TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 08/05/97 for the Period Ending 06/28/97

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

TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 8/5/1997 For Period Ending 6/28/1997

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 June 28, 1997
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 July 26, 1997 - 164,988,000 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		Six Months Ended	
	June 28, 1997	June 29, 1996	June 28, 1997	June 29, 1996
Revenues				
Manufacturing sales	$2,117	$1,867	$4,138	$3,567
Finance revenues	550	517	1,080	1,031
Total revenues	2,667	2,384	5,218	4,598
Costs and expenses				
Cost of sales	1,730	1,520	3,386	2,913
Selling and administrative	380	342	742	673
Interest	180	183	363	366
Provision for losses on collection of finance				

receivables	63	54	127	107
Other	67	69	137	139
Total costs and expenses	2,420	2,168	4,755	4,198
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	247	216	463	400
Income taxes	(95)	(84)	(180)	(156)
Distributions on preferred securities of subsidiary trust, net of income taxes	(7)	(7)	(13)	(10)
Income from continuing operations	145	125	270	234
Discontinued operation, net of income taxes	-	-	-	(74)
Net income	$ 145	$ 125	$ 270	$ 160
Per common share*:				
Income from continuing operations	$ .85	$ .72	$ 1.58	$ 1.35
Discontinued operation	-	-	-	(0.43)
Net income	$ .85	$ .72	$ 1.58	$ .92
Average shares outstanding*	170,405,000	173,150,000	170,695,000	173,194,000
Dividends per share:				
$2.08 Preferred stock, Series A	$ .52	$ .52	$ 1.04	$ 1.04
$1.40 Preferred stock, Series B	$ .35	$ .35	$ .70	$ .70
Common stock*	$ .25	$ .22	$ .50	$ .44

*Reflects the effect of the two-for-one stock split in the form of a stock dividend paid May 30, 1997 to shareholders of record on May 9, 1997.

See notes to condensed consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

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

	June 28, 1997	December 28, 1996
Assets		
Cash	$ 161	$ 47
Investments	838	820
Receivables - net:		
Finance	10,268	9,856
Commercial and U.S. government	1,028	882
	11,296	10,738
Inventories	1,416	1,192
Investment in discontinued operation	-	770
Property, plant, and equipment, less accumulated depreciation of $1,802 and $1,664	1,681	1,539
Goodwill, less accumulated amortization of $427 and $404	1,777	1,609
Other (including net prepaid income taxes)	1,626	1,520
Total assets	$ 18,795	$ 18,235
Liabilities and shareholders' equity		
Liabilities		
Accounts payable	$ 883	$ 850
Accrued postretirement benefits other than pensions	816	817
Other accrued liabilities (including income taxes)	2,765	2,556
Debt:		
Parent Group	1,295	1,507
Finance Group	9,333	8,839
	10,628	10,346
Total liabilities	15,092	14,569
Textron - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	483	483
Shareholders' equity		
Capital stock:		
Preferred stock	14	14
Common stock*	24	12
Capital surplus	813	793
Retained earnings	3,157	2,969
Other	(35)	7
	3,973	3,795
Less cost of treasury shares	753	612
Total shareholders' equity	3,220	3,183
Total liabilities and shareholders' equity	$ 18,795	$ 18,235
*Common shares outstanding	164,887,000**	82,809,000

** Reflects the effect of the two-for-one stock split in the form of a stock dividend paid May 30, 1997 to shareholders of record on May 9, 1997.
See notes to condensed consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

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

	Six Months Ended June 28, 1997	Six Months Ended June 29, 1996
Cash flows from operating activities:		
Income from continuing operations	$ 270	$ 234
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	210	189
Provision for losses on receivables	129	109
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in commercial and U.S. government receivables	(61)	(1)
Increase in inventories	(171)	(113)
Increase in other assets	(66)	(49)
Increase (decrease) in accounts payable	1	(11)
Increase in accrued liabilities	27	84
Other - net	(29)	(31)
Net cash provided by operating activities	310	411
Cash flows from investing activities:		
Purchases of investments	(126)	(71)
Proceeds from disposition of investments	311	30
Maturities and calls of investments	34	27
Finance receivables:		
Originated or purchased	(3,777)	(3,221)
Repaid or sold	3,349	3,027
Cash used in acquisitions	(367)	(111)
Cash received from disposition of business	571	-
Capital expenditures	(156)	(128)
Other investing activities - net	21	(25)
Net cash used by investing activities	(140)	(472)
Cash flows from financing activities:		
Increase in short-term debt	229	463
Proceeds from issuance of long-term debt	1,377	867
Principal payments on long-term debt	(1,494)	(1,452)
Issuance of Textron-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	-	483
Proceeds from exercise of stock options	27	25
Purchases of Textron common stock	(112)	(117)
Purchases of Textron common stock from Paul Revere	-	(34)
Dividends paid	(83)	(74)
Net cash provided (used) by financing activities	(56)	161
Net increase in cash	114	100
Cash at beginning of period	47	84
Cash at end of period	$ 161	$ 184

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 December 28, 1996. 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 June 28, 1997, and its consolidated results of operations for each of the respective three and six month periods ended June 28, 1997 and June 29, 1996 and consolidated cash flows for each of the six month periods ended June 28, 1997 and June 29, 1996. The results of operations for the six months ended June 28, 1997 are not necessarily indicative of results for the full year. Textron completed the sale of Paul Revere to Provident Companies, Inc. on March 27, 1997. See Management's Discussion and Analysis for additional information.

