UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended July 4, 2015

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to ______.

Commission File Number 1-5480

Textron Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**05-0315468** (I.R.S. Employer Identification No.)
40 Westminster Street, Providence, RI (Address of principal executive offices)	**02903** (Zip code)

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

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 ✓ No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ✓ No __

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer [✓] Accelerated filer [__] Non-accelerated filer [__] Smaller reporting company [__]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes __ No ✓

As of July 17, 2015, there were 276,421,869 shares of common stock outstanding.

TEXTRON INC.
Index to Form 10-Q
For the Quarterly Period Ended July 4, 2015

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

TEXTRON INC.
Consolidated Statements of Operations (Unaudited)

	Three Months Ended		Six Months Ended	
(In millions, except per share amounts)	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Revenues				
Manufacturing revenues	$ 3,223	$ 3,478	$ 6,274	$ 6,296
Finance revenues	24	27	46	56
Total revenues	3,247	3,505	6,320	6,352
Costs and expenses				
Cost of sales	2,635	2,875	5,144	5,232
Selling and administrative expense	329	353	666	655
Interest expense	42	47	85	94
Acquisition and restructuring costs	—	20	—	36
Total costs and expenses	3,006	3,295	5,895	6,017
Income from continuing operations before income taxes	241	210	425	335
Income tax expense	72	65	128	103
Income from continuing operations	169	145	297	232
Loss from discontinued operations, net of income taxes	(2)	(1)	(2)	(3)
Net income	$ 167	$ 144	$ 295	$ 229
Basic earnings per share				
Continuing operations	$ 0.61	$ 0.52	$ 1.07	$ 0.83
Discontinued operations	(0.01)	—	(0.01)	(0.01)
Basic earnings per share	$ 0.60	$ 0.52	$ 1.06	$ 0.82
Diluted earnings per share				
Continuing operations	$ 0.60	$ 0.51	$ 1.06	$ 0.82
Discontinued operations	—	—	(0.01)	(0.01)
Diluted earnings per share	$ 0.60	$ 0.51	$ 1.05	$ 0.81
Dividends per share				
Common stock	$ 0.02	$ 0.02	$ 0.04	$ 0.04

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended		Six Months Ended	
(In millions)	**July 4, 2015**	**June 28, 2014**	**July 4, 2015**	**June 28, 2014**
Net income	$ 167	$ 144	$ 295	$ 229
Other comprehensive income, net of tax:				
Pension and postretirement benefits adjustments, net of reclassifications	87	27	111	45
Foreign currency translation adjustments	10	2	(46)	(4)
Deferred gains (losses) on hedge contracts, net of reclassifications	4	14	(8)	7
Other comprehensive income	101	43	57	48
Comprehensive income	$ 268	$ 187	$ 352	$ 277

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Balance Sheets (Unaudited)

(Dollars in millions)	July 4, 2015	January 3, 2015
Assets		
Manufacturing group		
Cash and equivalents	$ 661	$ 731
Accounts receivable, net	1,163	1,035
Inventories	4,437	3,928
Other current assets	512	579
Total current assets	6,773	6,273
Property, plant and equipment, less accumulated depreciation and amortization of $3,797 and $3,685	2,462	2,497
Goodwill	2,015	2,027
Other assets	2,251	2,279
Total Manufacturing group assets	13,501	13,076
Finance group		
Cash and equivalents	131	91
Finance receivables, net	1,162	1,238
Other assets	154	200
Total Finance group assets	1,447	1,529
Total assets	$ 14,948	$ 14,605
Liabilities and shareholders’ equity		
Liabilities		
Manufacturing group		
Short-term debt and current portion of long-term debt	$ 263	$ 8
Accounts payable	1,129	1,014
Accrued liabilities	2,671	2,616
Total current liabilities	4,063	3,638
Other liabilities	2,420	2,587
Long-term debt	2,650	2,803
Total Manufacturing group liabilities	9,133	9,028
Finance group		
Other liabilities	242	242
Debt	971	1,063
Total Finance group liabilities	1,213	1,305
Total liabilities	10,346	10,333
Shareholders’ equity		
Common stock	36	36
Capital surplus	1,535	1,459
Treasury stock	(427)	(340)
Retained earnings	4,907	4,623
Accumulated other comprehensive loss	(1,449)	(1,506)
Total shareholders’ equity	4,602	4,272
Total liabilities and shareholders’ equity	$ 14,948	$ 14,605
Common shares outstanding *(in thousands)*	276,342	276,582

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited)
For the Six Months Ended July 4, 2015 and June 28, 2014, respectively

	Consolidated	
(In millions)	2015	2014
Cash flows from operating activities		
Net income	$ 295	$ 229
Less: Loss from discontinued operations	(2)	(3)
Income from continuing operations	297	232
Adjustments to reconcile income from continuing operations		
to net cash provided by operating activities:		
Non-cash items:		
Depreciation and amortization	220	214
Deferred income taxes	(15)	(14)
Other, net	53	56
Changes in assets and liabilities:		
Accounts receivable, net	(144)	(96)
Inventories	(516)	(279)
Other assets	(24)	16
Accounts payable	123	(98)
Accrued and other liabilities	27	208
Income taxes, net	93	35
Pension, net	40	17
Captive finance receivables, net	53	67
Other operating activities, net	(2)	(5)
Net cash provided by operating activities of continuing operations	205	353
Net cash used in operating activities of discontinued operations	(3)	(2)
Net cash provided by operating activities	202	351
Cash flows from investing activities		
Capital expenditures	(173)	(172)
Net cash used in acquisitions	(34)	(1,550)
Finance receivables repaid	46	58
Other investing activities, net	26	16
Net cash used in investing activities	(135)	(1,648)
Cash flows from financing activities		
Principal payments on long-term and nonrecourse debt	(130)	(121)
Increase in short-term debt	105	—
Proceeds from long-term debt	9	1,151
Purchases of Textron common stock	(87)	(150)
Dividends paid	(11)	(11)
Other financing activities, net	21	30
Net cash provided by (used in) financing activities	(93)	899
Effect of exchange rate changes on cash and equivalents	(4)	2
Net decrease in cash and equivalents	(30)	(396)
Cash and equivalents at beginning of period	822	1,211
Cash and equivalents at end of period	$ 792	$ 815

