TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 05/12/99 for the Period Ending 04/03/99

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

TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 5/12/1999 For Period Ending 4/3/1999

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

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the fiscal quarter ended April 3, 1999

OR

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

Commission file number 1-5480

TEXTRON INC.

(Exact name of registrant as specified in its charter)

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

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

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

Yes X No

Common stock outstanding at May 1, 1999 - 150,782,000 shares

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	Three months ended	
	April 3, 1999	April 4, 1998
Textron Manufacturing		
Revenues	$ 2,653	$ 2,167
Cost and Expenses		
Cost of sales	2,236	1,765
Selling and administrative	204	224
Interest expense	13	33
Interest income	(16)	-
Total costs and expenses	2,437	2,022
Manufacturing income	216	145

Textron Finance		
Revenues	96	85
Costs and Expenses		
Interest	41	37
Selling and administrative	23	18
Provision for losses on collection of finance receivables	6	5
Total costs and expenses	70	60
Finance income	26	25
Total Company		
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	242	170
Income taxes	(91)	(65)
Distributions on preferred securities of subsidiary trust, net of income taxes	(6)	(6)
Income from continuing operations	145	99
Discontinued operations, net of income taxes:		
Income from operations	-	43
Gain on disposal	1,615	-
	1,615	43
Income before extraordinary loss	1,760	142
Extraordinary loss from debt retirement, net of income taxes	(43)	-
Net income	$ 1,717	$ 142
Per common share:		
Basic:		
Income from continuing operations	$ .95	$ .60
Discontinued operations, net of income taxes	10.59	.27
Extraordinary loss from debt retirement, net of income taxes	(.28)	-
Net income	$ 11.26	$ .87
Diluted:		
Income from continuing operations	$ .93	$ .59
Discontinued operations, net of income taxes	10.34	.26
Extraordinary loss from debt retirement, net of income taxes	(.27)	-
Net income	$ 11.00	$ .85
Average shares outstanding:		
Basic	152,517,000	162,809,000
Diluted	156,112,000	167,155,000
Dividends per share:		
$2.08 Preferred stock, Series A	$ .52	$ .52
$1.40 Preferred stock, Series B	$ .35	$ .35
Common stock	$ .325	$ .285

See notes to the condensed consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

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

	April 3, 1999	January 2, 1999
Assets		
Textron Manufacturing		
Cash and cash equivalents	$ 390	$ 31
Commercial and U.S. government receivables - net	1,253	1,160
Inventories	1,700	1,640
Investment in discontinued operations	-	1,176
Note receivable due from Textron Finance (Note 10)	730	-
Other current assets	313	348
Total current assets	4,386	4,355
Property, plant, and equipment, less accumulated depreciation of $1,940 and $1,874	2,150	2,185
Goodwill, less accumulated amortization of $404 and $388	2,060	2,119
Other (including net deferred income taxes)	1,362	1,277
Total Textron Manufacturing assets	9,958	9,936
Textron Finance		
Cash	23	22
Finance receivables - net	3,754	3,528
Other assets	243	235
Total Textron Finance assets	4,020	3,785
Total assets	$ 13,978	$ 13,721
Liabilities and shareholders' equity		
Liabilities		
Textron Manufacturing		
Current portion of long-term debt and short-term debt	$ 181	$ 1,735

Accounts payable	933	1,010
Income taxes payable	1,017	76
Other accrued liabilities	1,121	1,098
Total current liabilities	3,252	3,919
Accrued postretirement benefits other than pensions	759	762
Other liabilities	1,286	1,367
Long-term debt	313	880
Total Textron Manufacturing liabilities	5,610	6,928
Textron Finance		
Other liabilities	193	162
Deferred income taxes	327	322
Note payable due to Textron Manufacturing (Note 10)	730	-
Debt	2,284	2,829
Total Textron Finance liabilities	3,534	3,313
Total liabilities	9,144	10,241
Textron - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	483	483
Shareholders' equity		
Capital stock:		
Preferred stock	12	13
Common stock	24	24
Capital surplus	961	931
Retained earnings	5,454	3,786
Accumulated other comprehensive income (loss)	(79)	(96)
	6,372	4,658
Less cost of treasury shares	2,021	1,661
Total shareholders' equity	4,351	2,997
Total liabilities and shareholders' equity	$ 13,978	$ 13,721
Common shares outstanding	150,753,000	154,742,000

