operations for the six months ended July 4, 1998 are not necessarily indicative of results for the full year. Business segment data has been reclassified to reflect the transfer of Lycoming from the Aircraft segment to the Industrial segment.

Note 2: Subsequent Events

On August 11, 1998, Textron announced that it had reached an agreement to sell Avco Financial Services (AFS) to Associates First Capital Corporation for $3.9 billion in cash. This transaction is subject to regulatory approvals and it is expected to close at the end of 1998 or early 1999. Textron has restated its financial statements as presented herein to treat AFS as a discontinued operation. Also, on August 11, 1998 Textron announced that its Board of Directors had authorized a new 25 million share repurchase program that supersedes the 8 million shares that remained under its previous authorization.

Summarized operating results of AFS are represented below:

	Three months ended July 4, 1998	June 28, 1997	Six months ended July 4, 1998	June 28, 1997
	(In millions)			
Revenues	$ 466	$ 457	$ 930	$ 903
Cost and expenses	389	384	783	757
Income before income taxes	77	73	147	146
Income taxes	(29)	(28)	(56)	(56)
Net income	$ 48	$ 45	$ 91	$ 90

Presented below is a summary of AFS' financial position at July 4, 1998 and January 3, 1998:

	July 4, 1998	January 3, 1998
	(In millions)	
Assets:		
Investments	$ 883	$ 844
Finance receivables - net	7,277	7,234
Other	641	654
Total assets	$ 8,801	$ 8,732
Liabilities:		
Accounts payable	$ 130	$ 123
Accrued liabilities, including income taxes	427	485
Debt	7,066	6,910
Total equity	1,178	1,214
Total liabilities and equity	$ 8,801	$ 8,732

Note 3: Earnings per Share

In 1997, Textron adopted FAS 128 "Earnings Per Share." FAS 128 requires companies to present basic and diluted earnings per share amounts. The dilutive effect of convertible preferred stock and stock options was 4,352,000 and 4,551,000 shares for the six month periods ending July 4, 1998 and June 28, 1997, respectively. Income available to common shareholders used to calculate both basic and diluted earnings per share approximated net income for both periods.

Note 4: Inventories

	July 4, 1998	January 3, 1998
	(In millions)	
Finished goods	$ 475	$ 454
Work in process	855	675
Raw materials	425	366
	1,755	1,495
Less progress payments and customer deposits	153	146
	$ 1,602	$ 1,349

Note 5: Textron-obligated mandatorily redeemable preferred
securities of subsidiary trust holding solely Textron junior subordinated debt securities

In 1996, a trust sponsored and wholly-owned by Textron issued preferred securities to the public (for $500 million) and shares of its common securities to Textron (for $15.5 million), the proceeds of which were invested by the trust in $515.5 million aggregate principal amount of Textron's newly issued 7.92% Junior Subordinated Deferrable Interest Debentures, due 2045. The debentures are the sole asset of the trust. The amounts due to the trust under the debentures and the related income statement amounts have been eliminated in Textron's consolidated financial statements.

The preferred securities accrue and pay cash distributions quarterly at a rate of 7.92% per annum. Textron has guaranteed, on a subordinated basis, distributions and other payments due on the preferred securities. The guarantee, when taken together with Textron's obligations under the debentures and in the indenture pursuant to which the debentures were issued and Textron's obligations under the Amended and Restated Declaration of Trust governing the trust, provides a full and unconditional guarantee of amounts due on the preferred securities.

The preferred securities are mandatorily redeemable upon the maturity of the debentures on March 31, 2045, or earlier to the extent of any redemption by Textron of any debentures. The redemption price in either such case will be $25 per share plus accrued and unpaid distributions to the date fixed for redemption.

Note 6: Contingencies

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

Note 7: Comprehensive Income

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

During the first six months of 1998 and 1997, total comprehensive income amounted to $276 million and $228 million, respectively. For the three month period ending July 4, 1998 and June 28, 1997 total comprehensive income amounted to $130 million and $138 million, respectively.

Note 8: New Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board issued FAS 131 "Disclosures about Segments of an Enterprise and Related Information." FAS 131 requires public companies to report financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. This statement is effective for financial statements of fiscal years beginning after December 15, 1997. Textron is evaluating the impact of this statement on future reporting.

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

In April 1998, the Accounting Standards Executive Committee issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 will require all costs of start-up activities, including organization costs, to be expensed as incurred. This statement is effective for financial statements of fiscal years beginning after December 15, 1998. SOP 98-5 will not have a material effect on Textron's net income and financial condition.