Note 2: Stock split in the form of a stock dividend

At Textron's Annual Meeting on April 23, 1997, Textron's shareholders approved an increase in the authorized number of common shares from 250 million to 500 million in connection with a two-for-one stock split of Textron common stock to be effected in the form of a stock dividend. The new shares were distributed on May 30, 1997 to shareholders of record on the close of business on May 9, 1997. Average shares outstanding and per share amounts have been restated to reflect the stock split for all periods presented.

Note 3: Earnings per Share

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share," (FAS 128) which is effective for financial statements for both interim and annual periods ending after December 15, 1997. FAS 128 will require the presentation of "Basic" and "Diluted" EPS. On a pro forma basis, Diluted EPS calculated in accordance with FAS 128 does not differ significantly from EPS as currently reported for the quarter and six month periods ended June 28, 1997. The Basic EPS calculation does not consider the potential effects of potentially dilutive securities and on a pro forma basis, is approximately $.03 and $.05 per share higher than Diluted EPS for the second quarter and six month periods ended June 28, 1997, respectively.

Note 4: Inventories

	June 28, 1997	December 28, 1996
	(In millions)	
Finished goods	$311	$364
Work in process	811	769
Raw materials	430	259
	1,552	1,392
Less progress payments and customer deposits	136	200
	$1,416	$1,192

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

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

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

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

Note 6: Contingencies

Lawsuits and other proceedings are pending or threatened against Textron and its subsidiaries. Some allege violations of federal government procurement regulations, involve environmental matters, or are or purport to be class actions. Some seek compensatory, treble or punitive damages in substantial amounts; fines, penalties or restitution; or remediation of contamination. 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 these suits and proceedings will not have a material effect on Textron's net income or financial condition.

Note 7: Financial information by borrowing group

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

PARENT GROUP
(unaudited) (In millions)

	Three Months Ended		Six Months Ended	
	June 28, 1997	June 29, 1996	June 28, 1997	June 29, 1996
Condensed Statement of Income				
Sales	$2,117	$1,867	$4,138	$3,567
Costs and expenses				
Cost of sales	1,730	1,520	3,386	2,913
Selling and administrative	211	189	417	366
Interest	30	37	69	75
Total costs and expenses	1,971	1,746	3,872	3,354

	146	121	266	213
Pretax income on Finance Group	101	95	197	187
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	247	216	463	400
Income taxes	(95)	(84)	(180)	(156)
Distributions on preferred securities of subsidiary trust, net of income taxes	(7)	(7)	(13)	(10)
Income from continuing operations	145	125	270	234
Discontinued operations, net of income taxes	-	-	-	(74)
Net income	$ 145	$ 125	$ 270	$ 160

Condensed Balance Sheet	June 28, 1997	December 28, 1996
Assets		
Cash	$ 106	$ 24
Receivables - net	1,028	882
Inventories	1,416	1,192
Investments in Finance Group	1,621	1,600
Investment in discontinued operation	-	770
Property, plant and equipment - net	1,591	1,454
Goodwill	1,617	1,466
Other assets (including net prepaid income taxes)	1,345	1,269
Total assets	$8,724	$8,657
Liabilities and shareholders' equity		
Accounts payable and accrued liabilities (including income taxes)	$3,726	$3,484
Debt	1,295	1,507
Textron - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	483	483
Shareholders' equity	3,220	3,183
Total liabilities and shareholders' equity	$8,724	$8,657

Item 1. FINANCIAL STATEMENTS (Continued)
Note 7: Financial information by borrowing group (continued)

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

	Six Months Ended	
Condensed Statement of Cash Flows	June 28, 1997	June 29, 1996
Cash flows from operating activities:		
Income from continuing operations	$270	$234
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Undistributed earnings of Finance Group	(40)	(49)
Depreciation and amortization	144	125
Changes in assets and liabilities excluding those related to acquisitions and divestitures:		
Increase in receivables	(61)	(1)
Increase in inventories	(171)	(113)
Increase in other assets	(52)	(55)
Increase in accounts payable and accrued liabilities	22	91
Other - net	12	13
Net cash provided by operating activities	124	245
Cash flows from investing activities:		
Capital expenditures	(140)	(117)
Cash used in acquisitions	(324)	(111)
Cash received from disposition of business	571	-
Proceeds from disposition of investment	245	-
Other investing activities - net	16	(18)
Net cash provided (used) by investing activities	368	(246)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	14	(38)
Proceeds from issuance of long-term debt	876	666
Principal payments on long-term debt	(1,132)	(806)
Issuance of Textron - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	-	483
Proceeds from exercise of stock options	27	25
Purchases of Textron common stock	(112)	(117)
Purchase of Textron common stock from Paul Revere	-	(34)