See notes to condensed consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

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

	Three Months Ended	
	April 3, 1999	April 4, 1998
Cash flows from operating activities:		
Income from continuing operations	$ 145	$ 99
Adjustments to reconcile income from continuing operations to net cash provided (used) by operating activities:		
Depreciation	81	65
Amortization	18	17
Provision for losses on receivables	7	7
Dividends from discontinued operation	-	90
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
(Increase) in commercial and U.S. government receivables	(68)	(88)
(Increase) in inventories	(30)	(154)
(Increase) in other assets	(99)	(123)
Increase (decrease) in accounts payable	1	(13)
(Decrease) increase in accrued liabilities	(66)	118
Other - net	10	21
Net cash (used) provided by operating activities	(1)	39
Cash flows from investing activities:		
Finance receivables:		
Originated or purchased	(955)	(801)
Repaid or sold	792	749
Cash used in acquisitions	(52)	(227)
Net proceeds from dispositions	3,845	-
Capital expenditures	(98)	(82)
Other investing activities - net	12	(5)
Net cash provided (used) by investing activities	3,544	(366)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	(2,245)	350
Proceeds from issuance of long-term debt	200	300
Principal payments and retirements on long-term debt	(700)	(329)
Proceeds from exercise of stock options	26	30
Purchases of Textron common stock	(373)	-
Dividends paid	(91)	(47)

Net cash (used) provided by financing activities	(3,183)	304
Net increase (decrease) in cash	360	(23)
Cash and cash equivalents at beginning of period	53	43
Cash and cash equivalents at end of period	$ 413	$ 20

See notes to condensed consolidated financial statements.

TEXTRON INC.

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1: Basis of presentation

The financial statements should be read in conjunction with the financial statements included in Textron's Annual Report on Form 10-K for the year ended January 2, 1999. The financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of Textron's consolidated financial position at April 3, 1999, and its consolidated results of operations and cash flows for each of the respective three month periods ended April 3, 1999 and April 4, 1998. Certain prior year balances have been reclassified to conform to the current year presentation. Consistent with prior periods, Textron Finance's first quarter ended on March 31, 1999.

Note 2: Disposition

On August 11, 1998, Textron announced that it had reached an agreement to sell Avco Financial Services (AFS) to Associates First Capital Corporation for $3.9 billion in cash. The sale was completed on January 6, 1999. Net after-tax proceeds were approximately $2.9 billion, resulting in an after-tax gain of $1.6 billion. Textron has presented AFS as a discontinued operation in these financial statements.

Note 3: Extraordinary Loss from Debt Retirement

During the first quarter of 1999, Textron retired $168 million of 6.625% debentures originally due 2007, $165 million of 8.75% debentures originally due 2022, $146 million of medium term notes with interest rates ranging from 9.375% to 10.01% and other debt totaling $74 million with interest rates ranging from 3.5% to 10.04% for a total of $553 million. As a result of these transactions, Textron recorded an after-tax loss of $43 million, which has been reflected in the condensed consolidated statement of income as an extraordinary item.

Note 4: Earnings per Share

FAS 128 requires companies to present basic and diluted earnings per share amounts. The dilutive effect of stock options was 3,595,000 and 4,346,000 shares for the three month periods ending April 3, 1999 and April 4, 1998, respectively. Income available to common shareholders used to calculate both basic and diluted earnings per share approximated net income for both periods.

Note 5: Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term, highly liquid securities with original maturities of ninety days or less.

Note 6: Inventories

	April 3, 1999	January 2, 1999
	(In millions)	
Finished goods	$ 529	$ 483
Work in process	942	878
Raw materials	454	454
	1,925	1,815
Less progress payments and customer deposits	225	175
	$ 1,700	$ 1,640

Note 7: Textron-obligated mandatorily redeemable preferred securities of
subsidiary trust holding solely Textron junior subordinated debt securities

In 1996, a trust sponsored and wholly-owned by Textron issued preferred securities to the public (for $500 million) and shares of its common securities to Textron (for $15.5 million), the proceeds of which were invested by the trust in $515.5 million aggregate principal amount of Textron's newly issued 7.92% Junior Subordinated Deferrable Interest Debentures, due 2045. The debentures are the sole asset of the trust. The amounts due to the trust under the debentures and the related income statement amounts have been eliminated in Textron's consolidated financial statements. The preferred securities accrue and pay cash distributions quarterly at a rate of 7.92% per annum. Textron has guaranteed, on a subordinated basis, distributions and other payments due on the preferred securities. The guarantee, when taken together with Textron's obligations under the debentures and in the indenture pursuant to which the debentures were issued and Textron's obligations under the Amended and Restated Declaration of Trust governing the trust, provides a full and unconditional guarantee of amounts due on the preferred securities.