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited) (Continued)
For the Six Months Ended July 4, 2015 and June 28, 2014, respectively

	Manufacturing Group		Finance Group	
(In millions)	2015	2014	2015	2014
Cash flows from operating activities				
Net income	$ 285	$ 222	$ 10	$ 7
Less: Loss from discontinued operations	(2)	(3)	—	—
Income from continuing operations	287	225	10	7
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:				
Non-cash items:				
Depreciation and amortization	215	207	5	7
Deferred income taxes	(6)	(5)	(9)	(9)
Other, net	51	48	2	8
Changes in assets and liabilities:				
Accounts receivable, net	(144)	(96)	—	—
Inventories	(525)	(272)	—	—
Other assets	(34)	16	10	—
Accounts payable	123	(98)	—	—
Accrued and other liabilities	33	211	(6)	(3)
Income taxes, net	78	31	15	4
Pension, net	40	17	—	—
Other operating activities, net	(2)	(1)	—	(4)
Net cash provided by operating activities of continuing operations	116	283	27	10
Net cash used in operating activities of discontinued operations	(3)	(2)	—	—
Net cash provided by operating activities	113	281	27	10
Cash flows from investing activities				
Capital expenditures	(173)	(172)	—	—
Net cash used in acquisitions	(34)	(1,550)	—	—
Finance receivables repaid	—	—	181	222
Finance receivables originated	—	—	(82)	(97)
Other investing activities, net	—	(5)	35	14
Net cash provided by (used in) investing activities	(207)	(1,727)	134	139
Cash flows from financing activities				
Principal payments on long-term and nonrecourse debt	—	(1)	(130)	(120)
Increase in short-term debt	105	—	—	—
Proceeds from long-term debt	—	1,093	9	58
Purchases of Textron common stock	(87)	(150)	—	—
Dividends paid	(11)	(11)	—	—
Other financing activities, net	21	30	—	—
Net cash provided by (used in) financing activities	28	961	(121)	(62)
Effect of exchange rate changes on cash and equivalents	(4)	2	—	—
Net increase (decrease) in cash and equivalents	(70)	(483)	40	87
Cash and equivalents at beginning of period	731	1,163	91	48
Cash and equivalents at end of period	$ 661	$ 680	$ 131	$ 135

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Notes to the Consolidated Financial Statements (Unaudited)

Note 1. Basis of Presentation

Our Consolidated Financial Statements include the accounts of Textron Inc. (Textron) and its majority-owned subsidiaries. We have prepared these unaudited consolidated financial statements in accordance with accounting principles generally accepted in the U.S. for interim financial information. Accordingly, these interim financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements. The consolidated interim financial statements included in this quarterly report should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended January 3, 2015. In the opinion of management, the interim financial statements reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for the fair presentation of our consolidated financial position, results of operations and cash flows for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

Our financings are conducted through two separate borrowing groups. The Manufacturing group consists of Textron consolidated with its majority-owned subsidiaries that operate in the Textron Aviation, Bell, Textron Systems and Industrial segments. The Finance group, which also is the Finance segment, consists of Textron Financial Corporation and its consolidated subsidiaries. We designed this framework to enhance our borrowing power by separating the Finance group. Our Manufacturing group operations include the development, production and delivery of tangible goods and services, while our Finance group provides financial services. Due to the fundamental differences between each borrowing group's activities, investors, rating agencies and analysts use different measures to evaluate each group's performance. To support those evaluations, we present balance sheet and cash flow information for each borrowing group within the Consolidated Financial Statements. All significant intercompany transactions are eliminated from the Consolidated Financial Statements, including retail and wholesale financing activities for inventory sold by our Manufacturing group and financed by our Finance group.

Use of Estimates
We prepare our financial statements in conformity with generally accepted accounting principles, which require us to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates. Our estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the Consolidated Statements of Operations in the period that they are determined.

During 2015 and 2014, we changed our estimates of revenues and costs on certain long-term contracts that are accounted for under the percentage-of-completion method of accounting. These changes in estimates increased income from continuing operations before income taxes in the second quarter of 2015 and 2014 by $36 million and $38 million, respectively, ($23 million and $24 million after tax, or $0.08 and $0.09 per diluted share, respectively). For the second quarter of 2015 and 2014, the gross favorable program profit adjustments totaled $40 million and $41 million, respectively, and the gross unfavorable program profit adjustments totaled $4 million and $3 million, respectively. Gross favorable program profit adjustments for the second quarter of 2014 included $16 million related to the settlement of the System Development and Demonstration phase of the Armed Reconnaissance Helicopter (ARH) program, which was terminated in October 2008.

The changes in estimates increased income from continuing operations before income taxes in the first half of 2015 and 2014 by $54 million and $59 million, ($34 million and $37 million after tax, or $0.12 and $0.13 per diluted share, respectively). For the first half of 2015 and 2014, the gross favorable program profit adjustments totaled $73 million and $65 million, respectively, and the gross unfavorable program profit adjustments totaled $19 million and $6 million, respectively. Gross favorable program profit adjustments for the first half of 2014 included $16 million related to the ARH program as described above.

