TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 05/09/05 for the Period Ending 04/02/05

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

TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 5/9/2005 For Period Ending 4/2/2005

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal quarter ended April 2, 2005
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-5480

TEXTRON INC.

(Exact name of registrant as specified in its charter)

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

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

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

Yes X No __

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No __

Common stock outstanding at April 23, 2005 - 134,956,256 shares

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

TEXTRON INC.
Consolidated Statements of Operations (unaudited)
(Dollars in millions, except per share amounts)

	Three Months Ended	
	April 2, 2005	April 3, 2004
Revenues		
Manufacturing revenues	$ 2,650	$ 2,203
Finance revenues	141	134
Total revenues	2,791	2,337
Costs, expenses and other		
Cost of sales	2,146	1,818
Selling and administrative	385	322
Interest expense, net	69	64
Provision for losses on finance receivables	12	20
Special charges	60	52
Total costs, expenses and other	2,672	2,276
Income from continuing operations before income taxes	119	61
Income taxes	(40)	(20)
Income from continuing operations	**79**	**41**
Income (loss) from discontinued operations, net of income taxes	47	(4)
Net income	**$ 126**	**$ 37**
Per common share:		
Basic:		
Income from continuing operations	$ .58	$ .30
Income (loss) from discontinued operations, net of income taxes	.35	(.03)
Net income	**$ .93**	**$ .27**
Diluted:		
Income from continuing operations	$ .57	$ .29
Income (loss) from discontinued operations, net of income taxes	.34	(.03)
Net income	**$ .91**	**$ .26**
Average shares outstanding (in thousands):		
Basic	135,127	137,380

Diluted	138,283	140,229
Dividends per share:		
$2.08 Preferred stock, Series A	$ .52	$ .52
$1.40 Preferred stock, Series B	$ .35	$ .35
Common stock	$ .35	$ .325

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Balance Sheets (unaudited)
(Dollars in millions)

	April 2, 2005	January 1, 2005
Assets		
Textron Manufacturing		
Cash and cash equivalents	$ 496	$ 605
Accounts receivable, less allowance for doubtful accounts of $61 and $64	1,327	1,211
Inventories	1,833	1,742
Other current assets	574	581
Assets of discontinued operations	52	29
Total current assets	4,282	4,168
Property, plant and equipment, less accumulated depreciation and amortization of $2,684 and $2,652	1,873	1,922
Goodwill	1,424	1,439
Other intangible assets, net	43	44
Other assets	1,489	1,564
Total Textron Manufacturing assets	9,111	9,137
Textron Finance		
Cash	64	127
Finance receivables, net	6,101	5,738
Goodwill	169	169
Other assets	640	704
Total Textron Finance assets	6,974	6,738
Total assets	$ 16,085	$ 15,875
Liabilities and Shareholders' Equity		
Liabilities		
Textron Manufacturing		
Current portion of long-term debt and short-term debt	$ 24	$ 433
Accounts payable	885	719
Accrued liabilities	1,636	1,823
Total current liabilities	2,545	2,975
Accrued postretirement benefits other than pensions	564	564
Other liabilities	1,595	1,623
Long-term debt	1,718	1,358
Total Textron Manufacturing liabilities	6,422	6,520

Textron Finance				
Other liabilities		464		467
Deferred income taxes		449		453
Debt		5,109		4,783
Total Textron Finance liabilities		6,022		5,703
Total liabilities		12,444		12,223
Shareholders' equity				
Capital stock:				
Preferred stock		10		10
Common stock		26		25
Capital surplus		1,434		1,369
Retained earnings		5,870		5,792
Accumulated other comprehensive loss		(135)		(97)
		7,205		7,099
Less cost of treasury shares		3,564		3,447
Total shareholders' equity		3,641		3,652
Total liabilities and shareholders' equity	$	16,085	$	15,875
Common shares outstanding (in thousands)		134,858		135,373

See Notes to the Consolidated Financial Statements.

Item 1. FINANCIAL STATEMENTS (Continued)

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

	Three Months Ended			
	April 2, 2005		April 3, 2004	
Cash flows from operating activities:				
Income from continuing operations	$	79	$	41
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation		86		81
Amortization		4		3
Provision for losses on finance receivables		12		20
Special charges		60		52
Deferred income taxes		(1)		-
Changes in assets and liabilities excluding those related to acquisitions and divestitures:				
Accounts receivable, net		(133)		(109)
Inventories		(109)		(161)
Other assets		61		75
Accounts payable		184		168
Accrued liabilities		(165)		(78)

Captive finance receivables, net	(52)	46
Other operating activities, net	18	8
Net cash provided by operating activities of continuing operations	44	146
Cash flows from investing activities:		
Finance receivables:		
Originated or purchased	(2,278)	(2,201)
Repaid	1,902	2,056
Proceeds on receivable sales and securitization sales	32	121
Capital expenditures	(65)	(65)
Proceeds on sale of property, plant and equipment	-	12
Proceeds on sale of investments	-	38
Other investing activities, net	6	40
Net cash (used) provided by investing activities of continuing operations	(403)	1
Cash flows from financing activities:		
Increase in short-term debt	288	289
Proceeds from issuance of long-term debt	799	45
Principal payments and retirements of long-term debt	(739)	(584)
Proceeds from employee stock ownership plans	47	50
Purchases of Textron common stock	(117)	(70)
Dividends paid	(95)	(45)
Net cash provided (used) by financing activities of continuing operations	183	(315)
Effect of exchange rate changes in cash and cash equivalents	(9)	(1)
Net cash used by continuing operations	(185)	(169)
Net cash provided by discontinued operations	13	16
Net decrease in cash and cash equivalents	(172)	(153)
Cash and cash equivalents at beginning of period	732	838
Cash and cash equivalents at end of period	$ 560	$ 685
Supplemental schedule of non-cash investing activities:		
Capital expenditures financed through capital leases	$ 1	$ 11

See Notes to the Consolidated Financial Statements .

TEXTRON INC.

Notes to the Consolidated Financial Statements (unaudited)

Note 1: Basis of Presentation

The consolidated financial statements should be read in conjunction with the financial statements included in Textron's Annual Report on Form 10-K for the year ended January 1, 2005. The consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for the fair presentation of Textron's consolidated financial position at April 2, 2005, and its consolidated results of operations and cash flows for each of the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

Textron's financings are conducted through two borrowing groups: Textron Manufacturing and Textron Finance. This framework is designed to enhance Textron's borrowing power by separating the Finance segment. Textron Manufacturing consists of Textron Inc., the parent company, consolidated with the entities that operate in the Bell, Cessna, Fastening Systems and Industrial business segments. Textron Finance consists of Textron's wholly owned commercial finance subsidiary, Textron Financial Corporation, consolidated with its subsidiaries, which are the entities through which Textron operates its Finance segment. Textron Finance finances its operations by borrowing from its own group of external creditors. All significant intercompany transactions are eliminated, including retail and wholesale financing activities for inventory sold by Textron Manufacturing financed by Textron Finance.

Reclassifications
A portion of Textron Finance's business involves financing retail purchases and leases for new and used aircraft and equipment manufactured by Textron Manufacturing's Bell, Cessna and Industrial segments. The cash flows related to these captive financing activities are reflected as operating activities (by Textron Manufacturing) and as investing activities (by Textron Finance) based on each group's operations. Historically, Textron's consolidated statement of cash flows has presented a combination of the cash flows of both borrowing groups with no elimination of the captive financing activity. Based on recent views expressed by the staff of the Securities and Exchange Commission about this industry-wide practice followed by companies with captive finance companies, in the fourth quarter of 2004, management elected to change the consolidated classification of these cash flows. Accordingly, the captive financing transactions have been eliminated, and cash from customers and securitizations is recognized in operating activities within the consolidated statement of cash flows when received. Prior period amounts reported in the consolidated statement of cash flows have been reclassified to conform with this new presentation; however, the separate cash flow presentation of Textron Manufacturing provided on page 16 is unchanged.

The impact of the reclassification of these cash flows from continuing operations between investing and operating activities, on a consolidated basis, for the three months ended April 3, 2004 is as follows:

(In millions)	As Reported	As Reclassified
Net cash provided by operating activities	$102	$146
Net cash provided by investing activities	$ 45	$ 1

Certain other prior period amounts have been reclassified to conform with the current year presentation.

Note 2: Dispositions

In February 2005, Textron sold the remainder of its InteSys operations, which were classified as discontinued operations during the fourth quarter of 2004. In connection with the transaction, Textron recorded an after-tax gain of approximately $47 million in the first quarter of 2005.

Note 3: Inventories

(In millions)	April 2, 2005	January 1, 2005
Finished goods	$ 670	$ 643
Work in process	1,384	1,206
Raw materials	220	231
	2,274	2,080
Less progress/milestone payments	441	338
	$ 1,833	$ 1,742

Note 4: Goodwill and Other Intangible Assets

Changes in goodwill are summarized below:

(In millions)	Balance January 1, 2005	Foreign Currency Translation	Balance April 2, 2005
Bell	$ 101	$ -	$ 101
Cessna	322	-	322
Fastening Systems	437	(8)	429
Industrial	579	(7)	572
Finance	169	-	169
Total	$1,608	$(15)	$1,593

All of Textron's acquired intangible assets are subject to amortization and are composed of the following as of April 2, 2005:

(Dollars in millions)	Weighted-Average Amortization Period (In years)	Gross Carrying Amount	Accumulated Amortization	Net
Trademarks	20	$ 28	$ 6	$ 22
License	15	10	-	10
Patents	8	12	7	5
Other	5	13	7	6
		$ 63	$ 20	$ 43

Amortization expense for the three months ended April 2, 2005 totaled $1 million and is expected to be approximately $4 million for the remainder of 2005. Amortization expense for the three months ended April 3, 2004 totaled $2 million.

Note 5: Accumulated Other Comprehensive Loss and Comprehensive Income

The components of accumulated other comprehensive loss, net of related taxes, are as follows:

	Three Months Ended	
(In millions)	April 2, 2005	April 3, 2004
Beginning of period	$ (97)	$(64)
Currency translation adjustment	(38)	(5)
Net deferred loss on hedge contracts	(1)	(4)
Net unrealized loss on marketable equity securities	-	(3)
Net deferred gain (loss) on interest-only securities	1	(4)
Other comprehensive loss	(38)	(16)
End of period	$(135)	$(80)

Other comprehensive loss includes a net income tax benefit of $8 million for the three months ended April 3, 2004. There was no net income tax impact included in other comprehensive loss for the three months ended April 2, 2005.

Comprehensive income is summarized below:

	Three Months Ended	
(In millions)	April 2, 2005	April 3, 2004
Net income	$126	$37
Other comprehensive loss	(38)	(16)
Comprehensive income	$88	$21

Note 6: Earnings per Share

The dilutive effect of convertible preferred shares and stock options was approximately 3,156,000 and 2,849,000 shares for the three months ended April 2, 2005 and April 3, 2004, respectively. Income available to common shareholders, used to calculate both basic and diluted earnings per share, approximated net income for both periods.

Note 7. Share-Based Compensation

Summary of Share-Based Compensation Plans

Textron's 1999 Long-Term Incentive Plan (the "Plan") authorizes awards to key employees of Textron in the form of options to purchase Textron shares and restricted stock. Options to purchase Textron shares have a maximum term of ten years, and beginning with 2004 grants, vest ratably over a three-year period. Grants awarded prior to 2004 vested ratably over two years. Restricted stock grants vest one-third each in the third, fourth and fifth year following the grant. The maximum number of shares authorized under the Plan include 17.5 million options to purchase Textron shares and 2 million shares of restricted stock. Textron also provides share-based compensation awards payable in cash, including retention awards to certain executives and performance share units. Payouts under performance share units vary based on certain performance criteria measured over a three-year period. The performance share units vest at the end of three years.

The Deferred Income Plan for Textron Key Executives (the "DIP") provides participants the opportunity to voluntarily defer up to 25% of their base salary and up to 100% of annual and long-term incentive compensation and other compensation. Elective deferrals may be put into either a stock unit account or an interest bearing account. Textron generally contributes a 10% premium on amounts deferred into the stock unit account. Executives that are eligible to participate in the DIP that have not achieved and/or maintained the required minimum stock ownership level are required to defer annual incentive compensation in excess of 100% of the executive's annual incentive target opportunity into a deferred stock unit account and are not entitled to the 10% premium contribution on the amount deferred. Participants cannot move amounts between the two accounts while actively employed by Textron, and cannot receive distributions until termination of employment.

Change in Accounting for Share-Based Compensation

Textron historically has accounted for share-based payments, including stock options issued under its Plan, using the intrinsic value method of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25").

In December 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment" ("SFAS No. 123-R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") and supercedes APB No. 25. SFAS No. 123-R requires companies to measure compensation costs for share-based payments to employees, including stock options, at fair value and expense such compensation over the service period beginning with the first interim or annual period after June 15, 2005. In April 2005, the Securities and Exchange Commission delayed the transition date for companies to the first fiscal year beginning after June 15, 2005, effectively delaying Textron's required adoption of SFAS No. 123-R until the first quarter of 2006.

Textron elected to adopt SFAS No. 123-R in the first quarter of 2005 using the modified prospective method. Under this transition method, compensation cost recognized in 2005 includes: a) compensation cost for all stock options and restricted stock granted prior to, but not yet vested as of January 1, 2005, based on the grant-date fair value estimated and recognized in accordance with the provisions of SFAS No. 123, and b) compensation cost for all stock options and restricted stock granted subsequent to January 1, 2005, and all share-based compensation awards accounted for as liabilities, based upon the measurement and recognition provisions of SFAS No. 123-R. For awards granted or modified in 2005 and prospectively, compensation costs for awards with only service conditions that vest ratably are recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award. Compensation costs for awards granted prior to 2005 are recognized using the attribution methods required under SFAS No. 123. Upon adoption, Textron re-measured its share-based compensation awards that are accounted for as liabilities at fair value. The cumulative effect of adoption upon this re-measurement resulted in an increase to net income of approximately $1 million in the first quarter of 2005, which is not considered to be material and is recorded in selling and administrative expense. The adoption had no effect on cash flow for the three months ended April 2, 2005.

The compensation cost that has been recorded in income for Textron's share-based compensation plans, net of taxes and hedge income or expense, was $9 million and $3 million for the three months ended April 2, 2005 and April 3, 2004, respectively, reflecting tax benefits of $4 million and $2 million. Share-based compensation costs have been reflected primarily in selling and administrative expenses. The expense recorded for the first quarter of 2005 includes attribution of the fair value of options issued during the quarter, as well as the portion of previously granted options for which the requisite service was rendered during the quarter, totaling approximately $3 million.