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

Note 8: Contingencies

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

Note 9: Comprehensive Income

During the first quarter of 1999 and 1998, total comprehensive income amounted to $1,734 million and $146 million, respectively.

Note 10: Intercompany Financing

Textron Manufacturing has entered into a promissory note agreement with Textron Finance, whereby Textron Finance can borrow up to $1.25 billion from Textron Manufacturing. As of April 3, 1999, the amount outstanding under this agreement is $730 million. The maximum amount outstanding under this agreement during the first quarter was $1.0 billion. The amounts outstanding under this agreement are due on demand and the interest rate is at a rate equivalent to the Federal Reserve Banks' A2/P2 commercial paper rate on the date the funds are drawn down upon. The amount of interest expense/income earned by Textron Finance and Textron Manufacturing, respectively, was approximately $9 million for the three months ending April 3, 1999. Amounts outstanding under this agreement as of April 3, 1999 have not been eliminated and, therefore, are included in total assets and total liabilities on the condensed consolidated balance sheet. Textron Finance's operating income included interest expense incurred under this agreement.

Note 11: Restructuring Charges

To enhance the competitiveness and profitability of its core businesses, Textron recorded a pretax charge of $87 million in 1998 ($54 million after-tax or $.32 per diluted share). This charge was recorded based on the decision to exit several small, nonstrategic product lines in Automotive and the former Systems and Components divisions which did not meet Textron return criteria, and to realign certain operations in the Industrial segment. The pretax charges associated with the Automotive and Industrial segments were $25 million and $52 million, respectively. The charge also included the cost of a litigation settlement of $10 million related to the Aircraft segment. Severance costs for approximately 1,800 personnel were included in special charges and are based on established policies and practices. The provision does not include costs associated with the transfer of equipment and personnel, inventory obsolescence, or other normal operating costs associated with the realignment actions. Approximately 815 personnel had been terminated by April 3, 1999. Most of the remaining terminations are expected to be completed by the end of 1999.

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

	Asset impairments	Severance costs	Other	Total
Initial charge	$ 28	$ 40	$ 9	$ 77
Utilized	(28)	(11)	(1)	(40)
Balance April 3, 1999	$ -	$ 29	$ 8	$ 37

Note 12: Accounting for Internal Use Software

In 1999, Textron adopted Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires that companies capitalize certain internal- use software once certain criteria are met. SOP 98-1 has not had a material effect on Textron's net income and financial condition.

Note 13: Cost of Start-Up Activities

In 1999, Textron adopted Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 requires all costs of start-up activities, including organization costs, to be expensed as incurred. SOP 98-5 has not had a material effect on Textron's net income and financial condition.

Note 14: New Accounting Pronouncements

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

Note 15: Financial information by borrowing group

Textron consists of two borrowing groups - the Textron Parent Company Borrowing Group (Textron Manufacturing) and Textron's finance subsidiaries (Textron Finance). Textron Manufacturing consists of all entities of Textron (primarily manufacturing) other than its wholly-owned finance subsidiaries. Textron Finance consists of Textron Financial Corporation (TFC). Textron Manufacturing's cash flow statement includes Textron Finance under the equity method of accounting.

Item 1. FINANCIAL STATEMENTS (Continued)

Note 15: Financial information by borrowing group (continued)

Textron Manufacturing
(Unaudited) (In millions)