Recently Issued Accounting Standards
In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, that outlines a comprehensive five-step revenue recognition model based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. On July 9, 2015, the FASB approved a one-year deferral of the effective date of the standard to the beginning of 2018 for public companies, with an option that would permit companies to adopt the standard as early as the original effective date of 2017. The new standard may be adopted either retrospectively or on a modified retrospective basis whereby it would be applied to new contracts and existing contracts with remaining performance obligations as of the effective date, with a cumulative catch-up adjustment recorded to beginning retained earnings at the effective date for those contracts. We are currently evaluating the impacts of adoption on our consolidated financial position, results of operations and related disclosures, along with the implementation approach to be used.

Note 2. Retirement Plans

We provide defined benefit pension plans and other postretirement benefits to eligible employees. The components of net periodic benefit cost for these plans are as follows:

	Three Months Ended		Six Months Ended	
(In millions)	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Pension Benefits				
Service cost	$ 29	$ 27	$ 59	$ 54
Interest cost	82	85	163	164
Expected return on plan assets	(121)	(117)	(242)	(228)
Amortization of prior service cost	4	4	8	8
Amortization of net actuarial loss	39	28	78	56
Curtailment and other charges	6	—	6	—
Net periodic benefit cost	$ 39	$ 27	$ 72	$ 54
Postretirement Benefits Other Than Pensions				
Service cost	$ 1	$ 1	$ 2	$ 2
Interest cost	4	5	8	10
Expected return on plan assets	—	—	—	—
Amortization of prior service credit	(6)	(5)	(12)	(11)
Amortization of net actuarial loss	—	—	—	1
Net periodic benefit cost (credit)	$ (1)	$ 1	$ (2)	$ 2

In April 2015, our Bell segment announced cost reduction actions that resulted in a headcount reduction of approximately 12% of the Bell workforce. We determined that a curtailment had occurred in Bell's pension plan as a result of this reduction, which triggered a remeasurement of the projected benefit obligation. We remeasured Bell's pension plan incorporating a 50 basis-point increase in the discount rate to 4.75%, while other assumptions remained consistent with year-end. The remeasurement reduced our unrealized losses by approximately $98 million which was recorded in other comprehensive income in the second quarter.

Note 3. Earnings Per Share

We calculate basic and diluted earnings per share (EPS) based on net income, which approximates income available to common shareholders for each period. Basic EPS is calculated using the two-class method, which includes the weighted-average number of common shares outstanding during the period and restricted stock units to be paid in stock that are deemed participating securities as they provide nonforfeitable rights to dividends. Diluted EPS considers the dilutive effect of all potential future common stock, including stock options. In addition, diluted EPS for the three and six months ended June 28, 2014 includes the impact of the initial delivery of shares under an Accelerated Share Repurchase agreement (ASR), which was settled in December 2014 as disclosed in Note 9 of our 2014 Annual Report on Form 10-K.

The weighted-average shares outstanding for basic and diluted EPS are as follows:

	Three Months Ended		Six Months Ended	
(In thousands)	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Basic weighted-average shares outstanding	277,715	280,280	277,808	280,715
Dilutive effect of:				
Stock options	2,220	2,042	2,216	2,072
ASR	—	442	—	312
Diluted weighted-average shares outstanding	279,935	282,764	280,024	283,099

Stock options to purchase 2 million and 1 million of common shares outstanding are excluded from the calculation of diluted weighted average shares outstanding for the three and six months ended July 4, 2015, respectively, as their effect would have been anti-dilutive. For both the three and six months ended June 28, 2014, stock options to purchase 2 million of common shares outstanding are excluded from the calculation of diluted weighted average shares, as their effect would have been anti-dilutive.

Note 4. Accounts Receivable and Finance Receivables

Accounts Receivable

Accounts receivable is composed of the following:

(In millions)		July 4, 2015		January 3, 2015
Commercial	$	894	$	765
U.S. Government contracts		300		300
		1,194		1,065
Allowance for doubtful accounts		(31)		(30)
Total	$	1,163	$	1,035

We have unbillable receivables, primarily on U.S. Government contracts, that arise when the revenues we have appropriately recognized based on performance cannot be billed yet under terms of the contract. Unbillable receivables within accounts receivable totaled $150 million at July 4, 2015 and $151 million at January 3, 2015.

Finance Receivables

Finance receivables are presented in the following table:

(In millions)		July 4, 2015		January 3, 2015
Finance receivables *	$	1,216	$	1,289
Allowance for losses		(54)		(51)
Total finance receivables, net	$	1,162	$	1,238

** Includes finance receivables held for sale of $33 million and $35 million at July 4, 2015 and January 3, 2015, respectively.*

Credit Quality Indicators and Nonaccrual Finance Receivables

We internally assess the quality of our finance receivables based on a number of key credit quality indicators and statistics such as delinquency, loan balance to estimated collateral value and the financial strength of individual borrowers and guarantors. Because many of these indicators are difficult to apply across an entire class of receivables, we evaluate individual loans on a quarterly basis and classify these loans into three categories based on the key credit quality indicators for the individual loan. These three categories are performing, watchlist and nonaccrual.