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

Note 9: Financial information by borrowing group

Textron consists of two borrowing groups - the Textron Parent Company Borrowing Group (Parent Group) and Textron's commercial finance subsidiary (Finance Group). The Parent Group consists of all entities of Textron (primarily manufacturing) other than its wholly- owned commercial finance subsidiary. The Finance Group consists of Textron Financial Corporation (TFC). Summarized financial information (Statement of Income and Statement of Cash Flows) for the Parent Group reflects the Finance Group on a one-line basis under the equity method of accounting.

Item 1. FINANCIAL STATEMENTS (Continued)
Note 9: Financial information by borrowing group (continued)

PARENT GROUP
(unaudited) (In millions)

	Three Months Ended		Six Months Ended	
	July 4,	June 28,	July 4,	June 28,
Condensed Statement of Income	1998	1997	1998	1997
Sales	$ 2,393	$ 2,117	$ 4,560	$ 4,138
Costs and expenses				
Cost of sales	1,947	1,730	3,712	3,386
Selling and administrative	234	211	455	417
Gain on sale of division	(97)	-	(97)	-
Special charges	87	-	87	-
Interest	40	30	76	69
Total costs and expenses	2,211	1,971	4,233	3,872
	182	146	327	266
Pretax income on Finance Group	27	27	52	51
Income from continuing operations				

before income taxes and distributions on preferred securities of subsidiary trust	209	173	379	317
Income taxes	(86)	(66)	(151)	(124)
Distributions on preferred securities of subsidiary trust, net of income taxes	(7)	(7)	(13)	(13)
Income from continuing operations	116	100	215	180
Income from discontinued operation, net of income taxes	48	45	91	90
Net income	$ 164	$ 145	$ 306	$ 270

Item 1. FINANCIAL STATEMENTS (Continued)
Note 9: Financial information by borrowing group (continued)

PARENT GROUP
(unaudited) (In millions)

	Six Months Ended	
Condensed Statement of Cash Flows	July 4, 1998	June 28, 1997
Cash flows from operating activities:		
Income from continuing operations	$ 215	$ 180
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Earnings of Finance Group less than distributions to Parent Group	(11)	-
Depreciation	132	116
Amortization	30	28
Gain on sale of division	(97)	-
Special charges	87	-
Dividends received from discontinued operation	115	50
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in receivables	(113)	(61)
Increase in inventories	(198)	(171)
Increase in other assets	(188)	(52)
Increase in accounts payable and accrued liabilities	109	44
Other - net	1	12
Net cash provided by operating activities	82	146
Cash flows from investing activities:		
Capital expenditures	(191)	(140)
Cash used in acquisitions	(424)	(324)
Cash received from disposition of businesses	160	549
Proceeds from disposition of investments	-	245
Other investing activities - net	22	16
Net cash provided (used) by investing activities	(433)	346
Cash flows from financing activities:		
Increase (decrease) in short-term debt	524	(242)
Proceeds from issuance of long-term debt	9	5
Principal payments on long-term debt	(58)	(5)
Proceeds from exercise of stock options	39	27
Purchases of Textron common stock	-	(112)
Dividends paid	(93)	(83)
Contributions paid to Finance Group	(23)	-
Net cash provided (used) by financing activities	398	(410)
Net increase in cash	47	82
Cash at beginning of period	30	24
Cash at end of period	$ 77	$ 106

Item 1. FINANCIAL STATEMENTS (Continued)
Note 9: Financial information by borrowing group (continued)

FINANCE GROUP
(unaudited) (In millions)

	Three Months Ended		Six Months Ended	
Condensed Statement of Income	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
Revenues	$ 91	$ 90	$ 176	$ 172
Costs and expenses				
Selling and administrative	20	17	38	32
Interest	39	40	76	77
Provision for losses on collection of finance receivables	5	6	10	12

Total costs and expenses	64	63	124	121
Income before income taxes	27	27	52	51
Income taxes	(10)	(10)	(20)	(20)
Net income	$ 17	$ 17	$ 32	$ 31

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

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

	Three Months Ended July 4, 1998	Three Months Ended June 28, 1997	Six Months Ended July 4, 1998	Six Months Ended June 28, 1997
REVENUES				
Aircraft	$ 858	$ 755	$ 1,514	$ 1,434
Automotive	583	523	1,201	1,080
Industrial	952	839	1,845	1,624
Finance	91	90	176	172
Total revenues	$ 2,484	$ 2,207	$ 4,736	$ 4,310
INCOME				
Aircraft	$ 91	$ 79	$ 152	$ 139
Automotive	43	33	99	83
Industrial	108	94	203	176
Finance	27	27	52	51
	269	233	506	449
Gain on sale of division*	97	-	97	-
Special charges*	(87)	-	(87)	-
Segment income	279	233	516	449
Corporate expenses and other - net	(30)	(30)	(61)	(63)
Interest expense - net	(40)	(30)	(76)	(69)
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	$ 209	$ 173	$ 379	$ 317

*Special charges include restructuring charges of $10 million for the Aircraft segment, $25 million for the Automotive segment and $52 million for the Industrial segment. The gain on sale of division relates to the Industrial segment.