Dividends paid	(83)	(74)
Net cash provided (used) by financing activities	(410)	105
Net increase in cash	82	104
Cash at beginning of period	24	56
Cash at end of period	$106	$160

Item 1. FINANCIAL STATEMENTS (Continued)
Note 7: Financial information by borrowing group (continued)

FINANCE GROUP
(unaudited) (In millions)

	Three Months Ended		Six Months Ended	
	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996
Condensed Statement of Income				
Revenues	$ 550	$ 517	$1,080	$1,031
Costs and expenses				
Selling and administrative	169	153	325	307
Interest	150	146	294	291
Provision for losses on collection of finance receivables	63	54	127	107
Other	67	69	137	139
Total costs and expenses	449	422	883	844
Income before income taxes	101	95	197	187
Income taxes	(39)	(38)	(76)	(74)
Net income	$ 62	$ 57	$ 121	$ 113

Condensed Balance Sheet	June 30, 1997	December 31, 1996
Assets		
Cash	$ 55	$ 23
Investments	831	814
Finance receivables - net	10,271	9,860
Other	766	712
Total assets	$11,923	$11,409
Liabilities and equity		
Accounts payable and accrued liabilities (including income taxes)	$ 969	$ 970
Debt	9,333	8,839
Equity	1,621	1,600
Total liabilities and equity	$11,923	$11,409

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

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

	Three Months Ended		Six Months Ended	
	June 28, 1997	June 29, 1996	June 28, 1997	June 29, 1996
REVENUES				
MANUFACTURING:				
Aircraft	$ 782	$ 649	$1,488	$1,303
Automotive	523	439	1,080	844
Industrial	660	604	1,280	1,081
Systems and Components	152	175	290	339
	2,117	1,867	4,138	3,567
FINANCE	550	517	1,080	1,031
Total revenues	$2,667	$2,384	$5,218	$4,598
INCOME				
MANUFACTURING:				
Aircraft	$ 81	$ 67	$ 145	$ 123
Automotive	33	41	83	78
Industrial	76	64	143	118
Systems and Components	16	16	27	27
	206	188	398	346
FINANCE	101	95	197	187
Segment operating income	307	283	595	533
Corporate expenses and other - net	(30)	(30)	(63)	(58)
Interest expense - net	(30)	(37)	(69)	(75)
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	$ 247	$ 216	$ 463	$ 400

Financial Condition

Parent Group: During the six months ended June 28, 1997, the Parent Group's operating activities provided cash of $124 million versus $245 million during the corresponding period of 1996. Operating cash flows for 1997 were affected by income from continuing operations offset by inventory builds associated with new Aircraft products and higher receivable balances.

The Group's debt decreased by $212 million. On March 27, 1997, Textron completed the sale of its 83.3% owned subsidiary, The Paul Revere Corporation, to Provident Companies, Inc. Net proceeds to Textron after adjustments and contingent payments were approximately $800 million (which included shares of Provident common stock subsequently sold in May for $245 million). These proceeds exceeded cash used for (a) acquisitions ($324 million), (b) capital expenditures ($140 million), (c) purchases of Textron common stock ($112 million), and (d) payments of dividends ($83 million). Its ratio of debt to total capital was 26% at June 28, 1997, down from 29% at December 28, 1996.

The Parent Group's credit facilities not used or reserved as support for outstanding commercial paper or bank borrowings at June 28, 1997 were $1.4 billion. Textron had $511 million available at June 28, 1997 under its shelf registration statements filed with the Securities and Exchange Commission.

At June 28, 1997, approximately 37% and 28% of total foreign currency borrowings of $496 million under Textron's multi-currency credit agreements were denominated in Deutsche marks and French francs, respectively.

In the first half of 1997, the Parent Group acquired the Germany-based Kautex Group, a worldwide supplier of blow-molded plastic fuel tanks and other automotive components and systems and Switzerland-based Maag Pump Systems AG and Italy-based Maag Italia S.p.A., manufacturers of gears, gear pumps and gear systems for an aggregate cost of approximately $390 million. Textron also announced an agreement to sell its Speidel division to Hermann Hirsch USA, Inc., an affiliate of Austria-based Hirsch Armbaender Ges.m.b.H. The transaction is expected to close on December 31, 1997.

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

Finance Group: The Finance Group paid dividends of $81 million and $64 million to the Parent Group during the six month periods ended June 28, 1997 and June 29, 1996, respectively.