	Three Months Ended	
Condensed Statement of Cash Flows	April 3, 1999	April 4, 1998
Cash flows from operating activities:		
Income from continuing operations	$ 145	$ 99
Adjustments to reconcile income from continuing operations to net cash used by operating activities:		
Earnings of Textron Finance greater than distributions to Textron Manufacturing	(5)	(3)
Dividends received from discontinued operation	-	90
Depreciation	78	64
Amortization	17	16
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
(Increase) in receivables	(68)	(88)
(Increase) in inventories	(30)	(154)
(Increase) in other assets	(96)	(149)
(Decrease) increase in accounts payable and accrued liabilities	(96)	76
Other - net	3	22
Net cash used by operating activities	(52)	(27)
Cash flows from investing activities:		
Capital expenditures	(95)	(82)
Cash used in acquisitions	-	(210)
Note receivable due from Textron Finance	(730)	-
Net proceeds from dispositions	3,845	-
Other investing activities - net	14	7
Net cash provided (used) by investing activities	3,034	(285)
Cash flows from financing activities:		
(Decrease) increase in short-term debt	(1,542)	374
Principal payments and retirements on long-term debt	(635)	(45)
Proceeds from exercise of stock options	26	30
Purchases of Textron common stock	(373)	-
Dividends paid	(91)	(47)
Contributions paid to Textron Finance	(8)	(23)
Net cash (used) provided by financing activities	(2,623)	289
Net increase (decrease) in cash	359	(23)
Cash and cash equivalents at beginning of period	31	30
Cash and cash equivalents at end of period	$ 390	$ 7

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

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

	Three Months Ended	
	April 3, 1999	April 4, 1998
REVENUES		
MANUFACTURING:		

Aircraft	$ 827	$ 656
Automotive	734	618
Industrial	1,092	893
	2,653	2,167
FINANCE	96	85
Total revenues	$ 2,749	$ 2,252
OPERATING INCOME		
MANUFACTURING:		
Aircraft	$ 67	$ 61
Automotive	62	56
Industrial	122	95
	251	212
FINANCE	26	25
Segment operating income	277	237
Corporate expenses and other - net	(38)	(34)
Interest income (expense) - net	3	(33)
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	$ 242	$ 170

Liquidity and Capital Resources

The Statements of Cash Flows for Textron Inc. and Textron Manufacturing detailing the changes in cash balances are on pages 4 and 9, respectively. Textron Manufacturing's operating cash flow includes dividends received from Textron Finance of $11 million and $12 million during the first three months of 1999 and 1998, respectively. Dividend payments to shareholders for the first quarter 1999 includes two payments as opposed to the first quarter 1998 when one payment was made. Dividend payments to shareholders in the first quarter 1999 amounted to $91 million, an increase of $44 million over first quarter 1998.

On January 6, 1999 Textron completed its sale of Avco Financial Services to Associates First Capital Corporation for $3.9 billion in cash. Net after-tax proceeds were approximately $2.9 billion, resulting in an after-tax gain of $1.6 billion.

Proceeds from the AFS disposition have already had a significant short-term impact on Textron's capital structure. Textron determined the potential incremental benefits that it could earn from investing the AFS proceeds (within the Company's established investment policies) versus the interest cost avoidance from the retirement of borrowings and determined that the latter provided the greatest value to shareholders. Therefore, as more fully described below, Textron has started to utilize the proceeds to repay long-term and short- term borrowings, as well as, repurchase shares and fund new acquisitions.

During the first quarter of 1999, Textron retired a total of $553 million of long-term high coupon debt. As a result, Textron recorded an after-tax loss of $43 million. In addition, interest rate exchange agreements designated as hedges of the retired borrowings were also terminated in the amount of $479 million.

Textron Manufacturing has entered into a promissory note agreement with Textron Finance, whereby Textron Finance can borrow up to $1.25 billion from Textron Manufacturing. As of April 3, 1999, the amount outstanding under this agreement is $730 million. Textron Finance utilized the proceeds received under this agreement to fund working capital needs as an alternative to incurring new third party indebtedness.

Textron Manufacturing's debt to total capital ratio was 9% at April 3, 1999, down from 43% at year end. Textron Manufacturing has credit facilities outstanding at April 3, 1999 aggregating $1.3 billion, $1.2 billion of which was not used or reserved as support for outstanding commercial paper or bank borrowings. During the first quarter, Textron Manufacturing cancelled $1.5 billion of credit facilities. At March 31, 1999, Textron Finance had credit facilities outstanding of approximately $2.5 billion including the credit facility with Textron Manufacturing, $1.1 billion of which was available at quarter end. Textron Manufacturing had $311 million available at quarter end under its shelf registration statement with the Securities and Exchange Commission. During the first quarter of 1999, Textron Finance issued $200 million under its medium-term note facility. Textron Finance had $272 million available under the facility at March 31, 1999.