Liquidity and Capital Resources

The Statements of Cash Flows for Textron Inc. and the Parent Group detailing the changes in cash balances are on pages 4 and 10, respectively. The Parent Group's operating cash flow includes dividends received from the Finance Group of $21 million and $31 million during the first six months of 1998 and 1997, respectively.

The Parent Group's debt to total capital ratio was 32% at July 4, 1998, up from 25% at year end. The Parent Group has credit facilities outstanding at July 4, 1998 aggregating $2.0 billion, $895 million of which was not used or reserved as support for outstanding commercial paper or bank borrowings. At June 30, 1998, the Finance Group had credit facilities outstanding of approximately $1.1 billion, $62 million of which was available at quarter end. The Parent Group had $311 million available at quarter end under its shelf registration statement with the Securities and Exchange Commission. In the first six months of 1998, the Finance Group increased its medium-term note facility by $750 million and issued $300 million medium-term notes under this facility. The Finance Group had $542 million available under the facility at June 30, 1998.

In the first quarter, Textron acquired the capital stock of Ransomes PLC, a UK-based manufacturer of commercial turf-care machinery, and Sukosim, a German fastener manufacturer. The cost of these acquisitions was approximately $290 million which includes notes issued for approximately $80 million, plus the assumption of debt. In the second quarter, Textron acquired Peiner, a German-based fastener company, and Ring Screw Works, a Michigan-based supplier of specialty threaded fasteners to the automotive industry. The cost of these acquisitions was approximately $200 million, plus the assumption of debt.

In the first six months of 1998, the Finance Group had $50 million of interest rate exchange agreements expire. Also, during the first six months, the Parent Group terminated $275 million of fixed-pay interest rate exchange agreements.

On August 11, 1998, Textron announced that its Board of Directors had authorized a new 25 million share repurchase program that supersedes the 8 million shares that remained under its previous authorization.

Management believes that the Parent Group will continue to have adequate access to credit markets and that its credit facilities, cash flows from operations -- including dividends received from Textron's Finance Group -- and expected proceeds from the sale of AFS, will continue to

be more than sufficient to meet its operating needs and to finance growth.
Results of Operations - Three months ended July 4, 1998 vs Three months ended
June 28, 1997

Diluted earnings per share from continuing operations in the second quarter 1998 were $0.70 per share, up 19% from the 1997 amount of $0.59. Income from continuing operations in 1998 of $116 million was up 16% from $100 million for 1997. Diluted earnings per share - net income was $0.98 per share in the second quarter of 1998 as compared to 1997 amount of $0.86. Net income in 1998 of $164 million was up 13% from $145 million in 1997. Revenues increased 13% to $2.5 billion in 1998 from $2.2 billion in 1997. During the second quarter, Textron recorded a gain on sale of a division and special charges. On an after-tax basis, the net of these two transactions had no impact on earnings per share from continuing operations.

On August 11, 1998, Textron announced that it had reached an agreement to sell Avco Financial Services (AFS) to Associates First Capital Corporation for $3.9 billion in cash. This transaction is subject to regulatory approvals and it is expected to close at the end of 1998 or early 1999. Textron has restated its financial statements as presented herein to treat AFS as a discontinued operation. See Note 2 to the condensed consolidated financial statements for additional information.

Gain On Sale of Division -Fuel Systems Textron was sold to Woodward Governor Company for $160 million in cash on June 15, 1998, at a pretax gain of $97 million ($54 million after-tax, or $0.32 per diluted share).

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

The Aircraft segment's revenues increased $103 million (14%) and income before special charges increased $12 million (15%). Cessna's revenues and income increased as a result of higher sales of business jets, single engine aircraft and Caravans. Bell's revenues increased due to higher commercial helicopter and spares sales ($62 million) as well as increased revenues on the V- 22 program and other U.S. Government programs, primarily the Huey and Cobra upgrade contract ($44 million). These higher revenues were partially offset by the completion in 1997 of the three-year contract for model 412 helicopters with the Canadian Forces ($44 million) and lower foreign military sales ($31 million). Bell's income, however, decreased due to a change in product mix, primarily resulting from lower margins on U.S. Government contracts.