The net impact of the adoption on the three months ended April 2, 2005 is as follows:

(In millions, except per share data)	Upon Adoption of SFAS No. 123-R	If SFAS No. 123-R had not been adopted
Income from continuing operations before income taxes	$119	$121
Net income	$126	$128
Basic earnings per share	$ .93	$ .95
Diluted earnings per share	$ .91	$ .93

Impact of SFAS No. 123-R Adoption on Prior Periods

No compensation expense related to stock option grants has been recorded in the consolidated statement of operations for the three months ended April 3, 2004, as all of the options granted had an exercise price equal to the market value of the underlying stock on the date of grant. Results for prior periods have not been restated.

The following table illustrates the effect on net income and earnings per share if Textron had applied the fair-value recognition provisions required by SFAS No. 123-R for the three months ended April 3, 2004:

(In millions, except per share data)	
Net income, as reported	**$37**
Add back: Stock-based employee compensation expense included in reported net income*	3
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards*	(7)
Pro forma net income	**$33**
Income per share:	

Basic - as reported	$.27
Basic - pro forma	$.24
Diluted - as reported	$.26
Diluted - pro forma	$.24

** Net of related taxes and hedge income or expense*

Stock Options

The stock option compensation cost calculated under the fair value approach is recognized over the vesting period of the stock options. The fair values of options granted are estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatilities are based on implied volatilities from traded options on Textron common stock, historical volatilities and other factors. Textron uses historical data to estimate option exercise behavior, adjusted to reflect anticipated increases in expected life due to the increase in the vesting period from two to three years, which was effective beginning with the 2004 option grants.

The assumptions used in Textron's Black-Scholes option-pricing model for awards issued during the respective periods are as follows:

	Three Months Ended	
	April 2, 2005	April 3, 2004
Dividend yield	2%	2%
Expected volatility	25%	37%
Risk-free interest rate	4%	3%
Expected lives (years)	6.0	3.7

The following table summarizes information related to stock option activity for the respective periods:

	Three Months Ended	
(In millions, except per share data)	April 2, 2005	April 3, 2004
Weighted-average fair value of options granted per share	$20	$14
Intrinsic value of options exercised	$25	$17
Cash received from option exercises	$47	$50
Actual tax benefit realized for tax deductions from option exercises	$ 8	$ 5

Stock option activity under the Plan during the three months ended April 2, 2005 is as follows :

	Number of Options (In thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value (In millions)
Outstanding at beginning of year	9,261	$52.05		
Granted	1,201	76.12		
Exercised	(959)	50.32		
Canceled, expired or forfeited	(84)	56.06		

Outstanding at end of quarter	9,419	$55.26	6.58	$191
Exercisable at end of quarter	6,767	$52.90	5.56	$154

Restricted Stock

The fair value of restricted stock is based on the trading price of Textron common stock on the date of grant, less required adjustments to reflect the fair value of the award as dividends are not paid or accrued until the restricted stock vests. The weighted-average grant-date fair value of restricted stock granted in the three months ended April 2, 2005 and April 3, 2004 was approximately $71 and $56 per share, respectively.

Restricted stock activity under the Plan during the three months ended April 2, 2005 is as follows:

(Shares in thousands)	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at beginning of year, nonvested	867	$49.44
Granted	310	$71.21
Vested	-	-
Forfeited	-	-
Outstanding at end of quarter, nonvested	1,177	$55.18

Share-Based Compensation Awards Accounted for as Liabilities

The fair value of share-based compensation awards accounted for as liabilities include performance share units, retention awards and DIP stock unit awards. The fair value of these awards is based on the trading price of Textron common stock, less adjustments to reflect the fair value of the award as dividends are not paid or accrued until vested, re-measured at each reporting period date.

Share-Based Compensation Awards

The value of the share-based compensation awards that vested and/or were paid during the respective periods is as follows:

	Three Months Ended	
(*In millions)*	April 2, 2005	April 3, 2004
Subject only to service conditions:		
Value of shares, options or units vested	$ 8	$ 24
Intrinsic value of cash awards paid	$ 2	$ 4
Subject to performance vesting conditions:		
Value of units vested	$ -	$ -
Intrinsic value of cash awards paid	$25	$11
Intrinsic value of amounts paid under DIP	$ 2	$ 2

As of April 2, 2005, $81 million represents the total compensation cost associated with unvested awards subject only to service conditions that has not yet been recognized. Textron expects that this compensation will be recognized over a weighted-average period of approximately three years. As of April 2, 2005, $39 million represents the total compensation cost associated with unvested share-based compensation awards subject to performance vesting conditions that has not yet been recognized. Textron expects that this compensation will be recognized over a weighted-average period of approximately two years.

Note 8: Pension Benefits and Postretirement Benefits Other Than Pensions

The components of net periodic benefit cost for the three months ended April 2, 2005 and April 3, 2004 are as follows:

(In millions)	Pension Benefits		Postretirement Benefits Other Than Pensions	
	2005	2004	2005	2004
Service cost	$ 36	$ 29	$ 3	$ 2
Interest cost	75	72	10	10
Expected return on plan assets	(104)	(107)	-	-
Amortization of prior service cost	5	4	(2)	(2)
Amortization of net loss	9	2	3	3
Net periodic benefit cost	$ 21	$ -	$14	$13

Note 9: Special Charges

Special charges are summarized below for the applicable segments:

(In millions)	Restructuring Expense: Severance Costs	Contract Terminations	Fixed Asset Impairments	Other Associated Costs	Total	Other	Total Special Charges
Three Months Ended April 2, 2005							
Fastening Systems	$-	$1	$1	$4	$6	$ -	$ 6
Industrial	1	-	-	1	2	-	2
Corporate	-	-	-	-	-	52	52
	$1	$1	$1	$5	$8	$52	$60
Three Months Ended April 3, 2004							
Fastening Systems	$13	$ -	$2	$3	$18	$ -	$18
Industrial	9	36	(1)	2	46	-	46
Corporate	-	-	-	-	-	(12)	(12)
	$22	$36	$1	$5	$64	$(12)	$52

By the end of 2004, Textron had substantially completed its restructuring program to improve returns at core businesses and to complete the integration of certain acquisitions. Textron approved and committed to a restructuring program in the fourth quarter of 2000, and the program was expanded in 2001 and in 2002, as part of Textron's strategic effort to improve operating efficiencies. Textron's restructuring program has included corporate and segment direct and indirect workforce reductions, consolidation of facilities, rationalization of certain product lines, outsourcing of non-core production activity, the divestiture of non-core businesses and streamlining of sales and administrative overhead. Since the program was first announced, Textron has reduced its workforce by approximately 11,000 employees from continuing operations, representing approximately 19% of its global workforce, and has closed 109 facilities. As this program winds down in 2005, Textron will continue to make cash payments against its restructuring reserves and expects to incur additional expenses of approximately $13 million, primarily in the Industrial and Fastening Systems segments.

The total restructuring cost of this program for continuing operations is expected to be approximately $540 million, including $11 million related to the divested Automotive Trim business ("Trim"). As of April 2, 2005, total program costs incurred to date of $527 million have included $269 million in severance costs, $99 million in asset impairment charges (net of gains on the sale of fixed assets), $55 million in contract termination costs and $104 million in other associated costs. Total program costs incurred for continuing operations through April 2, 2005 include $225 million in the Fastening Systems segment, $215 million in the Industrial segment, $38 million in the Cessna segment, $29 million in the Bell segment, $9 million in the Finance segment and $11 million at Corporate.

An analysis of the restructuring program and related reserve account is summarized below:

(In millions)	Severance Costs	Contract Terminations	Other Associated Costs	Fixed Asset Impairments	Total
Balance at January 1, 2005	$31	$43	$ -	$ -	$74
Additions	1	1	5	1	8
Non-cash utilization	-	-	-	(1)	(1)
Cash paid	(3)	-	(5)	-	(8)
Balance at April 2, 2005	$29	$44	$ -	$ -	$73

The specific restructuring measures and associated estimated costs are based on Textron's best judgment under prevailing circumstances. Textron believes that the restructuring reserve balance of $73 million is adequate to cover the costs presently accruable and anticipates that all actions related to these liabilities will be substantially completed within a twelve-month period.

In connection with the sale of the Automotive Trim business in 2001, Textron acquired preferred stock in Collins & Aikman Products Co. In March 2005, Textron agreed to sell approximately 60 percent of its preferred stock in Collins & Aikman Products Co. to Heartland Industrial Partners, L.P. ("Heartland") for a combination of cash and other consideration with a total value of approximately $25 million. Heartland also has the option to purchase the remaining preferred shares for an aggregate price of $20 million. The closing date of the initial sale shall be on or before 45 days after the date Collins & Aikman Corporation ("C&A") files its Form 10-K for 2004, and the option to purchase the remaining shares expires 90 days after the filing. If the sale has not occurred before December 31, 2005, or Collins & Aikman Products Co. or C&A has an event of bankruptcy or insolvency, Heartland is entitled to terminate its obligation to purchase the shares. Textron recorded a pre-tax impairment charge of approximately $52 million in the first quarter of 2005 to write down the preferred shares to fair market value based on the value determined by the agreement and other market considerations.

During the first quarter of 2004, Textron sold its investment in C&A common stock for cash proceeds of $34 million and recorded a pre-tax gain of $12 million.

Note 10: Commitments and Contingencies

Textron is subject to legal proceedings and other claims arising out of the conduct of Textron's business, including proceedings and claims relating to private sector transactions; government contracts; production partners; product liability; employment; and environmental, safety, and health matters. Some of these legal proceedings and claims seek damages, fines, or penalties in substantial amounts or remediation of environmental contamination. As a government contractor, Textron is subject to audits, reviews and investigations to determine whether its operations are being conducted in accordance with applicable regulatory requirements. Under federal government procurement regulations, certain claims brought by the U.S. Government could result in Textron's suspension or debarment from U.S. Government contracting for a period of time. On the basis of information presently available, Textron believes that these proceedings and claims will not have a material effect on Textron's financial position or results of operations.

During 2002, the Lycoming aircraft engine business, in conjunction with the U.S. Federal Aviation Administration ("FAA"), recalled approximately 950 turbocharged airplane engines and mandated the inspection of another 736 engines to replace potentially faulty crankshafts manufactured by a third-party supplier. Lycoming initiated a comprehensive customer care program to replace the defective crankshafts, make any necessary related repairs, and compensate its customers for the loss of use of their aircraft during the recall. This program is substantially complete. It is possible, however, that additional engines outside of the current recall could potentially be affected. Accordingly, Textron has continued to monitor the performance of the crankshafts previously supplied by the third-party to ensure that the reserve adequately covers all engines with potentially faulty crankshafts. Textron has reserves of $11 million for costs directly related to potential crankshaft issues that may not specifically be a part of the recall program.

In connection with the recall, the third-party supplier filed a lawsuit against Lycoming claiming that the supplier had been wrongly blamed for aircraft engine failures resulting from its crankshaft forging process and that Lycoming's design was the cause of the engine failures. In February 2005, a jury returned a verdict against Lycoming for $86 million in punitive damages, $2.7 million in expert fees and $1.7 million in increased insurance costs. The jury also found that the supplier's claim that it had incurred $5.3 million in attorneys' fees was reasonable. Judgment was entered on the verdict on March 29, 2005, awarding the supplier $9.7 million in alleged compensatory damages and attorneys' fees and $86 million in alleged punitive damages. While the ultimate outcome of the litigation cannot be assured, management strongly disagrees with the verdicts and believes that it is probable that they will be reversed through the appellate process.

On September 20, 2004, the third-party supplier filed for bankruptcy protection and ceased delivering crankshafts to Lycoming. In conjunction with the FAA, Lycoming is in the process of certifying a new supplier for its crankshaft models. During the first quarter of 2005, FAA approval was received for three of the six crankshaft models requiring certification and the new supplier began production of these crankshafts. Based on the current status of the certification process and the forecasted production requirements, the transition to the new supplier is not expected to have a material impact on Textron's results of operations or financial position.

In the first quarter of 2005, Bell Helicopter entered into two arrangements with commercial risk-sharing participants in the development of the Bell model 429M. The arrangements require cash and/or in-kind development contributions from the participants. Cash contributions totaling $20 million are due once the development effort reaches certain pre-determined milestones. At April 2, 2005, $6 million had been received. Of this amount, $2 million has been recorded in income based on the development activities incurred to date. Under these arrangements, the participants are entitled to fixed payments and discounts on future sales of model 429M aircraft. In addition, one of the participants will perform certain manufacturing functions for the model 429M aircraft.

Note 11: Arrangements with Off-Balance Sheet Risk

Bell Helicopter and AgustaWestland North America Inc. ("AWNA") formed the AgustaWestlandBell Limited Liability Company ("AWB LLC") in January 2004 for the joint design, development, manufacture, sale, customer training and product support of the US101 helicopter and certain variations and derivatives thereof, to be offered and sold to departments or agencies of the U.S. Government.

In March 2005, AWB LLC received a $1.2 billion cost reimbursement-type subcontract from Lockheed Martin for the System Design and Development ("SDD") phase of the U.S. Marine Corps Marine 1 Helicopter Squadron (VXX) Program. On March 11, 2005, Bell Helicopter guaranteed to Lockheed Martin the due and prompt performance by AWB LLC of all its obligations under this subcontract, provided that Bell Helicopter's liability under the guaranty shall not exceed 49% of AWB LLC's aggregate liability to Lockheed Martin under the subcontract. AgustaWestland N.V., AWNA's parent company, has guaranteed the remaining 51% to Lockheed Martin. Bell Helicopter and AgustaWestland N.V. have entered into cross-indemnification agreements in which each party indemnifies the other related to any payments required under these agreements that result from the indemnifying party's workshare under any subcontracts received.

For 2005, AWB LLC's maximum obligation is 20% of the total contract value, which equates to $232 million based on the current contract value of $1.2 billion. In 2006, AWB LLC's maximum obligation increases to 40%, or $464 million, and thereafter increases to 50%, or $580 million. Accordingly, the maximum amount of Bell Helicopter's liability under the guarantee will be $114 million in 2005, $227 million in 2006 and $284 million thereafter through completion.

As disclosed under the caption "Guarantees" in Note 16 to the Consolidated Financial Statements in Textron's 2004 Annual Report on Form 10-K, Textron has issued or is party to certain other guarantees. As of April 2, 2005, there has been no material change to these other guarantees.

Note 12: Textron Manufacturing Statements of Cash Flows

The Statements of Cash Flows for Textron Manufacturing are provided on page 16 and include cash flows from the manufacturing businesses along with distributions received from Textron Finance. Textron's Consolidated Statements of Cash Flows are provided on page 4, and exclude all significant intercompany transactions and captive financing transactions as is further discussed in Note 1 to the Consolidated Financial Statements.