During the first quarter of 1999, Textron Inc. repurchased 4.8 million shares of common stock under its Board authorized share repurchase program at an aggregate cost of $363 million.

In April 1999, Textron acquired LCI Corporation International's Fluid Systems Division, a North Carolina-based manufacturer and assembler of gear pumps, filtration systems and accessory equipment for the polymer, extrusion and industrial pump industry, and Flexalloy, an Ohio-based distributor and provider of vendor managed inventory services for the North American fastener market.

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

Quantitative Risk Measures

Textron has used a sensitivity analysis to quantify the market risk inherent in its financial instruments. Financial instruments held by the

Company that are subject to market risk (interest rate risk and foreign exchange rate risk) include finance receivables (excluding lease receivables), debt, interest rate exchange agreements, foreign exchange contracts and currency swaps.

Presented below is a sensitivity analysis of the fair value of Textron's financial instruments for April 3, 1999 and January 2, 1999. This analysis has been presented for the first quarter in order to outline the change in the composition of Textron's financial instruments resulting from the utilization of the AFS sale proceeds. The following table illustrates the hypothetical change in the fair value of the Company's financial instruments at April 3, 1999 and year-end assuming a 10% decrease in interest rates and a 10% strengthening in exchange rates against the U.S. dollar. The estimated fair value of the financial instruments was determined by discounted cash flow analysis and by independent investment bankers. This sensitivity analysis is most likely not indicative of actual results in the future.

	April 3, 1999			January 2, 1999		
(In millions)	Carrying Value	Fair Value	Hypothetical Change In Fair Value	Carrying Value	Fair Value	Hypothetical Change In Fair Value
Interest Rate Risk						
Textron Manufacturing:						
Debt	$ 494	$ 521	$ 7	$2,615	$ 2,706	$ 27
Interest rate exchange agreements	-	1	(4)	-	(11)	(18)
Textron Finance:						
Finance receivables	2,978	3,026	29	2,774	2,837	28
Debt	2,284	2,285	14	2,829	2,836	12
Interest rate exchange agreements	-	1	-	-	1	1
Foreign Exchange Rate Risk						
Textron Manufacturing:						
Debt	244	252	25	319	334	33
Foreign exchange contracts	-	2	(22)	-	9	(23)
Currency swaps	(22)	(29)	100	14	10	84

Year 2000 Readiness Disclosure

Introduction

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

Year 2000 Program

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

- Business Systems: management information systems and personal computer applications, including the computing environments that support them.
- Factory and Facilities Equipment: equipment that uses a computer to control its operation either for producing an end-product or providing services.
- End-Products: software products, delivered either alone or as a component of another product, that are supplied to Textron customers.
- Suppliers: assurance that those who sell goods and services to Textron will not interrupt Textron operations due to the Year 2000 problem.
- Customers: assurance that those who buy goods and services from Textron will not interrupt Textron operations due to the Year 2000 problem.

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

Level I) Management has become aware of the issue. An inventory is being taken of the items that the Year 2000 problem may affect.

Level II) The inventory of Year 2000 items has been completed. The priority of each item is being assessed. Actions are being planned to assure that each item is ready for the Year 2000. Resources are being committed to do the work.

Level III) Planning has been completed. The prescribed actions are being performed, including testing to verify that the actions are effective. Suppliers and customers are being surveyed and their progress is being tracked.

Level IV) Items critical to operations have been remediated and have been put in normal operation. Surveys of critical suppliers and customers have been completed. Core business systems continue to be tested. Follow-up checking of suppliers and customers is in process. Contingency plans are being prepared. Audits to verify readiness are being performed. Remediation of items that are important to operations, but not critical, is being performed.

Level V) Systems critical to operations have been tested. Audits and associated corrective actions have been completed. Contingency plans have been completed. Follow-up checking of suppliers and customers has been completed. In all material respects, Textron is ready for Year 2000.

Textron has substantially reached Readiness Level IV. Based on information currently available, Textron estimates that it will achieve full Readiness Level IV by June 30, 1999, except for four projects that are on-schedule and are expected to be complete by August 31, 1999. Textron estimates that it will substantially reach Readiness Level V by June 30, 1999, and achieve full Readiness Level V by September 30, 1999. Textron is having a combination of independent parties and Textron personnel complete an assessment of the implementation of the Program at the corporate headquarters and each business unit. As of mid-April 1999, twenty-four of thirty planned assessments are complete.