During the six months ended June 30, 1997, Avco Financial Services (AFS) issued $451 million of unsecured debt securities, including $136 million under its shelf registration statements. AFS had $947 million and $507 million available at June 30, 1997 for unsecured debt securities under its shelf registration statements with the Securities and Exchange Commission and Canadian provincial security exchanges, respectively.

During the first half of 1997, the Finance Group had $291 million of interest rate exchange agreements expire and $405 million of interest rate exchange agreements go into effect. The new agreements, which have a weighted average original term of 2.3 years and expire through 2000, had the effect of fixing the rate of interest at approximately 6.7% on $405 million of variable rate borrowings at June 30, 1997.

Textron Financial Corporation (TFC) issued $50 million medium-term notes on June 30, 1997 under its $500 million medium-term note facility under Rule 144A of the Securities Act of 1933, as amended. TFC had $242 million available under this facility at June 30, 1997.

Results of Operations - Three months ended June 28, 1997 vs. Three months ended June 29, 1996

Textron reported second quarter 1997 earnings per share from continuing operations of $0.85 per share, up 18% from second quarter 1996 earnings per share from continuing operations of $0.72. Income from continuing operations in 1997 of $145 million was up 16% from the 1996 amount of $125 million. Revenues increased 12% to $2.7 billion in 1997 from $2.4 billion in 1996.

The Aircraft segment's revenues and income increased $133 million (20%) and $14 million (21%), respectively. Bell Helicopter's revenues and income increased primarily as a result of higher commercial and U.S. Government aircraft sales ($56 million). Cessna's revenues increased as a result of higher sales of its recently introduced new business jets -- the Citation X and the Bravo. Its income increased as a result of the higher revenues, partially offset by an increased level of expenses due to the introduction and support of new products.

The Automotive segment's revenues increased $84 million (19%), reflecting the first quarter 1997 acquisition of Kautex and the 1996 acquisitions of Valeo Wiper Systems and the remaining 50% of a joint venture in Born, Netherlands. The benefit of the higher sales from the acquisitions was partially offset by the unfavorable impact of a strike at a Chrysler engine plant and the timing of replacement business and new model launches. Income decreased $8 million (20%), reflecting the above factors and a decision to begin a restructuring effort to improve overall automotive margins.

The Industrial segment's revenues and income increased $56 million (9%) and $12 million (19%), respectively. These increases were due principally to higher sales and improved performance in the fastening systems and the golf and turf- care businesses. In addition, results benefited from the first quarter 1997 acquisitions of Maag Pump Systems and Maag Italia S.p.A. and the third quarter 1996 acquisition of Klauke.

The Systems and Components segment's revenues decreased $23 million (13%), reflecting the third quarter 1996 divestiture of Textron Aerostructures. This revenue decrease was partially offset by higher revenues on the sensor fuzed weapon contract and an increase in demand for aerospace components. Income remained unchanged as the benefit of the higher revenues was offset by the impact of the Aerostructures divestiture and lower performance in marine and land systems products.

The Finance segment's revenues increased $33 million (6%), while income increased $6 million (6%). AFS' revenues and income increased $25 million and $2 million, respectively. Revenues in its finance and related insurance business increased $21 million, primarily as a result of an increase in average finance receivables, partially offset by a decrease in yields on finance receivables. Income decreased $4 million, due primarily to an increase in the provision for losses resulting from a higher level of net credit losses to average finance receivables, partially offset by the benefit of the higher revenues and a decrease in the average cost of borrowed funds. In AFS' nonfinance-related insurance business, revenues increased $4 million and income increased $6 million, due primarily to higher premiums earned and investment income, as well as improved underwriting expenses, principally lower insurance loss ratios. TFC's revenues increased $8 million, due to increases in syndication fee income and a higher level of average finance receivables. Its income increased $4 million, due to the higher revenues and a lower provision for loan losses related to the real estate portfolio, partially offset by growth in businesses with higher operating expense ratios.

Interest Expense - Net for the Parent Group decreased $7 million due to a lower level of average debt, resulting from the payment of debt with proceeds from the divestiture of Paul Revere, partially offset by the incremental debt associated with acquisitions.

Results of Operations - Six months ended June 28, 1997 vs. Six months ended June 29, 1996

Textron reported first half 1997 earnings per share from continuing operations of $1.58 per share, up 17% from first half 1996 earnings per share from continuing operations of $1.35. Income from continuing operations in 1997 of $270 million was up 15% from the 1996 amount of $234 million. Revenues increased 13% to $5.2 billion in 1997 from $4.6 billion in 1996. Net income in the first half 1997 was $270 million versus $160 million in 1996, which reflected the impact of a $74 million loss from a discontinued operation.