Note 12: Textron Manufacturing Statements of Cash Flows (continued)

(Unaudited) (In millions)	Three Months Ended April 2, 2005	Three Months Ended April 3, 2004
Cash flows from operating activities:		
Income from continuing operations	$ 79	$ 41
Adjustments to reconcile net income to net cash provided by operating activities:		
Earnings of Textron Finance less than distributions to Textron Manufacturing	75	36
Depreciation	78	72
Amortization	2	1
Special charges	60	52
Deferred income taxes	1	-
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Accounts receivable, net	(133)	(109)
Inventories	(96)	(155)
Other assets	48	66
Accounts payable	175	173
Accrued liabilities	(181)	(16)
Other operating activities, net	16	10
Net cash provided by operating activities of continuing operations	124	171
Cash flows from investing activities:		
Capital expenditures	(62)	(62)
Proceeds on sale of property, plant and equipment	2	12
Proceeds on the sale of investments	-	38
Other investing activities, net	2	-
Net cash used by investing activities of continuing operations	(58)	(12)
Cash flows from financing activities:		
Increase in short-term debt	-	15
Proceeds from issuance of long-term debt	401	-
Principal payments and retirements on long-term debt	(415)	(2)

Proceeds from employee stock ownership plans	47	50
Purchases of Textron common stock	(117)	(70)
Dividends paid	(95)	(45)
Net cash used by financing activities of continuing operations	(179)	(52)
Effect of exchange rate changes on cash and cash equivalents	(9)	(1)
Net cash (used) provided by continuing operations	(122)	106
Net cash provided by discontinued operations	13	16
Net (decrease) increase in cash and cash equivalents	(109)	122
Cash and cash equivalents at beginning of period	605	481
Cash and cash equivalents at end of period	$ 496	$ 603
Supplemental schedule of non-cash investing activities:		
Capital expenditures financed through capital leases	$ 1	$ 11

Note 13: Segment Information

Textron reports under the following segments: Bell, Cessna, Fastening Systems, Industrial and Finance. Textron evaluates segment operating performance based on segment profit. Segment profit for the Manufacturing segment does not include interest, certain corporate expenses, special charges and gains and losses from the disposition of significant business units. The measurement for the Finance segment includes both interest income and expense, and excludes special charges. Provisions for losses on finance receivables involving the sale or lease of Textron products are recorded by the selling manufacturing division when the Finance segment has recourse to the Manufacturing segment.

A summary of continuing operations by segment for the three-month periods ended April 2, 2005 and April 3, 2004 is as follows:

	Three Months Ended	
(In millions)	April 2, 2005	April 3, 2004
REVENUES		
MANUFACTURING:		
Bell	$ 616	$ 507
Cessna	713	418
Fastening Systems	521	497
Industrial	800	781
	2,650	2,203
FINANCE	141	134
Total revenues	$ 2,791	$ 2,337
SEGMENT OPERATING PROFIT		
MANUFACTURING:		
Bell	$ 75	$ 52
Cessna	87	22
Fastening Systems	(6)	20
Industrial	55	48
	211	142
FINANCE	33	31
Segment profit	244	173
Special charges	(60)	(52)

Segment operating income	184	121
Corporate expenses and other, net	(41)	(35)
Interest expense, net	(24)	(25)
Income from continuing operations before income taxes	$ 119	$ 61

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

Business Overview

Textron Inc. is a multi-industry company that leverages its global network of businesses to provide customers with innovative solutions and services in five business segments: Bell, Cessna, Fastening Systems, Industrial and Finance. Textron is known around the world for its powerful brands spanning the business jet, aerospace and defense, fastening systems, plastic fuel systems, golf car and turf-care markets, among others.

Economic conditions continued to improve in the first quarter of 2005, as evidenced by strong revenue growth and order intake in most of our businesses. Backlog in the aircraft businesses increased to approximately $8.4 billion due to innovative new product offerings and continued economic improvements. Fastening Systems was able to reach new pricing agreements with its customers, which have allowed us to partially offset higher steel costs during the quarter. In addition, our Finance segment experienced significant improvement in portfolio credit quality with fewer charge-offs and a decrease in nonperforming assets.

Textron's transformation efforts continued to drive improved performance and have enabled us to overcome cost increases during the quarter related to inflation of $96 million (including a $41 million increase in steel costs), higher pension costs of $20 million and higher costs at our new Fastening Systems plant of approximately $15 million. We expect that continued execution of our transformation strategy through integrated supply chain and Textron Six Sigma, including Lean Manufacturing activities, will drive performance improvements and expand manufacturing margins.

Consolidated Results of Operations

Revenues

Revenues increased $454 million in the first quarter of 2005 primarily due to higher volume of $343 million in the commercial aircraft businesses due to increased deliveries of Citation business jets and helicopters, higher pricing of $57 million, favorable foreign exchange of $47 million and additional revenue from the consolidation of CitationShares of $40 million. In addition, the Finance segment's revenues increased by $7 million due to higher average finance receivables.

These increases were partially offset by lower volume in the Fastening Systems and Industrial segments of $30 million and lower U.S. Government revenue of $10 million.

Segment Profit

Segment profit increased $71 million in the first quarter of 2005 primarily due to the $97 million net impact of higher sales volume, mainly in the commercial aircraft businesses and $57 million from higher pricing, partially offset by inflation of $96 million.

Special Charges

Special charges are summarized below:

(In millions)	**Q1 2005**	**Q1 2004**

Restructuring	$ 8	$ 64
Gain on sale of investment	-	(12)
Investment impairment	52	-
Total special charges	$ 60	$ 52

Restructuring Program

By the end of 2004, Textron had substantially completed its restructuring program to improve returns at core businesses and to complete the integration of certain acquisitions. Textron approved and committed to a restructuring program in the fourth quarter of 2000, and the program was expanded in 2001 and in 2002, as part of Textron's strategic effort to improve operating efficiencies. Textron's restructuring program has included corporate and segment direct and indirect workforce reductions, consolidation of facilities, rationalization of certain product lines, outsourcing of non-core production activity, the divestiture of non-core businesses and streamlining of sales and administrative overhead. Since the program was first announced, Textron has reduced its workforce by approximately 11,000 employees from continuing operations, representing approximately 19% of its global workforce, and has closed 109 facilities. As this program winds down in 2005, Textron will continue to make cash payments against its restructuring reserves and expects to incur additional expenses of approximately $13 million, primarily in the Industrial and Fastening Systems segments.

The total restructuring cost of this program for continuing operations is expected to be approximately $540 million, including $11 million related to the divested Automotive Trim business ("Trim"). As of April 2, 2005, total program costs incurred to date of $527 million have included $269 million in severance costs, $99 million in asset impairment charges (net of gains on the sale of fixed assets), $55 million in contract termination costs and $104 million in other associated costs. Total program costs incurred for continuing operations through April 2, 2005 include $225 million in the Fastening Systems segment, $215 million in the Industrial Segment, $38 million in the Cessna segment, $29 million in the Bell segment, $9 million in the Finance segment and $11 million at Corporate.

Investment Impairment and Gain

In connection with the sale of the Automotive Trim business in 2001, Textron acquired preferred stock in Collins & Aikman Products Co. In March 2005, Textron agreed to sell approximately 60 percent of its preferred stock in Collins & Aikman Products Co. to Heartland Industrial Partners, L.P. ("Heartland") for a combination of cash and other consideration with a total value of approximately $25 million. Heartland also has the option to purchase the remaining preferred shares for an aggregate price of $20 million. The closing date of the initial sale shall be on or before 45 days after Collins & Aikman Corporation ("C&A") files its Form 10-K for 2004, and the option to purchase the remaining shares expires 90 days after the filing. If the sale has not occurred before December 31, 2005, or Collins & Aikman Products Co. or C&A has an event of bankruptcy or insolvency, Heartland is entitled to terminate its obligation to purchase the shares. Textron recorded a pre-tax impairment charge of approximately $52 million in the first quarter of 2005 to write down the preferred shares to fair market value based on the value determined by the agreement and other market considerations.

In the first quarter of 2004, Textron sold its investment in C&A common stock for cash proceeds of $34 million and recorded a pre-tax gain of $12 million.

Share-Based Compensation

During the first quarter of 2005, Textron elected to adopt the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payments" ("SFAS No. 123-R"), using the modified prospective method. The adoption resulted in recognition of share-based compensation costs primarily related to stock options of approximately $2 million in the first quarter of 2005. For the full year, we expect to recognize share-based compensation costs related to stock options of approximately $13 million, after taxes.

Income Taxes

A reconciliation of the federal statutory income tax rate to the effective income tax rate is provided below:

	Q1 2005	**Q1 2004**
Federal statutory income tax rate	35.0%	35.0%
Increase (decrease) in taxes resulting from:		
State income taxes	1.1	2.2
C&A impairment valuation allowance	8.5	-
Foreign tax rate differential	(5.6)	(1.2)
ESOP dividends	(1.1)	(1.8)
Export sales benefit	(1.1)	(0.8)
Other, net	(3.2)	(0.6)
Effective income tax rate	33.6%	32.8%

The full year 2005 effective tax rate from continuing operations is expected to be in the range of 29% to 30%, excluding the possible impact of any additional repatriation as discussed below.

On October 22, 2004, the American Jobs Creation Act ("AJCA") was signed into law and includes a deduction of 85% of certain foreign earnings that are repatriated, as defined in the AJCA. During the first quarter of 2005, Textron repatriated approximately $200 million in cash from foreign subsidiaries, for which the related tax expense of $11 million was recognized in the fourth quarter of 2004. Textron is continuing to evaluate the effects of the AJCA and expects to complete this evaluation in 2005. It is possible that Textron may repatriate an additional amount within the range of zero to $200 million in the remainder of 2005, resulting in an income tax expense within the range of zero to $11 million.

Discontinued Operations

In February 2005, Textron sold the remainder of its InteSys operations, which were classified as discontinued operations during the fourth quarter of 2004. In connection with the transaction, Textron recorded an after-tax gain of approximately $47 million in the first quarter of 2005.

Outlook

We expect continued strength in orders and revenues for 2005 in most of our businesses. At Bell, the expected annual revenue increase in 2005 over 2004 is primarily related to higher V-22 revenue from new production releases (recorded on an as-delivered basis), which is expected to more than offset lower engineering- and development-based revenues (recorded on a cost-incurred basis). At Cessna, we expect an increase in 2005 annual revenue over 2004 due to higher sales of jets based on our current backlog. At Fastening Systems, we expect that the new customer pricing agreements that were effective in the first quarter of 2005 will allow us to offset higher steel costs throughout the year based on current steel prices. Overall segment profit and margins for the year are expected to increase as Textron continues to realize the benefits of its transformation initiatives and continued investment in new product development.

Segment Analysis

Bell Revenues

The Bell segment's revenues increased $109 million in the first quarter of 2005, compared with 2004, primarily due to higher commercial volume of $116 million, partially offset by lower revenue of $10 million in the U.S. Government businesses. Commercial revenues increased primarily due to higher international military sales of $90 million (largely due to increased model 412 deliveries), higher volume of commercial spares of $11 million and higher commercial aircraft volume of $10 million. The lower U.S. Government revenue was primarily due to lower V-22 revenue of $77 million, partially offset by higher air-launched weapons sales of $33 million and increased demand for military spares of $9 million. The lower V-22 revenue reflects the transition between the diminishing effort required to complete production lots three through six (where revenue is recognized as costs are incurred) and subsequent production releases (where revenue will be recognized as units are delivered).

Bell Segment Profit

Segment profit increased $23 million in the first quarter of 2005, compared with 2004, due to higher profit of $30 million in the commercial businesses, partially offset by lower profit of $7 million in the U.S. Government businesses. Commercial profit increased primarily due to the $42 million impact of higher international military sales volume and $7 million of higher volume and favorable mix of commercial spares, partially offset by $15 million in higher selling and administrative expenses (largely due to higher commissions related to higher commercial sales volume), and $8 million in higher engineering expense, mainly on the model 429 program. Profit in the U.S. Government businesses decreased primarily due to lower V-22 profit of $9 million.

Bell Backlog

Backlog at Bell Helicopter of $2.9 billion at the end of the first quarter of 2005 was essentially flat compared with year-end.

Cessna Revenues

The Cessna segment's revenues increased $295 million in the first quarter of 2005, compared with 2004, primarily due to higher Citation business jet volume of $238 million, an increase related to the consolidation of CitationShares of $40 million, higher Caravan volume of $32 million and higher pricing of $13 million. These increases were partially offset by lower used aircraft sales of $41 million. Citation business jet customer deliveries were 55 in the first quarter of 2005, compared with 34 jets in the first quarter of 2004.

Cessna Segment Profit

Segment profit increased $65 million in the first quarter of 2005, compared with 2004, largely due to the $81 million impact from higher overall volume and $13 million of higher pricing, partially offset by $22 million of inflation.

Cessna Backlog

Cessna's backlog was $5.5 billion at the end of the first quarter of 2005, compared with $5.3 billion as of year-end 2004.

Fastening Systems Revenues

The Fastening Systems segment's revenues increased $24 million in the first quarter of 2005, compared with 2004, primarily due to higher pricing related to steel surcharges of $27 million and favorable foreign exchange of $18 million, partially offset by lower volume of $20 million, largely the result of soft demand in the automotive market.

Fastening Systems Segment Profit

Segment profit decreased $26 million in the first quarter of 2005, compared with 2004, primarily due to inflation of $42 million (including $33 million in higher steel prices), unfavorable cost performance of $8 million as discussed below, and the impact of lower volume of $4 million, partially offset by higher pricing of $27 million.

As part of the restructuring efforts at Fastening Systems in 2004, certain manufacturing operations were consolidated into a new North American facility. During the first quarter of 2005, operating inefficiencies and higher than expected ramp-up costs were experienced at this new facility. Management has taken significant actions to stabilize the operation and expects performance to improve throughout the remainder of the year. The higher than expected costs of approximately $15 million were partially offset by improved performance at other plants resulting in net unfavorable cost performance of $8 million.

Industrial Revenues

The Industrial segment's revenues increased $19 million in the first quarter of 2005, compared with 2004, primarily due to a favorable foreign exchange impact of $28 million, higher volume at E-Z-GO, Jacobsen and Fluid & Power of $17 million and higher pricing of $4 million, partially offset by lower volume at Kautex of $28 million and the impact of the divestiture of a non-core product line during the second quarter of 2004 of $8 million. Sales volume was lower at Kautex largely due to model changeovers.