The Readiness Level of the Major Elements items that have been inventoried as of January 31, 1999 is shown in the following table. Major Element inventories are under continuous review and additional items may be identified in the future. For the Major Elements of "Suppliers" and "Customers" the indicated Readiness Level refers to Textron's progress in reviewing the readiness of customers and suppliers, and not to Textron's assessment of their readiness.

Major Element	Percent of Identified Major Element Items at Readiness Level			
	II	**III**	**IV**	**V**
Business Systems	1%	8%	38%	53%
Factory and Facilities Equipment	1%	11%	26%	62%
End-Products	0%	1%	1%	98%
Suppliers	1%	10%	75%	14%
Customers	4%	41%	51%	4%

Year 2000 Costs

The total cost of the Year 2000 Program for continuing operations is estimated to be approximately $115 million. Approximately $61 million is for modifications to existing items and other program expenses and $54 million is for replacement systems which have been or are expected to be capitalized in accordance with Company policy. Through April 3, 1999, total expenditures were $86 million. The estimated future cost to complete the Program is expected to be approximately $29 million including approximately $11 million for replacement systems. Funds for the Program are provided from special project appropriations totaling approximately $24 million and from normal operating and capital budgets. The Year 2000 Program has delayed certain other Textron information management projects. Delay of these projects is not expected to have an adverse impact on Textron.

Risks and Contingency Plans

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

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

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

Results of Operations - Three months ended April 3, 1999 vs Three months ended April 4, 1998

Diluted earnings per share from continuing operations in the first quarter 1999 were $0.93 per share, up 58% from the 1998 amount of $0.59. Income from continuing operations in 1999 of $145 million was up 46% from $99 million in 1998. Revenues increased 22% to $2.7 billion in 1999 from $2.3 billion in 1998.

In August, 1998, Textron announced that it had reached an agreement to sell Avco Financial Services (AFS) to Associates First Capital Corporation for $3.9 billion in cash. The sale of AFS was completed on January 6, 1999 and a gain of $1.62 billion on the sale of AFS was recorded in the first quarter 1999. Textron also recorded an extraordinary loss of $43 million on the early retirement of debt in the first quarter 1999. Net income, including the gain and extraordinary loss, was $1.717 billion vs $142 million in 1998.

The Aircraft segment's revenues and income increased $171 million (26%) and $6 million (10%), respectively, due to higher results at Cessna Aircraft. Cessna's revenues increased $116 million mainly as a result of higher sales of business jets, primarily the Citation X and the recently introduced Citation Excel. Its income increased as a result of the higher business jet sales, partially offset by lower margins on increased fleet sales, costs associated with the ramp-up in production of new aircraft and increased product development expense related to the Citation CJ2 - a larger, faster version of the CitationJet.

Bell Helicopter's revenues increased $55 million, driven by an increase in U. S. government revenues, primarily on the V-22 contract and the Huey and Cobra upgrade contracts as well as higher foreign military sales. However, income for Bell decreased due to higher product development expense for the BA 609 commercial tiltrotor aircraft and a change in product mix, reflecting lower margins on commercial aircraft and spares sales. This unfavorable impact was partially offset by the higher U. S. government revenues and the recognition into income ($9 million) of cash received in the fourth quarter of 1998 on the formation of a joint venture on the 609 program.

The Automotive segment's revenues increased $116 million (19%), while income increased $6 million (11%). The increase in revenue reflected higher volume at Kautex associated with capacity expansion in North America, higher sales at Trim and the contribution from the Midland Industrial Plastics acquisition. Income for the quarter increased due to the contribution from higher organic sales, as well as improved performance at Trim. These benefits were partially offset by customer price reductions. The margin decline reflected the impact of the acquisition and a higher proportion of lower margin Kautex sales.

The Industrial segment's revenues and income increased $199 million (22%) and $27 million (28%), respectively. These increases reflect the contribution from acquisitions, primarily David Brown, Ring Screw Works, Ransomes, Sukosim and Peiner, and internal growth combined with ongoing margin improvement. Internal growth was driven by higher sales in the Golf and Turf and Fluid & Power Systems businesses. These benefits were partially offset by the divestiture of Fuel Systems in the second quarter of 1998 and lower organic sales in Textron Fastening Systems and Industrial Components.