We classify finance receivables as nonaccrual if credit quality indicators suggest full collection of principal and interest is doubtful. In addition, we automatically classify accounts as nonaccrual once they are contractually delinquent by more than three months unless collection of principal and interest is not doubtful. Recognition of interest income is suspended for these accounts and all cash collections are used to reduce the net investment balance. We resume the accrual of interest when the loan becomes contractually current through payment according to the original terms of the loan or, if a loan has been modified, following a period of performance under the terms of the modification, provided we conclude that collection of all principal and interest is no longer doubtful. Previously suspended interest income is recognized at that time. Accounts are classified as watchlist when credit quality indicators have deteriorated as compared with typical underwriting criteria, and we believe collection of full principal and interest is probable but not certain. All other finance receivables that do not meet the watchlist or nonaccrual categories are classified as performing.

Finance receivables categorized based on the credit quality indicators discussed above are summarized as follows:

(In millions)		July 4, 2015		January 3, 2015
Performing	$	1,014	$	1,062
Watchlist		72		111
Nonaccrual		97		81
Total	$	1,183	$	1,254
Nonaccrual as a percentage of finance receivables		8.20%		6.46%

We measure delinquency based on the contractual payment terms of our finance receivables. In determining the delinquency aging category of an account, any/all principal and interest received is applied to the most past-due principal and/or interest amounts due. If a significant portion of the contractually due payment is delinquent, the entire finance receivable balance is reported in accordance with the most past-due delinquency aging category.

Finance receivables by delinquency aging category are summarized in the table below:

(In millions)	July 4, 2015	January 3, 2015
Less than 31 days past due	$ 1,016	$ 1,080
31-60 days past due	104	117
61-90 days past due	17	28
Over 90 days past due	46	29
Total	$ 1,183	$ 1,254
60 + days contractual delinquency as a percentage of finance receivables	5.33%	4.55%

Impaired Loans
On a quarterly basis, we evaluate individual finance receivables for impairment in non-homogeneous portfolios and larger balance accounts in homogeneous loan portfolios. A finance receivable is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on our review of the credit quality indicators discussed above. Impaired finance receivables include both nonaccrual accounts and accounts for which full collection of principal and interest remains probable, but the account's original terms have been, or are expected to be, significantly modified. If the modification specifies an interest rate equal to or greater than a market rate for a finance receivable with comparable risk, the account is not considered impaired in years subsequent to the modification. Interest income recognized on impaired loans was not significant in the first half of 2015 or 2014.

A summary of impaired finance receivables, excluding leveraged leases, and the average recorded investment is provided below:

(In millions)	July 4, 2015	January 3, 2015
Recorded investment:		
Impaired loans with related allowance for losses	$ 61	$ 68
Impaired loans with no related allowance for losses	41	42
Total	$ 102	$ 110
Unpaid principal balance	$ 108	$ 115
Allowance for losses on impaired loans	22	20
Average recorded investment	103	115

A summary of the allowance for losses on finance receivables that are evaluated on an individual basis and on a collective basis is provided below. The finance receivables included in the table below specifically exclude leveraged leases in accordance with generally accepted accounting principles.

(In millions)	July 4, 2015	January 3, 2015
Allowance based on collective evaluation	$ 32	$ 31
Allowance based on individual evaluation	22	20
Finance receivables evaluated collectively	$ 962	$ 1,023
Finance receivables evaluated individually	102	110

Allowance for Losses
We maintain an allowance for losses on finance receivables at a level considered adequate to cover inherent losses in the portfolio based on management's evaluation. For larger balance accounts specifically identified as impaired, a reserve is established based on comparing the expected future cash flows, discounted at the finance receivable's effective interest rate, or the fair value of the underlying collateral if the finance receivable is collateral dependent, to its carrying amount. The expected future cash flows consider collateral value; financial performance and liquidity of our borrower; existence and financial strength of guarantors; estimated recovery costs, including legal expenses; and costs associated with the repossession and eventual disposal of collateral. When there is a range of potential outcomes, we perform multiple discounted cash flow analyses and weight the potential outcomes based on their relative likelihood of occurrence. The evaluation of our portfolio is inherently subjective, as it requires estimates, including the amount and timing of future cash flows expected to be received on impaired finance receivables and the estimated fair value of the underlying collateral, which may differ from actual results. While our analysis is specific to each individual account, critical factors included in this analysis include industry valuation guides, age and physical condition of the collateral, payment history and existence and financial strength of guarantors.

We also establish an allowance for losses to cover probable but specifically unknown losses existing in the portfolio. This allowance is established as a percentage of non-recourse finance receivables, which have not been identified as requiring specific reserves. The percentage is based on a combination of factors, including historical loss experience, current delinquency and default trends, collateral values and both general economic and specific industry trends. Finance receivables are charged off at the earlier of the date the collateral is repossessed or when no payment has been received for six months, unless management deems the receivable collectible.

A rollforward of the allowance for losses on finance receivables is provided below:

	Six Months Ended	
(In millions)	**July 4, 2015**	**June 28, 2014**
Balance at the beginning of period	$ 51	$ 55
Provision for losses	(1)	6
Charge-offs	(2)	(10)
Recoveries	6	3
Balance at the end of period	$ 54	$ 54

Note 5. Inventories

Inventories are composed of the following:

(In millions)	**July 4, 2015**	**January 3, 2015**
Finished goods	$ 1,895	$ 1,582
Work in process	3,114	2,683
Raw materials and components	575	546
	5,584	4,811
Progress/milestone payments	(1,147)	(883)
Total	$ 4,437	$ 3,928

Note 6. Accrued Liabilities

We provide limited warranty and product maintenance programs, including parts and labor, for certain products for periods ranging from one to five years. Changes in our warranty and product maintenance contract liability are as follows:

	Six Months Ended	
(In millions)	**July 4, 2015**	**June 28, 2014**
Balance at the beginning of period	$ 281	$ 223
Provision	150	151
Settlements	(160)	(144)
Acquisitions	4	58
Adjustments*	(6)	(6)
Balance at the end of period	$ 269	$ 282

** Adjustments include changes to prior year estimates, new issues on prior year sales and currency translation adjustments.*

Note 7. Derivative Instruments and Fair Value Measurements

We measure fair value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We prioritize the assumptions that market participants would use in pricing the asset or liability into a three-tier fair value hierarchy. This fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs in which little or no market data exist, requiring companies to develop their own assumptions. Observable inputs that do not meet the criteria of Level 1, which include quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets and liabilities in markets that are not active, are categorized as Level 2. Level 3 inputs are those that reflect our estimates about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. Valuation techniques for assets and liabilities measured using Level 3 inputs may include methodologies such as the market approach, the income approach or the cost approach and may use unobservable inputs such as projections, estimates and management's interpretation of current market data. These unobservable inputs are utilized only to the extent that observable inputs are not available or cost effective to obtain.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

We manufacture and sell our products in a number of countries throughout the world, and, therefore, we are exposed to movements in foreign currency exchange rates. We utilize foreign currency exchange contracts to manage this volatility. Our foreign currency exchange contracts are measured at fair value using the market method valuation technique. The inputs to this technique utilize current foreign currency exchange forward market rates published by third-party leading financial news and data providers. These are observable data that represent the rates that the financial institution uses for contracts entered into at that date; however, they are not based on actual transactions so they are classified as Level 2. At July 4, 2015 and January 3, 2015, we had foreign currency exchange contracts with notional amounts upon which the contracts were based of $468 million and $696 million, respectively. At July 4, 2015, the fair value amounts of our foreign currency exchange contracts were a $15 million asset and a $35 million liability. At January 3, 2015, the fair value amounts of our foreign currency exchange contracts were a $16 million asset and a $26 million liability.

We primarily utilize forward exchange contracts which have maturities of no more than three years. These contracts qualify as cash flow hedges and are intended to offset the effect of exchange rate fluctuations on forecasted sales, inventory purchases and overhead expenses. At July 4, 2015, we had a net deferred loss of $21 million in Accumulated other comprehensive loss related to these cash flow hedges. Net gains and losses recognized in earnings and Accumulated other comprehensive loss on cash flow hedges, including gains and losses related to hedge ineffectiveness, were not significant in the periods presented.

We hedge our net investment position in major currencies and generate foreign currency interest payments that offset other transactional exposures in these currencies. To accomplish this, we borrow directly in foreign currency and designate a portion of foreign currency debt as a hedge of a net investment. We record changes in the fair value of these contracts in other comprehensive income to the extent they are effective as cash flow hedges. Currency effects on the effective portion of these hedges, which are reflected in the foreign currency translation adjustments within Accumulated other comprehensive loss, were not significant in the periods presented.

Assets Recorded at Fair Value on a Nonrecurring Basis

During the periods ended July 4, 2015 and January 3, 2015, the Finance group's impaired nonaccrual finance receivables of $39 million and $49 million, respectively, were measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3). Impaired nonaccrual finance receivables represent assets recorded at fair value on a nonrecurring basis since the measurement of required reserves on our impaired finance receivables is significantly dependent on the fair value of the underlying collateral. For impaired nonaccrual finance receivables secured by aviation assets, the fair values of collateral are determined primarily based on the use of industry pricing guides. Fair value measurements recorded on impaired finance receivables resulted in charges to provision for loan losses totaling $3 million and $6 million for the three and six months ended July 4, 2015 and $6 million and $11 million for the three and six months ended June 28, 2014, respectively.

Assets and Liabilities Not Recorded at Fair Value

The carrying value and estimated fair value of our financial instruments that are not reflected in the financial statements at fair value are as follows:

	July 4, 2015		January 3, 2015	
(In millions)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Manufacturing group				
Long-term debt, excluding leases	$ (2,740)	$ (2,897)	$ (2,742)	$ (2,944)
Finance group				
Finance receivables, excluding leases	928	937	1,004	1,021
Debt	(971)	(946)	(1,063)	(1,051)

Fair value for the Manufacturing group debt is determined using market observable data for similar transactions (Level 2). At July 4, 2015 and January 3, 2015, approximately 73% and 75%, respectively, of the fair value of term debt for the Finance group was determined based on discounted cash flow analyses using observable market inputs from debt with similar duration, subordination and credit default expectations (Level 2). The remaining Finance group debt was determined based on observable market transactions (Level 1). Fair value estimates for finance receivables were determined based on internally developed discounted cash flow models primarily utilizing significant unobservable inputs (Level 3), which include estimates of the rate of return, financing cost, capital structure and/or discount rate expectations of current market participants combined with estimated loan cash flows based on credit losses, payment rates and expectations of borrowers' ability to make payments on a timely basis.