Industrial Segment Profit

Segment profit increased $7 million in the first quarter of 2005, compared with 2004, primarily due to improved cost performance of $24 million, higher pricing of $4 million and a favorable foreign exchange impact of $3 million, partially offset by inflation of $22 million.

Finance Revenues

The Finance segment's revenues increased $7 million in the first quarter of 2005, compared with 2004. The increase was primarily due to higher finance charges and discounts of $10 million. The increase in finance charges and discounts was largely due to higher average finance receivables of $787 million reflecting growth in core portfolios, including $323 million in golf finance and $250 million in distribution finance.

Finance Segment Profit

Segment profit increased $2 million in the first quarter of 2005, compared with 2004, primarily due to an $8 million decrease in the provision for loan losses as a result of improving portfolio quality, partially offset by a $6 million increase in selling and administrative expenses.

Finance Portfolio Quality

The following table presents information about the credit quality of the Finance segment's portfolio:

(In millions, except for ratios)	April 2, 2005	January 1, 2005
Nonperforming assets	$136	$140
Ratio of nonperforming assets to total finance assets	2.01%	2.18%
Allowance for losses on finance receivables recorded on balance sheet	$102	$ 99
Ratio of allowance for losses on receivables to nonaccrual finance receivables	95.4%	83.7%
60+ days contractual delinquency as a percentage of finance receivables	1.37%	1.47%

The Finance segment has experienced improvements in portfolio quality as indicated by improved credit quality measures and a lower provision for losses ($12 million in the first quarter of 2005, compared with $20 million in 2004). The improvements in credit quality were evident through lower nonperforming asset levels and 60+ days contractual delinquency. Net charge-offs in the first quarter of 2005 were $9 million compared with $19 million in 2004.

Textron Finance's nonperforming assets include nonaccrual accounts that are not guaranteed by Textron Manufacturing, for which interest has been suspended, and repossessed assets. Nonperforming assets by business are as follows:

(In millions)	April 2, 2005	January 1, 2005
Resort finance	$ 47	$ 53
Golf finance	21	26
Aircraft finance	7	12
Asset-based lending	5	7
Distribution finance	3	5
Other	53	37
Total nonperforming assets	$136	$140

Textron Finance experienced improvement in its nonperforming assets with a $20 million decrease attributable to its core businesses in the first quarter of 2005, largely related to improved general economic conditions. This decrease was partially offset by a $16 million increase in its non-core businesses within the Other line primarily related to one customer in media finance. Overall, we expect relative stability in portfolio quality during 2005.

During the first quarter of 2005, Textron Finance entered into negotiations with C&A to restructure its lease. Textron Finance has recourse to Textron Manufacturing for this lease, which had an outstanding balance of approximately $77 million at April 2, 2005. During the first quarter of 2005, Textron Manufacturing classified this lease as impaired. Management believes Textron Manufacturing's reserves are adequate to cover any potential collateral shortfalls related to this lease.

Special Charges by Segment

Special charges are more fully discussed on pages 12 and 13 and are summarized below by segment:

	Restructuring Expense						
(In millions)	Severance Costs	Contract Terminations	Fixed Asset Impairments	Other Associated Costs	Total	Other	Total Special Charges
Three Months Ended April 2, 2005							
Fastening Systems	$-	$1	$1	$4	$6	$ -	$ 6
Industrial	1	-	-	1	2	-	2
Corporate	-	-	-	-	-	52	52
	$1	$1	$1	$5	$8	$52	$60
Three Months Ended April 3, 2004							
Fastening Systems	$13	$ -	$2	$3	$18	$ -	$18
Industrial	9	36	(1)	2	46	-	46
Corporate	-	-	-	-	-	(12)	(12)
	$22	$36	$1	$5	$64	$(12)	$52

Liquidity and Capital Resources

Textron's financings are conducted through two borrowing groups: Textron Manufacturing and Textron Finance. This framework is designed to enhance Textron's borrowing power by separating the Finance segment. Textron Manufacturing consists of Textron Inc., the parent company, consolidated with the entities that operate in the Bell, Cessna, Fastening Systems and Industrial business segments, whose financial results are a reflection of the ability to manage and finance the development, production and delivery of tangible goods and services. Textron Finance consists of Textron's wholly owned commercial finance subsidiary, Textron Financial Corporation, consolidated with its subsidiaries. The financial results of Textron Finance are a reflection of its ability to provide financial services in a competitive marketplace, at 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.

A portion of Textron Finance's business involves financing retail purchases and leases for new and used aircraft and equipment manufactured by Textron Manufacturing's Bell, Cessna and Industrial segments. The cash flows related to these captive financing activities are reflected as operating activities (by Textron Manufacturing) and as investing activities (by Textron Finance) based on each group's operations. These captive financing transactions have been eliminated and cash from customers or from securitizations is recognized in operating activities within the Consolidated Statement of Cash Flows when received. The Consolidated Statements of Cash Flows for Textron Inc. are provided on page 4 and the Statements of Cash Flows for Textron Manufacturing are provided on page 16.

Textron Manufacturing's debt (net of cash) to total capital ratio as of April 2, 2005 was 25.5%, compared with 24.5% at January 1, 2005. Textron Manufacturing has established a long-term debt-to-capital ratio target in the mid-thirties.

For liquidity purposes, Textron Manufacturing and Textron Finance have a policy of maintaining sufficient unused lines of credit to support their outstanding commercial paper. In the first quarter of 2005, Textron Manufacturing replaced its primary revolving credit facilities with a $1.3 billion 5-year credit agreement that expires in March 2010. Textron Finance is permitted to borrow under this facility. Textron Finance also has bank lines of credit of $1.5 billion, of which $500 million expires in July 2005 and $1.0 billion expires in 2008. The $500 million facility includes a one-year term out option, effectively extending its expiration into 2006. Neither Textron Manufacturing nor Textron Finance had used these lines of credit at April 2, 2005 or at January 1, 2005. At April 2, 2005, the lines of credit not reserved as support for commercial paper or letters of credit were $1.2 billion for Textron Manufacturing and $8 million for Textron Finance, compared to $1.2 billion and $187 million, respectively, at January 1, 2005.

At April 2, 2005, Textron Finance had $2.0 billion in debt and $372 million in other liabilities that are due within the next twelve months.

Operating Cash Flows	Three Months Ended	
(In millions)	April 2, 2005	April 3, 2004
Consolidated	$ 44	$146
Textron Manufacturing	$124	$171
Textron Finance	$ 75	$(12)

In the Consolidated Statement of Cash Flows, cash provided by operating cash flows decreased largely due to a $98 million increase in net finance receivables at Textron Finance related to Textron Manufacturing products primarily due to a $47 million increase in finance receivables originations and a $53 million decrease in proceeds from securitization sales.

Dividends received by Textron Manufacturing from Textron Finance have been eliminated from the consolidated operating cash flows, and net captive financing activities have been reclassified from investing cash flows, as discussed below.

Investing Cash Flows	Three Months Ended	
(In millions)	April 2, 2005	April 3, 2004
Consolidated	$(403)	$ 1
Textron Manufacturing	$ (58)	$(12)
Textron Finance	$(403)	$ 57

In the Consolidated Statement of Cash Flows, the decrease in investing cash flows was largely driven by Textron Finance primarily due to a $276 million increase in finance receivable originations, net of cash collections, and a $142 million reduction in proceeds from receivable sales, including securitizations. Textron Manufacturing experienced a decrease in investing cash flows primarily due to the $38 million in proceeds received in the first quarter of 2004 for the sale of C&A common stock.

The consolidated investing cash flows include the reclassification of net captive financing activities to operating cash flows of $(58) million in the first quarter of 2005 and $44 million in the first quarter of 2004.

Financing Cash Flows	Three Months Ended	
(In millions)	April 2, 2005	April 3, 2004
Consolidated	$ 183	$(315)
Textron Manufacturing	$(179)	$ (52)
Textron Finance	$ 265	$(320)

In the Consolidated Statement of Cash Flows, the increase in cash provided by financing activities principally reflected a net increase in debt outstanding at Textron Finance to fund asset growth. Dividends paid by Textron Finance to Textron Manufacturing of $97 million in the first quarter of 2005 and $57 million in the first quarter of 2004 have been eliminated from the consolidated financing cash flows. The increase in these dividends in 2005 was due to excess capital that resulted from liquidating non-core portfolios and increased profitability at Textron Finance.

Principal Payments on Long-Term Debt
In the first quarter of 2005 and 2004, Textron Manufacturing made principal payments of $415 million and $2 million, respectively. The increase during the first quarter of 2005 for Textron Manufacturing was due to Euro 300 million of debt that matured. This debt was refinanced with EUR 300 million 3.875% notes that mature in March 2013. In the first quarter of 2005 and 2004, Textron Finance made principal payments of $324 million and $582 million, respectively. In the first quarter of 2004, Textron Finance used cash proceeds from the sale of a portfolio in December 2003 to pay down maturing term debt.

Stock Repurchases and Proceeds from Stock Option Exercises
In the first quarter of 2005 and 2004, Textron repurchased 1,671,428 and 1,287,000 shares of common stock, respectively, under its Board authorized share repurchase programs for an aggregate cost of $124 million and $70 million, respectively.

Proceeds from the exercise of stock options decreased $3 million to $47 million in the first quarter of 2005.

Dividends
Textron's Board of Directors approved a quarterly dividend per common share of $0.35 in first quarter of 2005 and in $.325 in first quarter of 2004. Dividend payments to shareholders totaled $95 million and $45 million in the first quarter of 2005 and 2004, respectively. The increase in the dividend payments in 2005 reflects the fourth quarter 2004 dividend that was paid in the first quarter of 2005, while for the corresponding prior year period, the fourth quarter dividend was paid in the fourth quarter.

Capital Resources

Under a shelf registration statement filed with the Securities and Exchange Commission, Textron Finance may issue public debt securities in one or more offerings up to a total maximum offering of $4 billion. Under this registration statement, Textron Finance issued $400 million of USD term debt and 130 million of CAD term debt during the first quarter of 2005. The proceeds from these issuances were used to repay short-term debt. At April 2, 2005, Textron Finance had $2.8 billion available under this registration statement. Under a shelf registration statement filed with the Securities and Exchange Commission, Textron Manufacturing may issue public debt securities in one or more offerings up to a total maximum offering of $2.0 billion. At April 2, 2005, Textron Manufacturing had $1.6 billion available under this registration statement.

Off-Balance Sheet Arrangements

Textron Manufacturing enters into a forward contract in Textron common stock on an annual basis. The contract is intended to hedge the cash volatility of stock-based incentive compensation indexed to Textron common stock. The forward contract requires an annual cash settlement between the counter parties based upon a number of shares multiplied by the difference between the strike price and the prevailing Textron common stock price. A cash payment of approximately $25 million was received in January 2005 upon the settlement of the contract held at year-end. As of April 2, 2005, the contract was for approximately 1.8 million shares with a strike price of $70.80. The market price of Textron's common stock was $75.58 at April 2, 2005, resulting in a receivable of $9 million.

Textron Finance sells finance receivables utilizing both securitizations and whole-loan sales. As a result of these transactions, finance receivables are removed from the balance sheet and the proceeds received are used to reduce the recorded debt levels. Despite the reduction in the recorded balance sheet position, Textron Finance generally retains a subordinated interest in the finance receivables sold through securitizations, which may affect operating results through periodic fair value adjustments. Textron Finance utilizes these off-balance sheet financing arrangements (primarily asset-backed securitizations) to further diversify funding alternatives. These arrangements are an important source of funding that provided net proceeds from continuing operations of $26 million in the first quarter of 2005, compared with $174 million of proceeds in the corresponding period of 2004.

Guarantees
Bell Helicopter and AgustaWestland North America Inc. ("AWNA") formed the AgustaWestlandBell Limited Liability Company ("AWB LLC") in January 2004 for the joint design, development, manufacture, sale, customer training and product support of the US101 helicopter and certain variations and derivatives thereof, to be offered and sold to departments or agencies of the U.S. Government.

In March 2005, AWB LLC received a $1.2 billion cost reimbursement-type subcontract from Lockheed Martin for the System Design and Development ("SDD") phase of the U.S. Marine Corps Marine 1 Helicopter Squadron (VXX) Program. On March 11, 2005, Bell Helicopter guaranteed to Lockheed Martin the due and prompt performance by AWB LLC of all its obligations under this subcontract, provided that Bell Helicopter's liability under the guaranty shall not exceed 49% of AWB LLC's aggregate liability to Lockheed Martin under the subcontract. AgustaWestland N.V., AWNA's parent company, has guaranteed the remaining 51% to Lockheed Martin. Bell Helicopter and AgustaWestland N.V. have entered into cross-indemnification agreements in which each party indemnifies the other related to any payments required under these agreements that result from the indemnifying party's workshare under any subcontracts received.

For 2005, AWB LLC's maximum obligation is 20% of the total contract value, which equates to $232 million based on the current contract value of $1.2 billion. In 2006, AWB LLC's maximum obligation increases to 40%, or $464 million, and thereafter increases to 50%, or $580 million. Accordingly, the maximum amount of Bell Helicopter's liability under the guarantee will be $114 million in 2005, $227 million in 2006 and $284 million thereafter through completion.

As disclosed under the caption "Guarantees" in Note 16 to the Consolidated Financial Statements in Textron's 2004 Annual Report on Form 10-K, Textron has issued or is party to certain other guarantees. As of April 2, 2005, there has been no material change to these other guarantees.

Recently Announced Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment" ("SFAS No. 123-R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") and supercedes APB No. 25. SFAS No. 123-R requires companies to measure compensation costs for share-based payments to employees, including stock options, at fair value and expense such compensation over the service period beginning with the first interim or annual period after June 15, 2005. In April 2005, the Securities and Exchange Commission delayed the transition date for companies to the first fiscal year beginning after June 15, 2005, effectively delaying Textron's required adoption of SFAS No. 123-R until the first quarter of 2006.

Textron elected to adopt SFAS No. 123-R in the first quarter of 2005 using the modified prospective method. Under this transition method, compensation cost recognized in 2005 includes: a) compensation cost for all stock options and restricted stock granted prior to, but not yet vested as of January 1, 2005, based on the grant-date fair value estimated and recognized in accordance with the provisions of SFAS No. 123, and b) compensation cost for all stock options and restricted stock granted subsequent to January 1, 2005, and all share-based compensation awards accounted for as liabilities, based upon the measurement and recognition provisions of SFAS No. 123-R. For awards granted or modified in 2005 and prospectively, compensation costs for awards with only service conditions that vest ratably are recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award. Compensation costs for awards granted prior to 2005 are recognized using the attribution methods required under SFAS No. 123. Upon adoption, Textron re-measured its share-based compensation awards that are accounted for as liabilities at fair value. The cumulative effect of adoption upon this re-measurement resulted in an increase to net income of approximately $1 million in the first quarter of 2005, which is not considered to be material and is recorded in selling and administrative expense.