The Aircraft segment's revenues and income increased $185 million (14%) and $22 million (18%), respectively. Bell Helicopter's revenues and income increased primarily as a result of higher commercial and U.S. Government aircraft sales ($79 million), partially offset by lower revenues on the V-22 program ($57 million). Cessna's revenues increased as a result of higher sales of its recently introduced new business jets --the Citation X and the Bravo. Its income increased as a result of the higher revenues, partially offset by an increased level of expenses due to the introduction and support of new products.

The Automotive segment's revenues increased $236 million (28%), reflecting the first quarter 1997 acquisition of Kautex and the 1996 acquisitions of Valeo Wiper Systems and the remaining 50% of a joint venture in Born, Netherlands. The benefit of the higher sales from the acquisitions was partially offset by the unfavorable impact in the second quarter 1997 of a strike at a Chrysler engine plant and the timing of replacement business and new model launches. Income increased $5 million (6%), reflecting the above factors and the impact of the restructuring effort which began in the second quarter 1997.

Second half automotive sales, excluding the Kautex acquisition, are expected to be lower in 1997 than in 1996 as a result of the timing of replacement business and new model launches. Total segment margins in the second half are expected to continue at a lower level than last year primarily as a result of the lower sales described above, lower margins attributable to the Kautex acquisition and the impact of the restructuring effort.

The Industrial segment's revenues and income increased $199 million (18%) and $25 million (21%), respectively. These increases were due primarily to higher sales in fastening systems ($120 million), including the second quarter 1996 acquisition of Textron Industries. In addition, results benefited from the first quarter 1997 acquisitions of Maag Pump Systems and Maag Italia, S.p.A, the third quarter 1996 acquisition of Klauke, and higher sales and improved performance in the golf and turf-care businesses.

The Systems and Components segment's revenues decreased $49 million (14%), reflecting the third quarter 1996 divestiture of Textron Aerostructures. This revenue decrease was partially offset by higher revenues on the sensor fuzed weapon contract and an increase in demand for aerospace components. Income remained unchanged as the benefit of the higher revenues was offset by the impact of the Aerostructures divestiture and lower performance in marine and land systems products.

The Finance segment's revenues increased $49 million (5%), while income increased $10 million (5%). AFS' revenues and income increased $38 million and $5 million, respectively. Revenues in its finance and related insurance business increased $28 million, primarily as a result of an increase in average finance receivables ($7.322 billion in the first half 1997 versus $6.823 billion in the first half 1996), partially offset by a decrease in yields on finance receivables (17.99% in the first half 1997 vs. 18.59% in the first half 1996). Income decreased $5 million, due primarily to an increase in the provision for losses resulting from a higher level of net credit losses to average finance receivables (2.98% in the first half 1997 vs. 2.64% in the first half 1996), partially offset by the benefit of the higher revenues and a decrease in the average cost of borrowed funds (6.48% in the first half 1997 vs. 6.95% in the first half 1996). The general proliferation of credit cards has provided the consumer with an alternative source of funds, and as a result the increase in consumer debt in the U.S. and Canada has continued to burden the finance consumer, resulting in higher delinquencies and charge-offs. In AFS' nonfinance- related insurance business, revenues and income both increased $10 million, due primarily to higher premiums earned and investment income, as well as improved underwriting expenses, principally lower insurance loss ratios. TFC's revenues increased $11 million, due to a higher level of average finance receivables ($3.173 billion in the first half 1997 vs. $3.019 billion in the first half 1996), and increases in syndication fee income, partially offset by lower yields of finance receivables (9.94% in the first half 1997 vs. 10.03% in the first half 1996), primarily on floating rate receivables. Its income increased

$5 million, due to the higher revenues and a lower provision for loan losses related to the real estate portfolio, partially offset by growth in businesses with higher operating expense ratios.

Corporate expenses and other - net increased $5 million, due to first quarter 1997 litigation expenses related to a divested operation. Interest Expense-net for the Parent Group decreased $6 million due to a lower level of average debt, resulting from the payment of debt with proceeds from the divestiture of Paul Revere, partially offset by the incremental debt associated with acquisitions.

PART II. OTHER INFORMATION

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

At Textron's annual meeting of shareholders held on April 23, 1997, the following items were voted upon:

1. The following persons were elected to serve as directors in Class I for three year terms expiring in 2000 and received the votes listed. There were no abstentions or broker non-votes applicable to the election of directors:

Name	For	Withheld
Teresa Beck	74,404,822	557,598
Lewis B. Campbell	74,404,045	558,375
R. Stuart Dickson	74,393,859	568,561
John D. Macomber	74,387,147	575,273
John W. Snow	74,402,952	559,468

The following directors have terms of office which continued after the meeting: H. Jesse Arnelle, Paul E. Gagne, James F. Hardymon, Dana G. Mead, Barbara Scott Preiskel, Brian H. Rowe, Sam F. Segnar, Jean Head Sisco, Martin D. Walker and Thomas B. Wheeler.