The Finance segment's revenues increased $11 million (13%), while income increased $1 million (4%). Revenues increased due to a higher level of average receivables and an increase in syndication and portfolio servicing income, partially offset by lower yields on receivables. Income increased as the benefit of higher revenues was partially offset by higher expenses related to growth in the service and fee-related business, businesses with higher operating expense ratios, and a higher provision for loan losses related to the real estate portfolio.

Interest income and expense - net for Textron manufacturing decreased $36 million as a result of the proceeds received in January 1999 from the divestiture of AFS. Interest income increased $16 million, as a result of our net investment position, while interest expense decreased $20 million due to a lower level of average debt, resulting from the payment of debt with the AFS proceeds.

Income taxes - the current quarter's effective income tax rate of 37.6% was lower than the corresponding prior year rate of 38.2%.

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the Company's Management Discussion and Analysis "Quantitative Risk Measures" section on page 12 for updated information.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On April 7, 1999, the U.S. Environmental Protection Agency informed Textron's Bell Helicopter susbsidiary that it was proposing a penalty of $253,000 for alleged violations of the Clean Air Act and the Resource Conservation and Recovery Act relating to operations at one of Bell's plants in Fort Worth, Texas. These alleged violations involve past record keeping, reporting and maintenance of certain controls. Bell is negotiating a resolution of this matter with the EPA.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

12.1 Computation of ratio of income to combined fixed charges and preferred securities dividends of Textron Manufacturing

12.2 Computation of ratio of income to combined fixed charges and preferred securities dividends of Textron Inc. including all majority-owned subsidiaries

27 Financial Data Schedule (filed electronically only)

(b) Reports on Form 8-K

On January 6, 1999, Textron filed a report on Form 8-K, reporting under Item 2 (Acquisition or Disposition of Assets) that it had completed the sale of substantially all the assets of its Avco Financial Services, Inc. unit and filing under Item 7 (Exhibits) the Asset Purchase Agreement, as amended, related to such sale.

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 12, 1999

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

LIST OF EXHIBITS

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

	Name of Exhibit
12.1	Computation of ratio of income to combined fixed charges and preferred securities dividends of Textron Manufacturing
12.2	Computation of ratio of income to combined fixed charges and preferred securities dividends of Textron Inc. including all majority-owned subsidiaries
27	Financial Data Schedule (filed electronically only)

EXHIBIT 12.1

TEXTRON MANUFACTURING

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

(unaudited)

(In millions except ratio)

	Three Months Ended April 3, 1999
Fixed charges:	
Interest expense	$ 13
Distributions on preferred securities of subsidiary trust, net of income taxes	6
Estimated interest portion of rents	7
Total fixed charges	$ 26

Income:
Income before income taxes and distributions on preferred securities of subsidiary trust $ 242 Less Textron Finance pre-tax income greater than Textron

Finance dividends	(15)
Fixed charges (1)	20
Adjusted income	$ 247
Ratio of income to fixed charges	9.50

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

EXHIBIT 12.2

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

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

(unaudited)

(In millions except ratio)

	Three Months Ended April 3, 1999
Fixed charges:	
Interest expense	$ 45
Distributions on preferred securities of subsidiary trust, net of income taxes	6
Estimated interest portion of rents	7
Total fixed charges	$ 58
Income:	
Income before income taxes and distributions on preferred securities of subsidiary trust	$ 242
Fixed charges (1)	52
Adjusted income	$ 294

Ratio of income to fixed charges 5.07

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

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	JAN 01 2000
PERIOD END	APR 03 1999
CASH	413
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,700
CURRENT ASSETS	4,386
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	13,978
CURRENT LIABILITIES	3,252
BONDS	2,778
PREFERRED MANDATORY	24
PREFERRED	0
COMMON	12
OTHER SE	4,315
TOTAL LIABILITY AND EQUITY	13,978
SALES	2,653
TOTAL REVENUES	2,749
CGS	2,236
TOTAL COSTS	2,236
OTHER EXPENSES	0
LOSS PROVISION	6
INTEREST EXPENSE	54
INCOME PRETAX	242
INCOME TAX	91
INCOME CONTINUING	145
DISCONTINUED	1,615
EXTRAORDINARY	43
CHANGES	0
NET INCOME	1,717
EPS PRIMARY	11.26
EPS DILUTED	11.00

End of Filing