Adoption of SFAS No. 123-R resulted in recognition of stock option costs in the current period. The stock option costs are included primarily in selling and administrative expense and totaled approximately $3 million for the three months ended April 2, 2005. In accordance with the modified prospective method, prior periods have not been restated. No compensation expense related to stock option grants has been recorded in the consolidated statement of operations for the three months ended April 3, 2004, as all of the options granted had an exercise price equal to the market value of the underlying stock on the date of grant. For the full year, we expect to recognize share-based compensation costs related to stock options of approximately $13 million, after taxes.

The valuation of stock options requires numerous assumptions. Textron determines the fair value of each option as of the date of grant using the Black-Scholes option-pricing model. This model requires inputs for the expected volatility of Textron's common stock price, expected life of the option, and expected dividend yield, among others. In addition, we estimate the number of options expected to eventually vest. Expected volatility estimates are based on implied volatilities from traded options on Textron common stock, historical volatilities, and other factors. Textron uses historical data to estimate option exercise behavior, adjusted to reflect anticipated increases in expected life due to the increase in the vesting period from two to three years, which was effective beginning with the 2004 option grants.

See Note 7 to the Consolidated Financial Statements for additional details.

Foreign Exchange Risks

Textron's financial results are affected by changes in foreign currency exchange rates and economic conditions in the foreign markets in which products are manufactured and/or sold. For the first quarter of 2005, the impact of foreign exchange rate changes from the first quarter of 2004 increased revenues by approximately $47 million (2%) and increased segment profit by approximately $3 million (2%).

Forward-looking Information: Certain statements in this quarterly report on Form 10-Q 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 speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the following: (a) the extent to which Textron is able to achieve savings from its restructuring plans; (b) uncertainty in estimating the amount and timing of restructuring charges and related costs; (c) changes in worldwide economic and political conditions that impact interest and foreign exchange rates; (d) the occurrence of work stoppages and strikes at key facilities of Textron or Textron's customers or suppliers; (e) Textron's ability to perform as anticipated and to control costs under contracts with the U.S. Government; (f) the U.S. government's ability to unilaterally modify or terminate its contracts with Textron for the Government's convenience or for Textron's failure to perform, to change applicable procurement and accounting policies, and, under certain circumstances, to suspend or debar Textron as a contractor eligible to receive future contract awards; (g) changes in national or international funding priorities and government policies on the export and import of military and commercial products; (h) the adequacy of cost estimates *for various customer care programs including servicing warranties; (i) the ability to control costs and successful implementation of various cost reduction programs; (j) the timing of certifications of new aircraft products; (k) the occurrence of slowdowns or downturns in customer markets in which Textron products are sold or supplied or where Textron Financial offers financing; (l) changes in aircraft delivery schedules or cancellation of orders; (m) the impact of changes in tax legislation; (n) the extent to which Textron is able to pass raw material price increases through to customers or offset such price increases by reducing other costs; (o)Textron's ability to offset, through cost reductions, pricing pressure brought by original equipment manufacturer customers; (p) Textron's ability to realize full value of receivables and investments in securities; (q) the availability and cost of insurance; (r) increases in pension expenses related to lower than expected asset performance or changes in discount rates; (s) Textron Financial's ability to maintain portfolio credit quality; (t) Textron Financial's access to debt financing at competitive rates; (u) uncertainty in estimating contingent liabilities and establishing reserves to address such contingencies; (v) performance of acquisitions; and (w) the efficacy of research and development investments to develop new products.*

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no significant change in Textron's exposure to market risk during the first quarter of 2005 discussion of Textron's exposure to market risk, refer to Item 7A, Quantitative and Qualitative Disclosures A Market Risk contained in Textron's 2004 Annual Report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

We have carried out an evaluation, under the supervision and with the participation of our management, inclu our Chairman, President and Chief Executive Officer (the "CEO") and our Executive Vice President and C Financial Officer (the "CFO"), of the effectiveness of the design and operation of our disclosure controls procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as ame (the "Act")) as of the end of the fiscal quarter covered by this report. Based upon that evaluation, our CEO CFO concluded that our disclosure controls and procedures are effective in providing reasonable assurance th the information required to be disclosed by us in the reports that we file or submit under the Act is reco processed, summarized and reported within the time periods specified in the Securities and Exch Commission's rules and forms, and (b) such information is accumulated and communicated to our manage including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

During the fiscal quarter covered by this report, there was one change in internal control over financial repo (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reaso likely to materially affect, our internal control over financial reporting. On January 2, 2005, Textron enga third-party service provider to assume operational oversight and maintenance of its information techno infrastructure. As of April 2, 2005, there has been no material change in Textron's internal control over fina reporting related to this contract; however, the transfer of operational oversight to the third-party service pro is expected to result in material changes to Textron's internal control over financial reporting related t information technology infrastructure later in 2005. We believe that we have taken appropriate actions to e that effective internal controls over financial reporting will continue to be maintained during the transition pe

PART II. OTHER INFORMATION

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER REPURCHASES OF EQUITY SECURITIES

	Total Number of	Average Price Paid per Share	Total Number of Shares Purchased as	Maximum Number of Shares that May Yet Be

	Shares Purchased	(Excluding Commissions)	Part of Publicly Announced Plan	Purchased Under the Plan
Month 1 (January 2, 2005 - February 5, 2005)	548,500	$70.82	548,500	8,448,000
Month 2 (February 6, 2005 - March 5, 2005)	502,928	$76.65	502,928	7,945,072
Month 3 (March 6, 2005 - April 2, 2005)	620,000	$75.01	620,000	7,325,072
Total	1,671,428	$74.13	1,671,428	

These shares were purchased, or are available, pursuant to a plan that was announced on October 21, 2004 authorizing the repurchase of up to 12 million shares of common stock. The plan has no expiration date.

On March 1, 2005, Textron issued 1,000 shares of its Common Stock to Dain M. Hancock upon his joining Textron's Board of Directors pursuant to Textron's practice of issuing 1,000 shares of its Common Stock to each new non-employee Director. The sale or transfer of these shares is restricted, and the shares were not registered under the Securities Act of 1933 pursuant to the exemption afforded by section 4(2) of that Act for transactions by an issuer not involving any public offering.

Item 5. OTHER INFORMATION

On May 6, 2005, Textron and Lewis B. Campbell amended the terms of Mr. Campbell's Employment Agreement dated July 23, 1998. The intent of this Amendment, which was mutually agreed upon by Mr. Campbell and the Board of Directors, was to limit Mr. Campbell's potential pension payout by eliminating the inclusion of performance share units on a prospective basis and limiting the inclusion of performance share units previously granted. The change is a reflection of Textron's recent results and increasing share price, which, if continued, could have resulted in a payment under Mr. Campbell's annual pension benefit greater than originally envisioned. In exchange for this limit on the upside (which could result in Mr. Campbell forgoing certain benefits under the prior plan), Textron has accelerated Mr. Campbell's full vesting under the pension plan to age 62, and has provided him with a potential one-time performance-based bonus at age 65 if he and Textron satisfy a number of conditions. The Board noted that, under the amended agreement, Mr. Campbell is still strongly incentivized to stay with Textron until age 65. Mr. Campbell currently is 58.

Specifically, the Employment Agreement was amended to both eliminate the inclusion of any performance share units granted after January 1, 2005 from any calculation of Mr. Campbell's benefit from the Supplemental Retirement Plan for Textron Key Executives (the "SERP"), and to limit the inclusion of the performance share units for the 2003-2005 and 2004-2006 cycles to an amount that, on average, will not exceed the amount that would be included if each cycle's payment was based on a specified increase in share price appreciation since the closing share price on December 31, 2004, and financial and discretionary performance components combined to yield an earned performance share unit payout of 80%.

The Amendment also provides for earlier vesting of the SERP benefit. The new vesting schedule is 40% at age 59 and 20% each year thereafter. Prior to this change, the vesting schedule was 50% at age 60 and 10% each year thereafter.

In addition, the Amendment provides that Mr. Campbell is entitled to receive a performance bonus equal to $2,500,000 upon satisfaction of the following: (i) attainment of age 65 or earlier termination as a result of a termination without "cause" or for "good reason" (a "Protected Termination"); (ii) earnings per share growth at a cumulative annual average of a specified percentage between January 1, 2009 and December 31, 2011 (or, in the case of a Protected Termination, through the date of termination if after January 1, 2009, and without any requirement (but subject to pro-ration as described below) if before January 1, 2009); and (iii) if Mr. Campbell's employment terminated as a result of voluntary retirement, the prior designation of a successor Chief Executive Officer. If Mr. Campbell's employment is terminated as a result of his death or disability, Mr. Campbell will receive a pro-rata portion of the bonus equal to the performance bonus based on the number of days employed since May 1, 2005. The bonus is disregarded in determining benefits payable to Mr. Campbell under the SERP or any other retirement plan maintained by Textron.

The Amendment also clarifies certain language to reflect historic interpretations of the provisions so to avoid any future ambiguity and added a provision to make any adjustments necessary to bring the SERP in compliance with the new requirements with regard to deferred compensation under Section 409A of the Internal Revenue Code.

A copy of the Amendment attached hereto as Exhibit 10.3.

Item 6. EXHIBITS

10.1	1999 Long-Term Incentive Plan for Textron Employees (April 26, 2005 Restatement)
10.2	Performance Share Unit Plan for Textron Employees
10.3	Amendment dated May 6, 2005, to Employment Agreement between Textron and Lewis B. Campbell
12.1	Computation of ratio of income to fixed charges of Textron Manufacturing
12.2	Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

SIGNATURES

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

TEXTRON INC.

Date: May 9, 2005

s/R. L. Yates

R. L. Yates
Senior Vice President and Corporate Controller
(principal accounting officer)

LIST OF EXHIBITS

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

Name of Exhibit

10.1	1999 Long-Term Incentive Plan for Textron Employees (April 26, 2005 Restatement)
10.2	Performance Share Unit Plan for Textron Employees
10.3	Amendment dated May 6, 2005, to Employment Agreement between Textron and Lewis B. Campbell
12.1	Computation of ratio of income to fixed charges of Textron Manufacturing
12.2	Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)
32.1	Certification of Chief Executive Officer Pursuant to Rule 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer Pursuant to Rule 18 U.S.C. Section 1350

Exhibit 10.1

Textron Inc.

1999 LONG-TERM INCENTIVE PLAN FOR TEXTRON EMPLOYEES
(April 26, 2005 Restatement)

The 1999 Long-Term Incentive Plan for Textron Employees was adopted by the Board of Directors on February 24, 1999 for the purpose of attracting, retaining, and motivating selected employees. The plan was approved by Textron shareholders on April 28, 1999.

This Restatement incorporates amendments adopted between the adoption of the Plan and the execution date. The Plan is hereby amended and restated to read in its entirety as follows:

Article I - General

1.1 Purpose. This plan authorizes the grant of stock options ("Options"), and restricted stock ("Restricted Stock") to officers and other selected employees of Textron Inc. ("Textron") and its related companies to induce them to continue as Textron employees and to reward them for improvement in Textron's long-term performance.

1.2 Administration . (a) The Board of Directors of Textron (the "Board") shall appoint from among its members a committee (the "Committee") consisting of no fewer than three directors, none of whom shall be eligible, and none of whom shall have been eligible at any time within one year prior to or after exercising discretion in administering the Plan, for any award under the Plan or under any other employee benefit plan of Textron or any related company, and all of whom shall certify that they are "outside directors" as defined by the Code. Unless otherwise specified by the Board, the Committee, for purpose hereof, shall mean the Organization and Compensation Committee of the Board.

(b) The Committee shall have the power subject to and within the limits of the Plan:

(1) to determine from time to time which eligible persons shall be granted Options under the Plan, which Options shall be "Incentive Options" and which shall be "Non-Qualified Options," as each is hereafter defined, the term of each Option within which all or portions of the Option may be exercised and the number of shares covered by each Option; 2) to determine from time to time which eligible persons shall be granted shares of Restricted Stock under the Plan, to fix the number of shares of Restricted Stock covered by each grant and the conditions of the grant;

(3) to construe and interpret the Plan and to establish, amend and revoke rules and regulations for its administration. The Committee, in exercise of this power, shall generally determine all questions of policy and expediency that may arise and may correct any defect, omission or inconsistency in the Plan or in any agreement evidencing an award hereunder in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective;

(4) to prescribe the terms and provisions of any award under an Option or share of Restricted Stock granted pursuant to this Plan;

(5) generally, to exercise such powers and to perform such acts in connection with the Plan as are deemed necessary or expedient to

promote the best interests of Textron.

(c) The Board at any time may designate one or more officers or committees of Textron to act in place of the Committee in making any determination or taking any action under the Plan. The Benefits Committee of Textron shall have the authority to adopt one or more sub-plans of the Plan applicable to employees located in countries other than the United States for the purpose of complying with applicable laws and regulations of such countries. Notwithstanding the above, all decisions concerning the Plan relate to persons who are Directors or Corporate Officers of Textron shall be made by the Committee.

(d) The Board at any time may revest administration of the Plan, including all powers and duties of the Committee, in the Board, provided that in any matter relating to administration of the Plan, a majority of the Board and a majority of the directors acting on such matter shall not be eligible, and shall not have been eligible at any time within one year prior thereto, for a grant under the Plan or under any other employee benefit plan of Textron or any related company. In such all references herein to the Committee shall be deemed to refer to the Board.

(e) All actions of the Board, the Committee or any designate under Section 1.2 in con-nection with the plan shall be final, conclusive and binding. No member of the Board, the Committee or any designated committee, nor any designated officer, shall be liable for any action taken or decision made in good faith relating to the Plan or any grant or award hereunder.

1.3 Eligibility . The Committee may grant options or shares of Restricted Stock under the Plan to any full-time employee of Textron or any related company (determined at the date of grant) who is a corporate, division, segment or sub-sidiary officer, administrative or professional employee, or other selected employee capa-ble of making a substantial contribution to the success of Textron. Options and shares of Restricted Stock may be granted to full-time employees who are also members of the Board. Stock option awards may be granted to non-employee directors. In making grants and determining their form and amount, the Committee shall consider functions and responsibilities of the employee, the employee's potential contributions to profitability and sound growth of Textron and such other factors, as the Committee deems relevant.

1.4 Grants. Grants under the Plan may be comprised of any of the following:

(a) Options as described in Article II; and

(b) Restricted Stock as described in Article III.