The Automotive segment's revenues increased $60 million (11%), while income before special charges increased $10 million (30%). The revenue increase was due to higher volume at Kautex associated with capacity expansion in North America and higher sales in the Trim operations, due primarily to increased Chrysler production, which was depressed in 1997 by a strike at Chrysler. Income increased due to the higher sales and improved performance at Trim.

The Industrial segment's revenues increased $113 million (14%) and income before special charges increased $14 million (15%). These increases reflected the contribution from acquisitions, principally Ransomes PLC., Sukosim Verbindungselemente Group, and Ring Screw Works, and internal growth combined with ongoing margin improvement. Internal growth was driven by continued strength in the fluid & power systems and industrial components businesses. These benefits were partially offset by the fourth quarter 1997 divestiture of Speidel, the impact of a one-month strike at Textron's Jacobsen plant and a strike at General Motors in 1998.

The Finance Segment's (TFC) revenues increased $1 million, due to higher yields on receivables and an increase in other income, partially offset by a lower level of average receivables, due primarily to the securitization of $401 million of Textron- related receivables in the third quarter of 1997. The increase in other income was due primarily to portfolio servicing income. Its income equaled last year's level, as the benefit of the higher revenues and a lower provision for losses was offset by growth in businesses with higher operating expense ratios.

Discontinued operation -- AFS' revenues and income increased $9 million and $4 million, respectively. Revenues in its finance and related insurance business increased $9 million, due to a gain of $10 million on the sale of its centralized real estate receivable portfolio, an increase in average finance receivables, primarily in its commercial finance operations. The benefit of these revenue increases was partially offset by a decrease in yields on finance receivables, reflecting decreases in yields on both consumer and commercial finance receivables and the impact of an increase in lower-yielding commercial receivables. Income increased $6 million, due primarily to the benefit of the higher revenues, a decrease in the ratio of insurance losses to earned premiums, and an improvement in the ratio of net credit losses to average finance receivables for both the consumer and commercial finance portfolios. In AFS' nonrelated insurance business, revenues approximated last years' level while income decreased $3 million, due to an increase in underwriting expenses, primarily insurance losses.

Interest expense-net for the Parent Group increased $10 million, due to higher average debt, resulting from the incremental debt associated with acquisitions. Income taxes - the current quarter's effective income tax rate of 41.1% was higher than the corresponding prior year rate of 38.2%, due primarily to the nontax deductibility of goodwill related to the divestiture of Fuel Systems Textron.

Results of Operations - Six months ended July 4, 1998 vs Six months ended June 28, 1997

Diluted earnings per share from continuing operations in the first half of 1998 were $1.29 per share, up 22% from the 1997 amount of $1.06. Income from continuing operations in 1998 of $215 million was up 19% from $180 million for 1997. Textron's 1998 diluted earnings per share - net income was $1.83 per share as compared to 1997 of $1.59. Net income was $306 million versus $270 million in 1997. Revenues increased 10% to $4.7 billion in 1998 from $4.3 billion in 1997.

The Aircraft segment's revenues increased $80 million (6%) and income before special charges increased $13 million (9%). Cessna's revenues and income increased as a result of higher sales of business jets and single engine aircraft. Bell's revenues and income decreased, due primarily to the completion in 1997 of the Canadian Forces contract ($99 million). The benefit of higher commercial helicopter and spares sales ($33 million) and increased revenues on the V-22 program and Huey and Cobra upgrade contracts ($54 million) was offset by lower revenues ($26 million) and margins on other U.S. government contracts and lower foreign military sales ($35 million). In addition, the impact of a favorable profit adjustment on the V-22 EMD contract in 1997 was offset by a lower level of product development expense in 1998.

The Automotive segment's revenues increased $121 million (11%), while income before special charges increased $16 million (19%). The revenue increase was due to higher volume at Kautex associated with capacity expansion in North America and higher sales in the Trim operations, due primarily to increased Chrysler production, which was depressed in 1997 by a strike at Chrysler. Income increased due to the higher sales and improved performance at Trim.