Note 8. Accumulated Other Comprehensive Loss and Other Comprehensive Income

The components of Accumulated Other Comprehensive Loss are presented below:

(In millions)	Pension and Postretirement Benefits Adjustments	Foreign Currency Translation Adjustments	Deferred Gains (Losses) on Hedge Contracts	Accumulated Other Comprehensive Loss
For the six months ended July 4, 2015				
Balance at the beginning of the period	$ (1,511)	$ 18	$ (13)	$ (1,506)
Other comprehensive income (loss) before reclassifications	62	(46)	(14)	2
Reclassified from Accumulated other comprehensive loss	49	—	6	55
Other comprehensive income (loss)	111	(46)	(8)	57
Balance at the end of the period	$ (1,400)	$ (28)	$ (21)	$ (1,449)
For the six months ended June 28, 2014				
Balance at the beginning of the period	$ (1,110)	$ 93	$ (10)	$ (1,027)
Other comprehensive income (loss) before reclassifications	9	(4)	2	7
Reclassified from Accumulated other comprehensive loss	36	—	5	41
Other comprehensive income (loss)	45	(4)	7	48
Balance at the end of the period	$ (1,065)	$ 89	$ (3)	$ (979)

Table of Contents

The before and after-tax components of Other Comprehensive Income are presented below:

(In millions)	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
For the three months ended July 4, 2015			
Pension and postretirement benefits adjustments:			
Unrealized gains	$ 98	$ (36)	$ 62
Amortization of net actuarial loss*	39	(14)	25
Pension and postretirement benefits adjustments, net	137	(50)	87
Deferred gains on hedge contracts:			
Current deferrals	3	(1)	2
Reclassification adjustments	3	(1)	2
Deferred gains on hedge contracts, net	6	(2)	4
Foreign currency translation adjustments	9	1	10
Total	$ 152	$ (51)	$ 101
For the three months ended June 28, 2014			
Pension and postretirement benefits adjustments:			
Amortization of net actuarial loss*	$ 28	$ (10)	$ 18
Amortization of prior service credit*	(1)	1	—
Recognition of prior service cost	15	(6)	9
Pension and postretirement benefits adjustments, net	42	(15)	27
Deferred gains on hedge contracts:			
Current deferrals	13	(2)	11
Reclassification adjustments	5	(2)	3
Deferred gains on hedge contracts, net	18	(4)	14
Foreign currency translation adjustments	—	2	2
Total	$ 60	$ (17)	$ 43
For the six months ended July 4, 2015			
Pension and postretirement benefits adjustments:			
Unrealized gains	$ 98	$ (36)	$ 62
Amortization of net actuarial loss*	78	(28)	50
Amortization of prior service credit*	(2)	1	(1)
Pension and postretirement benefits adjustments, net	174	(63)	111
Deferred gains (losses) on hedge contracts:			
Current deferrals	(18)	4	(14)
Reclassification adjustments	9	(3)	6
Deferred gains (losses) on hedge contracts, net	(9)	1	(8)
Foreign currency translation adjustments	(43)	(3)	(46)
Total	$ 122	$ (65)	$ 57
For the six months ended June 28, 2014			
Pension and postretirement benefits adjustments:			
Amortization of net actuarial loss*	$ 57	$ (20)	$ 37
Amortization of prior service credit*	(3)	2	(1)
Recognition of prior service cost	15	(6)	9
Pension and postretirement benefits adjustments, net	69	(24)	45
Deferred gains on hedge contracts:			
Current deferrals	2	—	2
Reclassification adjustments	7	(2)	5
Deferred gains on hedge contracts, net	9	(2)	7
Foreign currency translation adjustments	(7)	3	(4)
Total	$ 71	$ (23)	$ 48

** These components of other comprehensive income are included in the computation of net periodic pension cost. See Note 11 of our 2014 Annual Report on Form 10-K for additional information.*

Note 9. Commitments and Contingencies

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

Note 10. Segment Information

We operate in, and report financial information for, the following five business segments: Textron Aviation, Bell, Textron Systems, Industrial and Finance. Segment profit is an important measure used for evaluating performance and for decision-making purposes. Segment profit for the manufacturing segments excludes interest expense, certain corporate expenses and acquisition and restructuring costs related to the Beechcraft acquisition. The measurement for the Finance segment includes interest income and expense along with intercompany interest income and expense.

Our revenues by segment, along with a reconciliation of segment profit to income from continuing operations before income taxes, are as follows:

	Three Months Ended		Six Months Ended	
(In millions)	**July 4, 2015**	**June 28, 2014**	**July 4, 2015**	**June 28, 2014**
Revenues				
Textron Aviation	$ 1,124	$ 1,183	$ 2,175	$ 1,968
Bell	850	1,119	1,663	1,992
Textron Systems	322	282	637	645
Industrial	927	894	1,799	1,691
Finance	24	27	46	56
Total revenues	$ 3,247	$ 3,505	$ 6,320	$ 6,352
Segment Profit				
Textron Aviation	$ 88	$ 28	$ 155	$ 42
Bell	101	141	177	237
Textron Systems	21	34	49	73
Industrial	86	94	168	160
Finance	10	7	16	11
Segment profit	306	304	565	523
Corporate expenses and other, net	(33)	(38)	(75)	(81)
Interest expense, net for Manufacturing group	(32)	(36)	(65)	(71)
Acquisition and restructuring costs	—	(20)	—	(36)
Income from continuing operations before income taxes	$ 241	$ 210	$ 425	$ 335

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

Consolidated Results of Operations

	Three Months Ended			Six Months Ended*		
(Dollars in millions)	July 4, 2015	June 28, 2014	Percentage Change	July 4, 2015	June 28, 2014	Percentage Change
Revenues	$ 3,247	$ 3,505	(7)%	$ 6,320	$ 6,352	(1)%
Operating expenses	2,964	3,228	(8)%	5,810	5,887	(1)%
Cost of sales	2,635	2,875	(8)%	5,144	5,232	(2)%
Gross margin percentage of Manufacturing revenues	18.2%	17.3%		18.0%	16.9%	
Selling and administrative expense	$ 329	$ 353	(7)%	$ 666	$ 655	2%

** On March 14, 2014, we completed the acquisition of Beechcraft and as a result, the six-month period ended June 28, 2014 does not reflect a full six months of Beechcraft operating results.*

An analysis of our consolidated operating results is set forth below. A more detailed analysis of our segments' operating results is provided in the Segment Analysis section on pages 18 to 23.