1.5 Effective Date of Plan. The Plan shall be submitted to Textron shareholders for ap-proval at the annual meeting on April 28, 1999, or at any adjournment of such meeting, and shall become effective immediately following its approval by the affirmative vote of the holders of a majority of the shares present and entitled to vote at such meeting.

1.6 Aggregate Limitation on Grants. (a) Shares of Common Stock, which may be issued pursuant to grants under the Plan may be either authorized and unissued shares of Com-mon Stock or authorized and issued shares of Common Stock purchased or acquired by Textron for this or any other purpose. Subject to Section 6.9(a) (relating to adjustments upon changes in stock), the maximum number of shares of Common Stock which may be subject to Options under the Plan shall be 17,500,000 and the maximum number of shares of Restricted Stock which may be granted under the Plan shall be 2,000,000.

(b) In the event that (1) any Option granted under the Plan expires unexercised or its ter-minated or cancelled for any reason without having been exercised in full or (2) any grant of Restricted Stock under the Plan are terminated or does not vest for any reason, the number of shares of Common Stock therefore subject to such Option, or grant of Restricted Stock, or the unexercised, terminated or cancelled or unearnable portion thereof, shall be added to the remaining number of shares of Common Stock or Restricted Stock, respectively, available for grant under the Plan.

1.7 Additional Definitions. For purposes of this Plan, the following terms shall have the meaning specified in this Section 1.7:

(a) "Award Period" shall mean the period during which Performance Targets or Performance Measures are to be accomplished.

(b) "Cause" shall mean a degree of less than acceptable performance as is determined by the Committee.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time

(d) "Common Stock" shall mean shares of Textron common stock.

(e) "Corporate Officer" shall mean corporate officers of Textron who are not assistant corporate officers.

(f) "Director" shall mean a member of the Board of Directors of Textron.

(g) "Early Retirement" shall mean the attainment of any of the following requirements: age 55 with 10 years of Vesting

Service, age 60, or 20 years of Vesting Service. For the purposes of this Plan, "Vesting Service" shall have the meaning ascribed to it in Addendum A of the Textron Master Retirement Plan (January 1, 1998 Restatement).

(h) "Fair Market Value" shall mean (except as may be required by Section 422 or any other applicable law) the simple average of the high and low prices of the Common Stock on the New York Stock Exchange Composite Transactions Listing on a particular date.

(i) "Incentive Options" shall mean Options, which are incentive stock options under section 422 of the Code.

(j) "Non-Qualified Options" shall mean Options which are not Incentive Options.

(k) "Options" shall mean options to purchase shares of Common Stock, which are granted pursuant to this Plan.

(l) "Performance-Based Exception" shall mean the performance-based exception from the tax deductibility limitations of Code section 162(m).

(m) "Performance Targets" shall mean the performance standards described in Article V of this Plan.

(n) "Period of Restriction" shall mean the period during which the transfer of shares of Restricted Stock (RS) is limited in some way (based upon the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Board, at its discretion), and during which the shares of Restricted Stock are subject to a substantial risk forfeiture, as provided in Article IV herein. Restricted Stock Awards (RSA) without any other performance-based qualification criteria other than the passage of time must have a minimum period of restriction of three (3) years.

(o) "Plan" shall mean the 1999 Long-Term Incentive Plan for Textron Employees.

(p) "Restricted Stock" shall mean an award of Common Stock granted under Article III of the Plan.

(q) "Total Disability" shall mean a permanent mental or physical disability as determined by the Committee.

Article II - Options

2.1 Grant of Options. The Committee may from time to time, subject to the provisions of the Plan and such other terms and conditions as it may prescribe, grant to eligible employees one or more Options to purchase shares of Common Stock under the Plan. A maximum of 150,000 Options can be granted to any eligible employee during any calendar year, in each case subject to adjustments provided in Section 6.9 of this Plan. Options granted hereunder may be Incentive Options under Section 422 of the Code (Section 422). Options granted hereunder which are not Incentive Options are referred to as "Non-Qualified Options."

2.2 Option Agreements. The grant of an Option shall be evidenced by a written Option Agreement, executed by Textron and the optionee, stating the number of shares of Common Stock subject to the Option, designating whether and to what extent the Option is an Incentive Option and containing such investment representations and other terms and conditions as the Committee may from time to time determine, or as may be required by Section 422 or any other applicable law.

2.3 Option Price. The purchase price for the Common Stock covered by any Option granted under the Plan shall in no case be less than 100% of the Fair Market Value of such Common Stock at the time the Option is granted. The purchase price of the shares as to which an Option shall be exercised shall be paid in full at the time of exercise at the election of the optionee (1) in cash, (2) by tendering to Textron Shares of Common Stock then owned by the optionee having a Fair Market Value equal to such purchase price, or (3) partly cash and partly in shares of Common Stock valued at Fair Market Value. The Committee may also allow cashless exercise as permitted under the Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

2.4 Term of Option . The term of each Option granted under the Plan shall be for such period, as the Committee shall determine but no more than 10 years from the date of grant thereof, for both Incentive Options and Non-Qualified Options. Each Option shall be subject to earlier termination as provided in Section 2.6 or 2.7, if applicable.

2.5 Exercise of Option . Each Option granted under the Plan shall be exercisable on such date or dates during the term thereof and for such number of shares of Common Stock as may be provided in the Option Agreement evidencing its grant provided that an Option shall not be exercisable for less than 50 shares (or the remaining number of shares subject to the Option if that number is less than 50). No option shall be exercisable for at least six months after the date of its issuance, except as otherwise provided in this Plan. To exercise an Option as to all or part of the shares covered thereby, an optionee shall furnish to the Secretary of Textron at Textron's principal office written notice of such exercise together with the purchase price for the shares. The notice shall specify the number of shares then being purchased. In the discretion of the Committee, the Option Agreement may provide that shares may be issued in the name of the optionee and another person jointly with rights of survivorship. During the life of an optionee, an Option shall be exercisable only by the optionee or by the optionee's guardian or legal representative.

2.6 Termination of Employment. (a) If an optionee's employment with Textron or a related company shall terminate for Cause, as determined by the Committee, all Options held by the optionee shall expire immediately.

(b) If the employment with Textron and its related companies of an optionee who is not described in Section 2.6(a) shall end after the optionee has become eligible for Early Retirement, the optionee shall have the right to exercise each Option granted to the optionee within 36 months after the end of the optionee's employment (or within such shorter period as may be specified in the related Option Agreement) to the extent the Option is exercisable at the time of exercise.

(c) If an optionee's employment with Textron and its related companies shall end as a result of the optionee's Total Disability, the optionee shall have the right to exercise each Option granted to the optionee as to all unexercised shares until the expiration of its term.

(d) If an optionee shall die while employed by Textron or a related company or while any option granted to the optionee is still exercisable under section 2.6(b), (c) or (e), any such Option may be exercised as to all unexercised shares within a period of one year from the date of the optionee's death by the executor or administrator of the optionee's estate or by the person or persons whom the optionee shall have transferred such right by will or by the laws of descent or distribution.

(e) If an optionee's employment with Textron and its related companies shall end for any reason not specified in Sections 2.6(a), (b) or (d), the optionee shall have the right to exercise each Option granted to the optionee within three months after his or her termination of employment (or within such later time, up to 36 months after his or her termination of employment, as the Committee may determine) but, unless otherwise determined by the Committee, only to the extent the Option is exercisable at the time of such termination of employment.

(f) Notwithstanding anything in the contrary in this Section 2.6, in no event shall an Option be exercisable after the expiration of its term.

2.7 Incentive Options. (a) Incentive Options shall be subject to the additional terms and conditions of this Section 2.7.

(b) No Incentive Option shall be issued hereunder to any individual who, at the time the Incentive Option is granted, owns stock processing more than ten percent of the total combined voting power of all classes of stock of Textron or any related company.

(c) To the extent that the aggregate fair Market Value (determined as of the time the Incentive Option is granted) of the Common Stock with respect to which any Incentive Stock Options granted are exercisable for the first time by an optionee during any calendar year (under all employee benefit plans of Textron and its related companies) exceeds $100,000 (or such larger maximum as may be permitted under the Code for Incentive Stock Options granted to an individual employee at the time the Incentive Option is granted), such options shall be treated as Non-Qualified Options.

(d) Any optionee who disposes of shares of Common Stock acquired by or pursuant to exercise of an Incentive Option by sale, exchange, gift or other disposition described in Section 424 (c) of the Code, either (1) within two years after the date of the grant of the Incentive Option under which the shares were acquired, or (2) within one year of the acquisition of such shares, shall notify the Secretary of Textron at Textron's principal office of such disposition, the amount realized, the exercise price and the date of exercise of such shares. Textron shall have the right to withhold from other sums which it may owe to the optionee, or to accept remittance by the optionee of the sums in lieu of, an amount sufficient to satisfy any federal, state and local withholding tax requirements to such a disposition.

(e) The Option Agreement with respect to Incentive Options shall contain such other provisions as may be required by Section 422 or any other applicable law.

Article III - Restricted Stock

3.1 Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to eligible employees in such amounts, as the Board shall determine. A maximum of 200,000 shares of Restricted Stock may be granted to any eligible employee in any one calendar year, in each case subject to adjustment as provided in Section 6.9 of this Plan.

3.2 Restricted Stock Agreement. Each Restricted Stock grant shall be evidenced by a Restricted Stock Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock granted, and such other provisions as the Committee shall determine.

3.3 Transferability. Except as provided in this Article III, the Shares of Restricted Stock granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee in its sole discretion and set forth in the Restricted Stock Award Agreement. All rights with respect to the Restricted Stock granted to an eligible employee under the Plan shall be available during his or her lifetime only to such eligible employee.

3.4 Other Restrictions. The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable including, without limitation, continued employment with Textron, a requirement that eligible employees pay a stipulated purchase price for each Share of Restricted Stock, restrictions based upon the achievement of specific performance goals (company-wide, divisional, and/or individual), time-based restrictions on vesting following the attainment of performance goals, and/or restrictions under applicable federal or state securities laws. With respect to awards of Restricted Stock based on Performance targets, the Committee will establish Performance targets in accordance with the standards set forth in Article IV of this Plan.

Textron may retain the certificates representing Shares of Restricted Stock in its possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied.

Except as otherwise provided in this Article III or pursuant to Section 6.2 of the Plan, or as restricted by applicable law, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the eligible employee after the last day of the applicable Period of Restriction.

3.5 Voting Rights. Eligible employees holding Shares of Restricted Stock granted hereunder may be granted the right to exercise full voting rights with respect to those Shares during the Period of Restriction.

3.6 Dividends and Other Distributions. During the Period of Restriction, eligible employees holding Shares of Restricted Stock granted hereunder may be credited with regular cash dividends paid with respect to the underlying Shares while they are so held. The Committee may apply any restrictions to the dividends that the Committee deems appropriate. Without limiting the generality of the preceding sentence, if the grant or vesting of Restricted Shares granted to an eligible employee is designated to comply with requirements of the Performance-Based Exception, the Committee may apply any restrictions it deems appropriate to the payment of dividends declared with respect to such Restricted Shares, such that the dividends and/or the Restricted Shares maintain eligibility for the Performance-Based Exception.

3.7 Termination of Employment/Directorship. Each Restricted Stock Award Agreement shall set forth the extent to which the eligible employee shall have the right to receive un-vested Restricted Stock following termination of the eligible employee's employment or directorship with Textron. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each eligible employee, need not be uniform among all Shares of Restricted Stock issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination; provided, however that, except in the cases of terminations connected with a Change in Control and terminations by reason or death or Total Disability, and certain terminations without Cause, the vesting of shares of Restricted Stock which qualify for the Performance-Based Exception and which are held by eligible employees shall occur at the time they otherwise would have, but for the termination.

3.8 Exchange of Restricted Stock Units. In 2003, the Board granted restricted stock units which are payable only in cash to Textron's executive and certain other officers. Authorization has been given for the exchange of those previously granted restricted stock units for shares of Restricted Stock.

Article IV - Performance-Based Exception

Unless and until the Committee proposes for shareholders to vote and shareholders approve a change in the general Performance Targets set forth in this Article IV, the attainment of which may determine the degree of payout and/or vesting with respect to awards to eligible employees which are designed to qualify for the Performance-Based Exception (such as Restricted Stock under Article III of this Plan if the Committee so determines), the Performance Targets to be used for purposes of such grants shall be chosen from among:

(a) Textron's earnings per share;

(b) Net operating profit;

(c) After-tax profit;

(d) Return on equity;

(e) Return on invested capital;

(f) Economic profit;

(g) Margins;

(h) Cash flow; and

(i) Shareholder value.

The Committee shall have the discretion to adjust the determinations of the degree of attainment of the pre-established Performance Targets; provided, however, that awards which are designed to qualify for the Performance-Based Exception, and which are held by eligible employees, may not be adjusted upward (the Committee shall retain the discretion to adjust such awards downward).

In the event that applicable tax and/or securities laws change to permit Committee dis-cretion to alter the governing Performance Targets without obtaining shareholder approv-al of such changes, the Committee shall have sole discretion to make such changes with-out obtaining shareholder approval. In addition, in the event that the Committee deter-mines that it is advisable to grant awards, which shall not qualify for the Performance-Based Exception, the Committee may make such grants without satisfying the requirements of Code Section 162(m).

Article V - Beneficiaries

5.1 A Participant may designate one or more Beneficiaries to receive Plan benefits payable on the Participant's account after his or her death. A Beneficiary may designate one or more Beneficiaries to receive any unpaid Plan benefits to the extent this designation does not contravene any designation filed by the deceased Participant through whom the Beneficiary himself or herself claims under this Plan. Beneficiaries shall be designated only upon forms made available by or satisfactory to the Benefits Committee or its designee, and filed by the Participant or Beneficiary with that committee or designee.

5.2 At any time prior to his or her death, a Participant or Beneficiary may change his own designation of Beneficiary by filing a substitute designation of Beneficiary with the Benefits Committee or its designee.

5.3 In the absence of an effective designation of Beneficiary, or if all persons so designated shall have predeceased the Participant or shall have died before the complete distribution of Plan benefits, the balance of Plan benefits shall be paid to the Participant's surviving spouse or, if none, to the Participant's issue per stirpes or, if no issue, to the executor or administrator of the Participant's or Beneficiary's estate, or as otherwise determined by the Benefits Committee in its sole discretion.

5.4 If a Participant's Compensation or a Plan benefit is community property, any designation of Beneficiary shall be valid or effective only as permitted under applicable law.

5.5 If a Plan benefit is payable to a minor or person declared incompetent or to a person incapable of handling the disposition of his property, the Benefits Committee may direct Textron to pay such Plan benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Benefits Committee may require proof of incompetency, minority, incapacity or guardianship as it deems appropriate prior to distribution of the Plan benefit. Such distribution shall completely discharge the Benefits Committee and any Textron Company from all liability with respect to such benefit.