2. An amendment of Article Fourth of Textron's Restated Certificate of Incorporation to increase the number of authorized shares of Textron common stock to 500 million was approved by the following vote:

For Against Abstain Broker Non-Votes

71,979,770 2,658,677 323,973 0

3. An amendment to Textron's 1994 Long-Term Incentive Plan was approved by the following vote:

For Against Abstain Broker Non-Votes

71,694,654 2,481,407 786,359 0

4. The appointment of Ernst & Young LLP as Textron's independent auditors for 1997 was ratified by the following vote:

For Against Abstain Broker Non-Votes

74,458,561 232,423 271,436 0

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10 Employment Agreement between Textron Inc. and John D.

Butler dated June 10, 1997

12.1 Computation of ratio of income to fixed charges and preferred securities dividends of the Parent Group.

12.2 Computation of ratio of income to 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

No reports on Form 8-K were filed during the second quarter ended June 28, 1997.

SIGNATURES

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

TEXTRON INC.

Date: August 5, 1997 *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
10	Employment Agreement between Textron Inc. and John D. Butler dated June 10, 1997
12.1	Computation of ratio of income to combined fixed charges and preferred securities dividends of the Parent Group
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)

EMPLOYMENT AGREEMENT

AGREEMENT, dated as of June 10, 1997, between Textron Inc., a Delaware corporation (the "Corporation"), and John D. Butler (the "Executive").

WHEREAS, the Corporation desires to employ the Executive in the position of Executive Vice President and Chief Human Resources Officer during the term of this Agreement, and the Executive is willing accept such employment upon the terms and conditions set forth below;

NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the parties hereto hereby agree as follows:

1. Employment. The Corporation hereby employs and engages the services of the Executive as one of its key principal executive officers with the initial position of Executive Vice President and Chief Human Resources Officer of the Corporation for the "term of employment" set forth in Section 2 of this Agreement. The Executive agrees to serve the Corporation in such position as set forth in Section 3 of this Agreement for the term of employment.

2. Term of Employment. The Executive's "term of employment" (as that phrase is used herein) shall be a period commencing on July 1, 1997, and continuing in effect through and including December 31, 1999, provided, however, that on January 1 of each year during the term of employment, commencing January 1, 1998, the term of employment shall automatically be extended for an additional year unless prior to such January 1 the Corporation gives written notice to the Executive of the Corporation's intention not to so extend the term of employment, and provided, further, that in the event the Executive's status is converted to that of an employee-consultant pursuant to Section 6(b) of this Agreement, the Executive's term of employment shall expire no earlier than the second anniversary of the effective date of such conversion.

3. Position and Duties.

(a) During the term of employment the Executive's position, authority and responsibilities, the type of work he is asked to perform, and the status and stature of the people with whom he is asked to work, shall not be diminished, and the Executive's services shall be performed at the Corporation's headquarters in Providence, Rhode Island or at such other location (i) as may be mutually agreed between the Corporation and the Executive or (ii) to which the Corporation's corporate headquarters is relocated.

(b) The Executive agrees to devote his full business time during normal business hours to the business and affairs of the Corporation (except as otherwise provided herein) and to use his best efforts to promote the interests of the Corporation and to perform faithfully and efficiently the responsibilities assigned to him in accordance with the terms of this Agreement, to the extent necessary to discharge such responsibilities, except for (i) services on corporate, civic or charitable boards or committees not significantly interfering with the performance of such responsibilities and (ii) periods of vacation and sick leave to which he is entitled. It is expressly understood and agreed that the Executive's continuing service on any boards and committees with which he shall be connected, as a member or otherwise, as of the date hereof, or any such service approved by the Corporation during the term of employment, shall not be deemed to interfere with the performance of the Executive's services to the Corporation pursuant to this paragraph (b).

4. Compensation and Other Terms of Employment.

(a) Base Salary. During the term of employment, the Executive shall receive an annual base salary ("Base Salary"), payable in equal monthly installments, at an annual rate at least equal to the aggregate annual base salary payable to the Executive by the Corporation at the commencement of the term of employment. The Base Salary shall be reviewed and may be increased at any time and from time to time in accordance with the Corporation's regular practices. Any increase in the Base Salary shall not serve to limit or reduce any other obligation of the Corporation hereunder, and after any such increase the Base Salary shall not be reduced from such increased level.

(b) Incentive Plans. As further compensation, the Executive will be eligible during the term of employment for participation in the Corporation's short-term incentive compensation plan in a participation level commensurate with his level of employment. The Executive shall also be eligible during the term of employment for awards of stock options and performance units under the Corporation's long-term incentive plan. In the event such plans are amended or superseded, the Executive shall be entitled to participate in the amended or successor plan at a level substantially equivalent to his participation in the plans immediately prior to such amendment or succession. Any agreements existing as of the date hereof between the Corporation and the Executive providing for special incentive or similar benefits are continued by this Agreement.