Revenues

Revenues decreased $258 million, 7%, in the second quarter of 2015, compared with the second quarter of 2014, as decreases at the Bell and Textron Aviation segments were partially offset by higher revenues in the Textron Systems and Industrial segments. The net revenue decrease included the following factors:

- Lower Bell revenues of $269 million, largely due to a $148 million decrease in V-22 program revenues, primarily reflecting lower aircraft deliveries, a decrease of $61 million in other military revenues primarily due to $41 million recorded in the second quarter of 2014 related to the settlement of the System Development and Demonstration (SDD) phase of the Armed Reconnaissance Helicopter (ARH) program, and a decrease of $60 million in commercial revenues, largely related to lower commercial aircraft deliveries.
- Lower Textron Aviation revenues of $59 million, primarily due to lower Citation jet revenues of $45 million on the same number of units sold reflecting a change in the mix of jets sold during the period.
- Higher Textron Systems revenues of $40 million, primarily due to higher volume of $51 million in the Unmanned Systems product line and higher volume of $26 million in the Marine and Land Systems product line, partially offset by lower volume of $28 million in the Weapons and Sensors product line.
- Higher Industrial segment revenues of $33 million, primarily due to higher volume of $92 million, largely in the Fuel Systems and Functional Components product line, partially offset by an unfavorable foreign exchange impact of $69 million.

Revenues decreased $32 million, 1%, in the first half of 2015, compared with the first half of 2014, as decreases in the Bell, Finance and Textron Systems segments were partially offset by higher revenues in the Textron Aviation and Industrial segments. The net revenue decrease included the following factors:

- Lower Bell revenues of $329 million, largely due to a $232 million decrease in V-22 program revenues, primarily reflecting lower aircraft deliveries, a decrease of $58 million in other military revenues primarily due to $41 million related to the ARH program as described above, and a decrease of $39 million in commercial revenues, largely related to lower commercial aircraft deliveries.
- Lower Finance revenues of $10 million, primarily attributable to lower average finance receivables.
- Lower Textron Systems revenues of $8 million, primarily due to lower volume of $46 million in the Weapons and Sensors product line, lower volume of $29 million in the Marine and Land Systems product line, mostly offset by higher volume of $62 million in the Unmanned Systems product line.
- Higher Textron Aviation revenues of $207 million, primarily due to the impact of the Beechcraft acquisition.
- Higher Industrial segment revenues of $108 million, primarily due to higher volume of $191 million, largely in the Fuel Systems and Functional Components product line, and an impact of $55 million from acquisitions, partially offset by an unfavorable foreign exchange impact of $131 million.

Cost of Sales and Selling and Administrative Expense
Manufacturing cost of sales and selling and administrative expense together comprise our operating expenses. Cost of sales decreased $240 million, 8%, in the second quarter of 2015, compared with the second quarter of 2014, largely due to lower volume at the Bell and Textron Aviation segments, partially offset by higher volume in the Industrial segment, and a favorable foreign exchange impact of $61 million mostly related to the strengthening of the U.S. dollar against the Euro. The 90 basis point improvement in gross margin was largely driven by Textron Aviation, primarily reflecting lower amortization of fair value step-up adjustments related to acquired Beechcraft inventories.

Cost of sales decreased $88 million in the first half of 2015, compared with the first half of 2014, largely due to lower volume at the Bell segment, partially offset by an increase from acquired businesses, primarily Beechcraft, higher volume in the Industrial segment and a favorable foreign exchange impact of $114 million mostly related to the strengthening of the U.S. dollar against the Euro. The 100 basis point improvement in gross margin was largely driven by Textron Aviation, primarily reflecting lower amortization of fair value step-up adjustments related to acquired Beechcraft inventories and the benefit of the integrated cost structure of Beechcraft and Cessna.

Selling and administrative expense decreased $24 million, 7%, in the second quarter of 2015, compared with the second quarter of 2014, primarily due to cost reduction initiatives in the Textron Aviation and Bell segments. In the first half of 2015, selling and administrative expense increased $11 million, compared with the first half of 2014, largely reflecting higher operating expenses related to acquired businesses, primarily Beechcraft, partially offset by improvements related to the cost reduction initiatives and an $11 million favorable foreign exchange impact mostly from the strengthening of the U.S. dollar against the Euro.

Acquisition and Restructuring Costs
In connection with the integration of Beechcraft, we initiated a restructuring program in our Textron Aviation segment in the first quarter of 2014 to align the Cessna and Beechcraft businesses, reduce operating redundancies and maximize efficiencies. During the second quarter and first half of 2014, we recorded charges of $20 million and $25 million, respectively, related to these restructuring activities that were included in the Acquisition and restructuring costs line on the Consolidated Statements of Operations, along with $11 million of transaction costs incurred during the first quarter of 2014.

Backlog

(In millions)	July 4, 2015	January 3, 2015
Bell	$ 4,810	$ 5,524
Textron Systems	2,740	2,790
Textron Aviation	1,411	1,365
Total backlog	$ 8,961	$ 9,679

Bell's backlog decreased $714 million in the second quarter of 2015 as total deliveries, largely under the V-22 program, exceeded new orders.

Segment Analysis

We operate in, and report financial information for, the following five business segments: Textron Aviation, Bell, Textron Systems, Industrial and Finance. Segment profit is an important measure used for evaluating performance and for decision-making purposes. Segment profit for the manufacturing segments excludes interest expense, certain corporate expenses and acquisition and restructuring costs related to the Beechcraft acquisition. The measurement for the Finance segment includes interest income and expense along with intercompany interest income and expense.