Article VI - Miscellaneous

6.1 General Restriction. Each grant or award under the Plan shall be subject to the re-quirement that, if at any time the Committee shall determine that any listing or registrat-ion of the shares of Common Stock or any consent or approval of any governmental body, or any other agreement or consent, is necessary or desirable as a condition of a grant, an award or issuance of Common Stock or cash in satisfaction thereof, such grant or award may not be consummated unless each such requirement is satisfied in a manner acceptable to the Committee.

6.2 Restrictions on Share Transferability . The Committee may impose such restrictions on any shares of Common Stock acquired pursuant to this Plan as it may seem advisable, including, without limitation, restrictions under federal securities laws, under the require-ments of any stock exchange or market upon which such shares are then listed or traded, and under any blue sky or state securities laws applicable to such shares.

6.3 Non-Assignability. No award under the Plan shall be assignable or transferable by the recipient thereof, except by will or by laws of descent and distribution.

6.4 Withholding Taxes. Whenever Textron proposes to or is required to issue or transfer shares of Common Stock under the Plan, Textron shall have the right to withhold or to require the participant to remit to Textron an amount sufficient to satisfy any federal, state and local withholding tax requirements. A participant may elect to use company shares to satisfy tax withholding obligations on the exercise of non-qualified options and the vesting of restricted stock to meet the minimum statutory tax withholding requirements. Whenever under the Plan payments by Textron are to be made in cash, such payments shall be net of an amount sufficient to satisfy any federal, state and local withholding tax requirements.

6.5 No Right to Employment. Nothing in the Plan or in any agreement entered into pursuant to it shall confer upon any participant the right to continue in the employment of Textron or a related company or affect any right which Textron or a related company may have to terminate the employment of such participant.

6.6 Non-Uniform Determination. The determinations under the Plan of the Committee or of any designate (including without limitation its determinations of the persons to receive grants or awards, the form, amount, timing and payment of such grants or awards, the terms and provisions of such grants or awards, and the establishment of Performance Measures or Performance Targets) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated.

6.7 No Rights as Shareholders. Recipients of grants or awards under the Plan shall have no rights as shareholders of Textron unless and until certificates for shares of Common Stock are issued to them, except for such voting rights and dividend rights as may be provided for in a Restricted Stock award agreement.

6.8 Related Company. As used in the Plan, "related company" means any corporation in which Textron at the time in question owns, directly or indirectly, stock processing 50 percent or more of the total combined voting power of all classes of stock and any corp-oration which at the time in question owns, directly or indirectly, a similar interest in Textron.

6.9 Adjustments for Certain Changes. (a) The aggregate number of shares of Common Stock and of Restricted Stock available for grant under the Plan, the number of shares of Common Stock covered by each outstanding Option or award of Restricted Stock and the price per share thereof, and the maximum number of Options or shares of Restricted Stock that can be awarded to any eligible employee shall all be proportionately adjusted for an increase or decrease in the number of issued shares of Common Stock resulting from a stock split, stock dividend or any other increase or decrease in such shares effective without receipt of consideration by Textron.

(b) The Committee may, in its discretion and for purposes of determining whether Per-formance Measures or Performance Targets have been met, equitably restate Textron's earnings per share, net operating profit, return on equity or any other standard utilized in establishing the Performance Measures or Performance Targets in order to take into ac-count the effect, if any, of (1) acquisitions or dispositions of businesses by Textron, (2) extraordinary and non-recurring events, (3) a change in capitalization described in Section 6.9 (a), or (4) any change in accounting practices, tax laws or other laws or regulations that, in the opinion of the Committee, significantly affects the financial performance of Textron.

6.10 Change in Control. (a) Not withstanding any other provision of this Plan, in the event of a change in control as defined in Section 6.10(b):

(1) each unexpired Option shall be exercisable, beginning immediately, as to all re-maining shares subject to the Option and

(2) each share of Restricted Stock subject to an outstanding grant shall become imme-diately vested and all restrictions on transferability (except those as shall be imposed by applicable law) shall be removed.

(b) For purposes of this Plan, a "Change in Control" shall occur if (i) any "person" or "group" (within the meaning of Sections 13 (d) and 14 (d)(2) of the Securities Exchange Act of 1934, as amended (the "Act")) other than Textron, any "person" who on April 27, 1994 was a director or officer of Textron, any trustee or other fiduciary holding Common Stock under an employee benefit plan of Textron, or related company, or any corporation which is owned, directly or indirectly, by the stockholders of Textron in substantially the same proportions as their ownership of Common Stock, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act) of more than thirty percent (30%) of the then outstanding voting stock of Textron, or (ii) during any period of two consecutive years, individuals who are at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof, or (iii) the shareholders of Textron approve a merger or consolidation which would result in the voting securities of Textron outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of Textron or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the shareholders of Textron approve a plan of complete liquidation of Textron or an agreement for the sale or disposition by Textron of all or substantially all of Textron's assets.

6.11 Amendment or Termination of the Plan. The Board, without further approval of the shareholders, may at any time terminate the Plan or any part thereof and may from time to time amend the Plan as it may deem advisable including with respect to Incentive Options any changes deemed necessary or desirable to comply with Section 422 and any regulations thereunder; provided, however, that without shareholder approval, the Board may not (a) increase the aggregate number of shares of Common Stock which may be is-sued under the Plan (other than increases permitted under section 6.9(a)) or (b) extend the period during which an Incentive Option may be exercised beyond ten years. Termination or amendment of the Plan shall not, without the consent of the individual, affect any right of such individual (including without limitation any right under Section 6.10) under an award previously granted.

6.12 Compliance with Code section 162(m). At all times when Code section 162(m) is applicable, all awards under this Plan shall comply with the requirements of Code section 162(m); provided, however, that in the event the Committee determines that such compliance is not desired with respect to any award or grant under the Plan, then compliance with Code section 162(m) shall not be required. In addition, in the event that changes are made to section 162(m) to permit greater flexibility with respect to awards or grants available under the plan, the Committee may, subject to this Article VI, make adjustments it deems appropriate.

Exhibit 10.2

Textron Inc.

PERFORMANCE SHARE UNIT PLAN FOR TEXTRON EMPLOYEES
(April 26, 2005)

The 1999 Long-Term Incentive Plan for Textron Employees ("1999 LTIP"), when it was approved by shareholders in 1999, contained provisions relating to Performance Share Units ("PSUs"). In 2004, shareholders approved a proposal that removed PSUs from the 1999 LTIP since PSUs are cash-based rather than share-based compensation. As a result of the proposal, the terms that had governed PSUs did not change; rather, these terms were merely separated from the terms that remained a part of the 1999 LTIP. The Performance Share Unit Plan for Textron Employees formalizes this separation of terms and provisions.

The Plan is stated as follows:

Article I - General

1.1 Purpose. This plan authorizes the grant of Performance Share Units to officers and other selected employees of Textron Inc. ("Textron") and its related companies to induce them to continue as Textron employees and to reward them for improvement in Textron's long-term performance.

1.2 Administration . (a) The Board of Directors of Textron (the "Board") shall appoint from among its members a committee (the "Committee") consisting of no fewer than three directors, none of whom shall be eligible, and none of whom shall have been eligible at any time within one year prior to or after exercising discretion in administering the Plan, for any award under the Plan or under any other employee benefit plan of Textron or any related company, and all of whom shall certify that they are "outside directors" as defined by the Code. Unless otherwise specified by the Board, the Committee, for purpose hereof, shall mean the Organization and Compensation Committee of the Board.

(b) The Committee shall have the power subject to and within the limits of the Plan:

(1) to determine from time to time which eligible persons shall be granted Performance Share Units under the Plan, to fix the number of Performance Share Units covered by each grant and conditions of each grant;

(2) to construe and interpret the Plan and to establish, amend and revoke rules and regulations for its administration. The Committee, in exercise of this power, shall generally determine all questions of policy and expediency that may arise and may correct any defect, omission or inconsistency in the Plan or in any agreement evidencing an award hereunder in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective;

(3) to prescribe the terms and provisions of any Performance Share Units granted under the Plan;

(4) generally, to exercise such powers and to perform such acts in connection with the Plan as are deemed necessary or expedient to promote the best interests of Textron.

(c) The Board at any time may designate one or more officers or committees of Textron to act in place of the Committee in making any determination or taking any action under the Plan. The Benefits Committee of Textron shall have the authority to adopt one or more sub-plans of the Plan applicable to employees located in countries other than the United States for the purpose of complying with applicable laws and regulations of such countries. Notwithstanding the above, all decisions concerning the Plan relate to persons who are Directors or Corporate Officers of Textron shall be made by the Committee.

(d) The Board at any time may revest administration of the Plan, including all powers and duties of the Committee, in the Board, provided that in any matter relating to administration of the Plan, a majority of the Board and a majority of the directors acting on such matter shall not be eligible, and shall not have been eligible at any time within one year prior thereto, for a grant under the Plan or under any other employee benefit plan of Textron or any related company. In such all references herein to the Committee shall be deemed to refer to the Board.

(e) All actions of the Board, the Committee or any designate under Section 1.2 in con-nection with the plan shall be final, conclusive and binding. No member of the Board, the Committee or any designated committee, nor any designated officer, shall be liable for any action taken or decision made in good faith relating to the Plan or any grant or award hereunder.

1.3 Eligibility . The Committee may grant Performance Share Units under the Plan to any full-time employee of Textron or any related company (determined at the date of grant) who is a corporate, division, segment or subsidiary officer, administrative or professional employee, or other selected employee capable of making a substantial contribution to the success of Textron. Performance Share Units may be granted to full-time employees who are also members of the Board. In making grants and determining their form and amount, the Committee shall consider functions and responsibilities of the employee, the employee's potential contributions to profitability and sound growth of Textron and such other factors, as the Committee deems relevant.

1.4 Grants. Grants under the Plan may be comprised of Performance Share Units as described in Article II.

1.5 Additional Definitions. For purposes of this Plan, the following terms shall have the meaning specified in this Section 1.5:

(a) "Award Period" shall mean the period during which Performance Targets or Performance Measures are to be accomplished.

(b) "Cause" shall mean a degree of less than acceptable performance as is determined by the Committee.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(d) "Common Stock" shall mean shares of Textron common stock.

(e) "Current Value" of a share of Common Stock on any date shall mean the average of the composite closing prices for Textron common stock, as reported in *The Wall Street Journal* , for ten trading days next following that date.

(f) "Corporate Officer" shall mean corporate officers of Textron who are not assistant corporate officers.

(g) "Director" shall mean a member of the Board of Directors of Textron.

(h) "Early Retirement" shall mean the attainment of any of the following requirements: age 55 with 10 years of Vesting Service, age 60, or 20 years of Vesting Service. For the purposes of this Plan, "Vesting Service" shall have the meaning ascribed to it in Addendum A of the Textron Master Retirement Plan (January 1, 1998 Restatement).

(i) "Performance-Based Exception" shall mean the performance-based exception from the tax deductibility limitations of Code section 162(m).

(j) "Performance Measures" shall mean the performance standards described in Section 2.4 of this Plan.

(k) "Performance Share Units" shall mean fictional shares of Common Stock accumulated and accounted for under this Plan for the sole purpose of determining the cash amount of any distribution on account of awards earned pursuant to Article III of this Plan.

(l) "Performance Targets" shall mean the performance standards described in Article III of this Plan

(m) "Plan" shall mean the 2004 Performance Share Units Plan for Textron Employees.

(n) "Total Disability" shall mean a permanent mental or physical disability as determined by the Committee.

Article II - Performance Share Units

2.1 Award of Performance Share Units. (a) The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, grant to eligible employees one or more Performance Share Unit. Such grants shall be evidenced in writing.

(b) The existence of the Performance Share Units is for record keeping purposes only and does not require any segregation of assets.

2.2 Conditions of Grant. When a grant of Performance Share Units is made, the Committee shall determine: (1) the number of Performance Share Units included in this grant; (2) the Performance Targets or Performance Measures as described further in Section 2.4; and (3) the Award Period during which the Performance Targets or Performance Measurements are to be accomplished **.**

2.3 Payment for Performance Share Units . Payment in respect of earned Performance Share Units shall be due not more than 90 days after the Award Period for such Performance Share Units has ended. Such payment shall be in the amount determined under Section 2.6, or in a greater amount pursuant to the last two sentences of Section 2.4, and shall be made in one or more equal annual installments subject to such terms and conditions as the Committee shall specify. Payments for Performance Share Units shall be made in cash.

2.4 Performance Measures and Performance Targets . Upon making a grant of Performance Share Units, the Committee shall establish the applicable Performance Measures or Performance Targets to be attained for the Award Period as a Condition of the related Performance Shares being earned in whole or part. Performance Targets shall be established only in terms of the standards set forth in Article V of this Plan. Attainment of a primary Performance Target in an Award Period shall result in the earning of all of the Performance Share Units related to that Performance Target. For Corporate Officers only, Awards may not exceed 100% of the value of Performance Share Units related to the applicable Performance Targets. Failure to attain a minimum Performance Target in an Award Period shall result in the failure to earn any of the Performance Share Units related to that Performance Target. Attainment between a primary and minimum Performance target in an Award Period shall result in the earning of a portion of the Performance Share Units related to those Performance Targets, determined by a pre-established mathematical formula which shall be determined by the Committee. The Committee may determine an award less than that determined by the formula, but may not, however, determine an award more than that derived by the formula. Performance Measures may be expressed in terms of any standard, financial or otherwise, as the Committee may determine. Performance Share Units related to one or more Performance Measures shall be earned only as determined by the Committee and may not exceed 100% of the value of such Performance Share Units.

In addition to the above targets, stretch targets related to return on invested capital will be established. Such targets will provide the participants with the opportunity to earn up to an additional 30% of the value of the performance share units. Performance share units related to one or more performance measures shall be earned only as determined by the committee and may not exceed more than 130% of the value of such units.

2.5 Termination of Employment. (a) If a grantee's employment with Textron or related company shall terminate for Cause, as determined by the Committee, all of the grantee's outstanding performance Share Units will be cancelled immediately.

(b) If the employment with Textron and its related companies of the grantee who is not described in Section 2.5(a) shall end during an Award Period but more than one year after its beginning:

(1) due to death or Total Disability, or after the guarantee has become eligible for Early retirement, the grantee or the grantee's successor in interest shall be entitled to payment on account of the Performance Share Units earned during that Award Period, if any, on a pro rata basis, or

(2) otherwise than as described in Section 2.5(b)(1), the grantee or the grantee's successor in interest shall be entitled to payment on account of the Performance Share Units earned during that Award Period on a pro rata basis only as determined by the Committee.