(c) Retirement, Savings and Other Executive Plans. In addition to the Base Salary and incentive plans as hereinabove provided, during the term of employment the Executive shall be entitled to participate in all savings, retirement, employee benefit and key executive plans generally available to executive officers of the Corporation. Nothing herein shall be construed to prevent the Corporation from amending or terminating any such plans to the extent currently permitted by the terms of such plans. Any agreements existing as of the date hereof between the Corporation and the Executive providing for special pension, retirement or similar benefits are continued by this Agreement.

(d) Expenses. During the term of employment, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies and procedures of the Corporation in effect as of the date hereof.

(e) Office and Support Staff. During the term of employment, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to secretarial and other assistance, commensurate with his level of employment.

(f) Vacation and Fringe Benefits. During the term of employment, the Executive shall be entitled to paid vacation and fringe benefits (including, but not limited to, travel facilities) in accordance with the policies of the Corporation in effect as of the date hereof.

5. Termination.

(a) Death. Except for the obligations of the Corporation set forth in this paragraph (a), this Agreement shall terminate automatically upon the Executive's death. In the event of such termination, the Corporation shall pay to the Executive's estate all benefits and compensation accrued hereunder through the end of the month in which the Executive died.

(b) Cause. The Corporation may terminate the Executive's employment for Cause. For purposes of the Agreement, "Cause" shall mean (i) an act or acts of dishonesty on the Executive's part which are intended to result in his substantial personal enrichment at the expense of the Corporation or (ii) any material violation by the Executive of his responsibilities set forth in Section 3 or Section 6(c) hereof which are demonstrably willful and deliberate on the Executive's part and which result in material injury to the Corporation or (iii) any material violation by the Executive of Textron's Business Conduct Guidelines.

If the Executive's employment is terminated for Cause, the Corporation shall pay the Executive his full accrued Base Salary through the date of such termination at the rate in effect at the time of such termination, and the Corporation shall have no further obligations to the Executive under this Agreement.

6. Consulting Services.
(a) In the event of the Executive's Disability (as hereinafter defined), the Executive's status shall automatically become that of an employee-consultant for the remainder of the term of employment. During such period, the Executive shall be required to provide services to the Corporation in accordance with paragraph (c) of this
Section 6, but only to the extent the Executive has the ability to provide such services. Upon the completion of the term of employment, the Executive shall be entitled to receive (in addition to any other payments and benefits accrued as of such time) such disability benefits and other benefits as may be payable to the Executive under the terms of the employee benefit plans referred to in Section 4(c) hereof. "Disability" shall mean a disability which prevents the Executive from performing the services contemplated by Section 3 hereof for the entire remainder of the term of employment.
(b) Notwithstanding any other provisions contained in this Agreement, the Corporation, at its option for any reason, or the Executive, for Good Reason (as hereinafter defined), may convert the Executive's status into that of an employee-consultant for the remainder of the term of employment in accordance with the procedures set forth in this paragraph (b). In the event the Corporation determines that the Executive shall no longer hold his present position or the Corporation intends to effect any change in the Executive's employment status that would constitute Good Reason, the Corporation shall give notice to the Executive of such determination or intention. In the event that the Executive claims that the Corporation has taken any action constituting Good Reason, the Executive shall give notice to the Corporation of such claim. In either event, the parties shall meet and attempt to reach a mutually satisfactory adjustment of the terms of the Executive's employment; provided, however, that the Executive shall not be obligated to accept any change in the terms of his employment proposed by the Corporation. If the Corporation and the Executive cannot reach a mutually satisfactory adjustment, either the Corporation or the Executive may then convert the Executive's status to that of an employee-consultant.

"Good Reason" shall mean:

(i) without the express written consent of the Executive, (A) the assignment of the Executive to any duties or location inconsistent in any significant respect with the provisions of
Section 3(a) hereof, or (B) any other significant change in the position, authority or responsibilities of the Executive (except as permitted by this Section 6);
(ii) any failure by the Corporation to comply with any of the provisions of Section 4 hereof, other than an insubstantial and inadvertent failure remedied by the Corporation promptly after receipt of notice thereof given by the Executive; or
(iii) any purported termination by the Corporation of the Executive's employment hereunder other than in accordance with, and as permitted by, this Agreement, it being understood and agreed that any such purported termination shall not be effective for any purpose of this Agreement.
(c) In the event the Executive's status is converted to that of an employee-consultant as provided in this Section 6, the Executive shall continue to be a full-time employee of the Corporation and shall, except as limited by paragraph (a) of this Section 6, provide such advisory services concerning the business of the Corporation, of the same type and stature performed by the Executive prior to the conversion of his status to employee-consultant, as may reasonably be requested by the Corporation. The period during which the Executive serves as an employee-consultant pursuant to this Section 6 shall for all purposes of this Agreement be considered part of the term of employment. During such period, the Corporation shall continue to be bound by, and obligated to perform in all respects, all of the provisions of Section 4 hereof, and, to the extent not inconsistent with this Section 6, all of the other provisions of the Agreement shall continue in full force and effect; provided, however, that during such period, the Executive shall not be eligible for awards of stock options and performance units under the Corporation's long-term incentive plan, nor shall the Executive be entitled to office and support staff under Section 4(e). During such period, the Executive shall not engage in any activities in competition with the Corporation and shall continue to be deemed an employee under all benefit plans and programs of the Corporation.