The Industrial segment's revenues increased $221 million (14%) and income before special charges increased $27 million (15%). These increases reflected the contribution from acquisitions, principally Ransomes PLC, Sukosim, and Ring Screw Works, and internal growth combined with ongoing margin improvement. Internal growth was driven by continued strength in the fastening systems, fluid & power systems and industrial components businesses. These benefits were partially offset by the fourth quarter 1997 divestiture of Speidel, the impact of a one-month strike at Textron's Jacobsen plant and a strike at General Motors in 1998.

The Finance segment's revenues increased $4 million, due to an increase in other income, and higher yields on receivables (10.13% in the first half of 1998 vs 9.94% in the first half of 1997), partially offset by a lower level of average receivables ($3.129 billion in the first half 1998 vs $3.173 billion in the first half of 1997), due primarily to the securitization of $401 million of Textron-related receivables in the third quarter of 1997. The increase in other income is due primarily to higher prepayment income, portfolio servicing income, and residual income. Its income increased $1 million as the benefit of the higher revenues and a lower provision for losses was offset by growth in businesses with higher operating expense ratios.

Discontinued operations -- AFS' revenues increased $27 million, while income approximated last year's level. Revenues in its finance and related insurance business increased $19 million, due to an increase in average finance receivables ($7.646 billion in the first half 1998 vs $7.322 billion in the first half 1997), primarily in its commercial finance operations, a gain of $10 million on the sale of its centralized real estate receivable portfolio, and higher gains from the sale of certain underperforming branches ($8 million in the first half 1998 vs $3 million in the first half 1997). The benefit of these revenue increases was partially offset by a decrease in yields on finance receivables ($17.33% in the first half 1998 vs 17.99% in the first half 1997), reflecting decreases in yields on both consumer and commercial finance receivables and the impact of an increase in lower-yielding commercial receivables. Income equaled last year's level, as the benefit of the higher revenues and an improvement in the ratio of net credit losses to average finance receivables (2.78% in the first half 1998 vs 2.98% in the first half 1997) was offset by the lower yields on finance receivables. The decrease in the net credit losses to average finance receivables was primarily attributable to the increase in commercial receivables, which have a lower loss ratio. In AFS' nonrelated insurance business, revenues increased $8 million due primarily to higher premiums earned and an increase in investment income. Income equaled last year's level, as the benefit of the higher revenues was offset by an increase in underwriting expenses, primarily insurance losses.

Corporate expenses and other -net decreased $2 million due primarily to 1997 litigation costs related to a divested operation. Interest expense-net for the Parent Group increased $7 million, due to higher average debt, resulting from the incremental debt associated with acquisitions, partially offset by the payment of debt with proceeds in 1997 from the divestiture of Paul Revere. Income taxes - the effective income tax rate of 39.8% for the first half of 1998 was higher than the corresponding prior year rate of 39.1%, due primarily to the nontax deductibility of goodwill related to the divestiture of Fuel Systems Textron.

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Forward-looking Information: Certain statements in this Report, and other oral and written statements made by Textron from time to time, are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or project revenues, income, returns or other financial measures. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the following: (i) continued market demand for the types of products and services produced and sold by Textron, (ii) changes in worldwide economic and political conditions and associated impact on interest and foreign exchange rates, (iii) the level of sales by original equipment manufacturers of vehicles for which Textron supplies parts, and (iv) the successful integration of companies acquired by Textron.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the Company's most recent Restated Financial Statements and Related Financial Information filed on Form 8-K Exhibit 99.1 (Management's Discussion and Analysis on pages 3 through 9). There has been no material change in this information.

PARENT GROUP

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

(unaudited)

(In millions except ratio)

	Six Months Ended July 4, 1998
Fixed charges:	
Interest expense	$ 76
Distributions on preferred securities of subsidiary trust, net of income taxes	13
Estimated interest portion of rents	11
Total fixed charges	$ 100
Income:	
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	$ 379
Eliminate equity in undistributed pretax income of Finance Group	(31)
Fixed charges (1)	87
Adjusted income	$ 435
Ratio of income to fixed charges	4.35

(1) Adjusted to exclude distributions on preferred securities of subsidiary trust, net of income taxes

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

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

(unaudited)

(In millions except ratio)

	Six Months Ended July 4,1998
Fixed charges:	
Interest expense	$ 152
Distributions on preferred securities of subsidiary trust, net of income taxes	13
Estimated interest portion of rents	11
Total fixed charges	$ 176
Income:	
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	$ 379
Fixed charges (1)	163
Adjusted income	$ 542
Ratio of income to fixed charges	3.08

(1) Adjusted to exclude distributions on preferred securities of subsidiary trust, net of income taxes

End of Filing