(c) If a grantee's employment with Textron and its related companies shall end during an Award Period but one year or less after its beginning, all of the grantee's Performance Share Units relating to that Award Period shall be cancelled.

2.6 Amount of Payment for Share Units. Any payment with respect to earned Perform-ance Share Units shall be made in cash and shall be in an amount equal to the product of (1) the Current Value of Textron Common Stock on the date on which they are deemed earned, times (2) the number of whole and fractional Performance Share Units which have been earned. For purposes of this Plan, earned Performance Share Units shall be deemed earned as of the last day of the applicable Award Period unless the Committee determines otherwise.

Article III - Performance-Based Exception

Unless and until the Committee proposes for shareholders to vote and shareholders approve a change in the general Performance Targets set forth in this Article III, the attainment of which may determine the degree of payout and/or vesting with respect to awards to eligible employees which are designed to qualify for the Performance-Based Exception of the Performance Share Units under Article II of this Plan, and, if the Performance Targets to be used for purposes of such grants shall be chosen from among:

(a) Textron's earnings per share;

(b) Net operating profit;

(c) After-tax profit;

(d) Return on equity;

(e) Return on invested capital;

(f) Economic profit;

(g) Margins;

(h) Cash flow; and

(i) Shareholder value.

The Committee shall have the discretion to adjust the determinations of the degree of attainment of the pre-established Performance Targets; provided, however, that awards which are designed to qualify for the Performance-Based Exception, and which are held by eligible employees, may not be adjusted upward (the Committee shall retain the discretion to adjust such awards downward).

In the event that applicable tax and/or securities laws change to permit Committee dis-cretion to alter the governing Performance Targets without obtaining shareholder approv-al of such changes, the Committee shall have sole discretion to make such changes with-out obtaining shareholder approval. In addition, in the event that the Committee deter-mines that it is advisable to grant awards, which shall not qualify for the Performance-Based Exception, the Committee may make such grants without satisfying the requirements of Code Section 162(m).

Article IV - Beneficiaries

4.1 A Participant may designate one or more Beneficiaries to receive Plan benefits payable on the Participant's account after his or her death. A Beneficiary may designate one or more Beneficiaries to receive any unpaid Plan benefits to the extent this designation does not contravene any designation filed by the deceased Participant through whom the Beneficiary himself or herself claims under this Plan. Beneficiaries shall be designated only upon forms made available by or satisfactory to the Benefits Committee or its designee, and filed by the Participant or Beneficiary with that committee or designee.

4.2 At any time prior to his or her death, a Participant or Beneficiary may change his own designation of Beneficiary by filing a substitute designation of Beneficiary with the Benefits Committee or its designee.

4.3 In the absence of an effective designation of Beneficiary, or if all persons so designated shall have predeceased the Participant or shall have died before the complete distribution of Plan benefits, the balance of Plan benefits shall be paid to the Participant's surviving spouse or, if none, to the Participant's issue per stirpes or, if no issue, to the executor or administrator of the Participant's or Beneficiary's estate, or as otherwise determined by the Benefits Committee in its sole discretion.

4.4 If a Participant's Compensation or a Plan benefit is community property, any designation of Beneficiary shall be valid or effective only as permitted under applicable law.

4.5 If a Plan benefit is payable to a minor or person declared incompetent or to a person incapable of handling the disposition of his property, the Benefits Committee may direct Textron to pay such Plan benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Benefits Committee may require proof of incompetency, minority, incapacity or guardianship as it deems appropriate prior to distribution of the Plan benefit. Such distribution shall completely discharge the Benefits Committee and any Textron Company from all liability with respect to such benefit.

Article V - Miscellaneous

5.1 General Restriction. Each grant or award under the Plan shall be subject to the re-quirement that, if at any time the Committee shall determine that any listing or registrat-ion of the shares of Common Stock or any consent or approval of any governmental body, or any other agreement or consent, is necessary or desirable as a condition of a grant, an award or issuance of Common Stock or cash in satisfaction thereof, such grant or award may not be consummated unless each such requirement is satisfied in a manner acceptable to the Committee.

5.2 Restrictions on Share Transferability . The Committee may impose such restrictions on any shares of Common Stock acquired pursuant to this Plan as it may seem advisable, including, without limitation, restrictions under federal securities laws, under the require-ments of any stock exchange or market upon which such shares are then listed or traded, and under any blue sky or state securities laws applicable to such shares.

5.3 Non-Assignability. No award under the Plan shall be assignable or transferable by the recipient thereof, except by will or by laws of descent and distribution.

5.4 Withholding Taxes. Whenever payments by Textron are to be made in cash, such payments shall be net of an amount sufficient to satisfy any federal, state and local withholding tax requirements.

5.5 No Right to Employment. Nothing in the Plan or in any agreement entered into pursuant to it shall confer upon any participant the right to continue in the employment of Textron or a related company or affect any right which Textron or a related company may have to terminate the employment of such participant.

5.6 Non-Uniform Determination. The determinations under the Plan of the Committee or of any designate (including without limitation its determinations of the persons to receive grants or awards, the form, amount, timing and payment of such grants or awards, the terms and provisions of such grants or awards, and the establishment of Performance Measures or Performance Targets) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated.

5.7 Related Company. As used in the Plan, "related company" means any corporation in which Textron at the time in question owns, directly or indirectly, stock processing 50 percent or more of the total combined voting power of all classes of stock and any corp-oration which at the time in question owns, directly or indirectly, a similar interest in Textron.

5.8 Adjustments for Certain Changes. (a) The aggregate number of Performance Share Units granted under this Plan shall all be proportionately adjusted for an increase or decrease resulting from a stock split.

(b) The Committee may, in its discretion and for purposes of determining whether Per-formance Measures or Performance Targets have been met, equitably restate Textron's earnings per share, net operating profit, return on equity or any other standard utilized in establishing the Performance Measures or Performance Targets in order to take into ac-count the effect, if any, of (1) acquisitions or dispositions of businesses by Textron, (2) extraordinary and non-recurring events, (3) a change in capitalization described in Section 5.9 (a), or (4) any change in accounting practices, tax laws or other laws or regulations that, in the opinion of the Committee, significantly affects the financial performance of Textron.

5.9 Change in Control. (a) Not withstanding any other provision of this Plan, in the event of a change in control as defined in Section 5.9(b):

(1) the Award Period for each outstanding Performance Share Unit shall end, and each such unit shall be deemed to have been earned, as of the end of the Award Period and shall be payable immediately and in full; and

(b) For purposes of this Plan, a "Change in Control" shall occur if (i) any "person" or "group" (within the meaning of Sections 13 (d) and 14 (d)(2) of the Securities Exchange Act of 1934, as amended (the "Act")) other than Textron, any "person" who on April 27, 1994 was a director or officer of Textron, any trustee or other fiduciary holding Common Stock under an employee benefit plan of Textron, or related company, or any corporation which is owned, directly or indirectly, by the stockholders of Textron in substantially the same proportions as their ownership of Common Stock, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act) of more than thirty percent (30%) of the then outstanding voting stock of Textron, or (ii) during any period of two consecutive years, individuals who are at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof, or (iii) the shareholders of Textron approve a merger or consolidation which would result in the voting securities of Textron outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of Textron or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the shareholders of Textron approve a plan of complete liquidation of Textron or an agreement for the sale or disposition by Textron of all or substantially all of Textron's assets.

5.10 Amendment or Termination of the Plan. The Board, without further approval of the shareholders, may at any time terminate the Plan or any part thereof and may from time to time amend the Plan as it may deem advisable.

5.11 Compliance with Code section 162(m). At all times when Code section 162(m) is applicable, all awards under this Plan shall comply with the requirements of Code section 162(m); provided, however, that in the event the Committee determines that such compliance is not desired with respect to any award or grant under the Plan, then compliance with Code section 162(m) shall not be required. In addition, in the event that changes are made to section 162(m) to permit greater flexibility with respect to awards or grants available under the plan, the Committee may, subject to this Article V, make adjustments it deems appropriate.

Exhibit 10.3

FIRST AMENDMENT entered into as of the 6th day of May, 2005 to the employment agreement entered into as of July 23, 1998 (the "Employment Agreement") by and between Textron Inc., a Delaware corporation, with its principal office at 40 Westminster Street, Providence, Rhode Island 02903 (the "Company") and Lewis B. Campbell (the "Executive").

WITNESSETH:

WHEREAS , the Company and Executive have previously entered into the Employment Agreement; and

WHEREAS , the Company and Executive desire to amend the Employment Agreement.

NOW, THEREFORE , the parties hereto agree as follows:

I. Section 3.4 of the Employment Agreement is amended by adding the following paragraphs at the end thereof:

For purposes of determining the Executive's benefit under the SERP, the definition of "Compensation" under Section 1.04 of the SERP shall be revised as follows: (i) performance share units granted to the Executive after January 1, 2005 shall not be included in determining "Compensation"; and (ii) the amount of performance share units includible in "Compensation" attributable to performance share units accrued for the 2003-2005 and 2004-2006 performance cycles shall not, on average, exceed the amount that would be included if each cycle's payment was based on a share price appreciation of 10% since the closing share price on December 31, 2004 of $73.80 and financial and discretionary performance components combined to yield an earned performance share unit payout of 80%.

In addition, in lieu of the schedule provided in Section 2.03 of the SERP, the Executive's benefits under the SERP shall be based on the Executive's age in accordance with the following schedule:

Age at Retirement	Percent of Benefit
62 or above	100%
61	80%
60	60%
59	40%

Notwithstanding anything contained in this Agreement or in the SERP to the contrary, to, and only to, the extent required by Section 409A of the Code, in no event shall benefit payments to the Executive under the SERP commence before the date which is six (6) months after the date of the Executive's separation from service (or, if earlier, the date of death of the Executive).

II. Section 3 of the Employment Agreement is amended by adding the following new Section 3.9 at the end thereof:

3.9 Performance Bonus. The Company shall pay the Executive a lump sum cash payment equal to $2,500,000 (the "Performance Bonus") within ten (10) days after satisfaction of the following: (i) the Executive's attainment of age sixty five (65) or his earlier termination as a result of a termination by the Company without Cause or by the Executive for Good Reason (a "Protected Termination"); (ii) earnings per share growth of the Company at a cumulative annual average of at least 10% over the three (3) year period commencing January 1, 2009 and ending December 31, 2011, as reported in the Company's audited financial statements (or, in the case of a Protected Termination, through the date of termination if after January 1, 2009, and without any requirement (but subject to pro-ration in accordance with the next paragraph as if the Executive's date of termination was his date of death) if before January 1, 2009); and (iii) if the Executive's employment terminated as a result of the Executive's voluntary retirement (other than for Good Reason), the prior designation of a successor Chief Executive Officer.

If the Executive's employment is terminated as a result of his death or Disability, within ten (10) days after such termination the Company shall pay the Executive a lump sum cash payment equal to the Performance Bonus multiplied by a fraction, the numerator of which is the number of days the Executive was employed by the Company since May 1, 2005, and the denominator of which is the number of days between May 1, 2005 and the Executive's sixty-fifth (65^{th}) birthday.

The Performance Bonus shall not be considered in determining any benefits payable to the Executive under the SERP or any other retirement plan maintained by the Company.

III. Sections 6.1, 6.2 and 6.3 of the Employment Agreement are amended by adding the following new subsection at the end of each such section:

The Executive shall be entitled to the Performance Bonus, subject to, and in accordance with, Section 3.9 of this Agreement.

IV. Section 6.3(e) of the Employment Agreement is amended by adding the following parenthetical after the phrase "years of service":

(including in the case of the SERP, age as if such service was completed)

V. Section 13 of the Employment Agreement is amended by adding the following new Section 13.8 at the end thereof:

13.8 Section 409A. Any provision in this Agreement that is inconsistent with the requirements of Section 409A of the Code, including the timing of any payment, shall be deemed to be amended to comply with Section 409A of the Code in the manner most favorable to the Executive (other than the requirement to pay a lump sum if a lump sum is not otherwise provided for in the applicable plan or document).

VI. The Employment Agreement, as amended herein, shall remain in full force and effect.

IN WITNESS WHEREOF , the Company has caused this Amendment to be executed by its duly authorized officer and the Executive has hereunto set his hand as of the date first above written.

TEXTRON INC.

By: s/John D. Butler
Name: John D. Butler
Title: Executive Vice President Administration and
Chief Human Resources Officer

EXECUTIVE

s/Lewis B. Campbell
Lewis B. Campbell

EXHIBIT 12.1

TEXTRON MANUFACTURING

COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES

(unaudited)

(In millions, except ratio)

	Three Months Ended April 2, 2005
Fixed charges:	
Interest expense	$ 26
Estimated interest portion of rents	8
Total fixed charges	$ 34
Income:	
Income from continuing operations before income taxes	$ 119
Eliminate equity in undistributed pre-tax income of Textron Finance	64
Fixed charges	34
Adjusted income	$ 217
Ratio of income to fixed charges	6.38

EXHIBIT 12.2

TEXTRON INC.
INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES

(unaudited)

(In millions, except ratio)

	Three Months Ended April 2, 2005
Fixed charges:	
Interest expense	$ 71
Estimated interest portion of rents	9
Total fixed charges	$ 80
Income:	
Income from continuing operations before income taxes	$ 119

Fixed charges		80
Adjusted income	$	199
Ratio of income to fixed charges		2.49

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)

I, Lewis B. Campbell, Chairman, President and Chief Executive Officer of Textron Inc. (the "Company") certify that:

1. I have reviewed this quarterly report on Form 10-Q of Textron Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2005

s/Lewis B. Campbell

Lewis B. Campbell
Chairman, President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)

I, Ted R. French, Executive Vice President and Chief Financial Officer of Textron Inc. (the "Company") certify that:

1. I have reviewed this quarterly report on Form 10-Q of Textron Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2005

s/Ted R. French

Ted R. French

Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

TEXTRON INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Textron Inc. (the "Company") on Form 10-Q for the period ended April 2, 2005 as filed with the Securities and Exchange Commission on the Date hereof (the "Report"), I, Lewis B. Campbell, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Textron Inc.

Date: May 9, 2005

/s/ Lewis B. Campbell

Lewis B. Campbell

Chairman, President and Chief Executive Officer

EXHIBIT 32.2

TEXTRON INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Textron Inc. (the "Company") on Form 10-Q for the period ended April 2, 2005 as filed with the Securities and Exchange Commission on the Date hereof (the "Report"), I, Ted R. French, Executive Vice President & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Textron Inc.

Date: May 9, 2005

/s/ Ted R. French

Ted R. French

Executive Vice President and Chief Financial Officer