7. Non-Exclusivity of Rights.
(a) Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Corporation or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any stock option or other agreements with the Corporation or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Corporation or any of its affiliated companies shall be payable in accordance with the terms of such plan or program.
(b) Notwithstanding the foregoing, and in consideration of the premises contained in this Agreement, the Executive specifically waives any rights he may have to receive any severance pay or other severance benefits under the Textron Executive Severance Plan and any other severance plan, program or agreement of the Corporation.

8. No Set-Off; Legal Fees. The Corporation's obligation to make the payments provided for herein and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including without limitation any set-off, counter-claim, recoupment, defense or other right which the Corporation may have against the Executive or others. Unless it is finally determined by a court of competent jurisdiction after all available appeals that the Corporation has validly terminated the Executive's employment for Cause, the Corporation agrees to pay, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest by the Corporation

or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof, plus interest on the total unpaid amount determined to be payable hereunder, such interest to be calculated on the basis of the prime commercial lending rate announced by Morgan Guaranty Trust Company in effect from time to time, for the period commencing on the date of such contest and ending on the date on which the Corporation shall pay such total amount (such interest to be compounded quarterly).

9. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Corporation all secret or confidential information, knowledge or data relating to the Corporation or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during his employment by the Corporation or any of its affiliated companies and which shall not be public knowledge. During and after the end of the term of employment, the Executive shall not, without the prior written consent of the Corporation, communicate or divulge any such information, knowledge or data to anyone other than the Corporation and those designated by it.

10. No Assignment. This Agreement is personal to the Executive and without the prior written consent of the Corporation shall not be assignable by the Executive other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

11. Miscellaneous.
(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.
(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Textron Inc.
40 Westminster Street
Providence, RI 02903

If to the Corporation:

Textron Inc.
40 Westminster Street
Providence, Rhode Island 02903

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.
(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.
(d) The Corporation may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.
(e) This Agreement contains the entire understanding of the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

/s/ John D. Butler
John D. Butler

TEXTRON INC.

By /s/ William F. Wayland
William F. Wayland
Executive Vice President
Administration and
Chief Human Resources Officer

ATTEST:

/s/ Michael D. Cahn
Michael D. Cahn
Assistant Secretary

(SEAL)

EXHIBIT 12.1

PARENT GROUP

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

(unaudited)

(In millions except ratio)

	Six Months Ended June 28, 1997
Fixed charges:	
Interest expense	$69
Distributions on preferred securities of subsidiary trust, net of income taxes	13
Estimated interest portion of rents	9
Total fixed charges	$91
Income:	
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	$463
Eliminate equity in undistributed pretax income of Finance Group	(116)
Fixed charges	91
Adjusted income	$438

Ratio of income to fixed charges 4.81

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)

	Six Months Ended June 28, 1997
Fixed charges:	
Interest expense	$363
Distributions on preferred securities of subsidiary trust, net of income taxes	13
Estimated interest portion of rents	18
Total fixed charges	$394

Income:
Income from continuing operations before income taxes and distributions on preferred securities

of subsidiary trust	$463
Fixed charges	394
Adjusted income	$857

Ratio of income to fixed charges 2.18

ARTICLE 5

This schedule contains summary financial information extracted from Textron Inc.'s Consolidated Balance Sheet as of June 28, 1997 and Consolidated Statement of Income for the six months ended June 28,1997 and is qualified in its entirety by reference to such financial statements.

PERIOD TYPE	6 MOS
FISCAL YEAR END	JAN 03 1997
PERIOD END	JUN 28 1997
CASH	161
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	1,416
CURRENT ASSETS	0
PP&E	3,483
DEPRECIATION	1,802
TOTAL ASSETS	18,795
CURRENT LIABILITIES	0
BONDS	10,628
COMMON	24
PREFERRED MANDATORY	0
PREFERRED	14
OTHER SE	3,182
TOTAL LIABILITY AND EQUITY	18,795
SALES	4,138
TOTAL REVENUES	5,218
CGS	3,386
TOTAL COSTS	3,523
OTHER EXPENSES	0
LOSS PROVISION	127
INTEREST EXPENSE	363
INCOME PRETAX	463
INCOME TAX	180
INCOME CONTINUING	270
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	270
EPS PRIMARY	1.58 [1]
EPS DILUTED	1.58

[1] Reflects the effect of a two for one stock split in the form of a stock dividend paid May 30, 1997 to shareholders of record on May 9, 1997. Prior financial data schedules have not been restated.

End of Filing