In our discussion of comparative results for the Manufacturing group, changes in revenue and segment profit typically are expressed for our commercial business in terms of volume, pricing, foreign exchange and acquisitions. Additionally, changes in segment profit may be expressed in terms of mix, inflation and cost performance. Volume changes in revenue represent increases/decreases in the number of units delivered or services provided. Pricing represents changes in unit pricing. Foreign exchange is the change resulting from translating foreign-denominated amounts into U.S. dollars at exchange rates that are different from the prior period. Revenues generated by acquired businesses are reflected in Acquisitions for a twelve-month period. For segment profit, mix represents a change due to the composition of products and/or services sold at different profit margins. Inflation represents higher material, wages, benefits, pension or other costs. Performance reflects an increase or decrease in research and development, depreciation, selling and administrative costs, warranty, product liability, quality/scrap, labor efficiency, overhead, product line profitability, start-up, ramp up and cost-reduction initiatives or other manufacturing inputs.

Approximately 28% of our 2014 revenues were derived from contracts with the U.S. Government. For our segments that have significant contracts with the U.S. Government, we typically express changes in segment profit related to the government business in terms of volume, changes in program performance or changes in contract mix. Changes in volume that are described in net sales typically drive corresponding changes in our segment profit based on the profit rate for a particular contract. Changes in program performance typically relate to profit recognition associated with revisions to total estimated costs at completion that reflect improved or deteriorated operating performance or award fee rates. Changes in contract mix refers to changes in operating margin due to a change in the relative volume of contracts with higher or lower fee rates such that the overall average margin rate for the segment changes.

Textron Aviation

	Three Months Ended		Six Months Ended	
(Dollars in millions)	**July 4, 2015**	**June 28, 2014**	**July 4, 2015**	**June 28, 2014**
Revenues	$ 1,124	$ 1,183	$ 2,175	$ 1,968
Operating expenses	1,036	1,155	2,020	1,926
Segment profit	88	28	155	42
Profit margin	7.8%	2.4%	7.1%	2.1%

Textron Aviation Revenues and Operating Expenses

The following factors contributed to the change in Textron Aviation's revenues for the periods:

(In millions)	**Q2 2015 versus Q2 2014**	**YTD 2015 versus YTD 2014**
Acquisitions	$ —	$ 219
Volume and mix	(64)	(23)
Other	5	11
Total change	$ (59)	$ 207

In the second quarter of 2015, Textron Aviation's revenues decreased $59 million, 5%, compared with the second quarter of 2014, primarily due to lower volume and mix of $64 million. This decrease was primarily due to lower Citation jet revenues of $45 million on the same number of units sold, reflecting a change in the mix of jets sold during the period. We delivered 36 Citation jets and 30 King Air turboprops in the second quarter of 2015, compared with 36 Citation jets and 34 King Air turboprops in the second quarter of 2014. The portion of the segment's revenues derived from aftermarket sales and services represented 31% of its total revenues in the second quarter of 2015, compared with 32% in the second quarter of 2014.

In the first half of 2015, Textron Aviation's revenues increased $207 million, 11%, compared with the first half of 2014, primarily due to the impact of the Beechcraft acquisition. Lower volume and mix of $23 million was primarily the result of lower Citation jet revenues of $67 million, reflecting a change in the mix of jets sold during the period, partially offset by higher military volume of $56 million. We delivered 69 Citation jets and 55 King Air turboprops in the first half of 2015, compared with 71 Citation jets and 42 King Air turboprops in the first half of 2014. The portion of the segment's revenues derived from aftermarket sales and services represented 33% of its total revenues in both the first half of 2015 and 2014.

Textron Aviation's operating expenses decreased by $119 million in the second quarter of 2015 compared with the second quarter of 2014, primarily due to lower net sales volume as described above and lower amortization of $27 million related to fair value step-up adjustments of acquired Beechcraft inventories sold during the period.

Textron Aviation's operating expenses increased $94 million in the first half of 2015 compared with the first half of 2014, primarily due to the incremental operating costs related to the Beechcraft acquisition in the first quarter, partially offset by lower amortization of $34 million related to fair value step-up adjustments of acquired Beechcraft inventories sold during the period.

Textron Aviation Segment Profit

The following factors contributed to the change in Textron Aviation's segment profit for the periods:

(In millions)	Q2 2015 versus Q2 2014	YTD 2015 versus YTD 2014
Performance and other	$ 48	$ 86
Volume and mix	12	27
Total change	$ 60	$ 113

Segment profit at Textron Aviation increased $60 million in the second quarter of 2015 compared with the second quarter of 2014, primarily due to an increase in performance and other, which includes lower amortization of $27 million related to fair value step-up adjustments as described above, and the benefit of the integrated cost structure of Beechcraft and Cessna. The favorable impact from volume and mix was largely due to the mix of products sold.

Segment profit at Textron Aviation increased $113 million in the first half of 2015, compared with the first half of 2014, primarily due to an increase in performance and other, reflecting the net profit impact of the Beechcraft acquisition, which includes the benefit of the integrated cost structure of Beechcraft and Cessna. Performance and other in the first half of 2015 also includes lower amortization of $34 million related to fair value step-up adjustments as described above. The favorable impact from volume and mix was largely due to the mix of products sold.

Bell

	Three Months Ended		Six Months Ended	
(Dollars in millions)	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Revenues:				
V-22 program	$ 297	$ 445	$ 593	$ 825
Other military	207	268	425	483
Commercial	346	406	645	684
Total revenues	850	1,119	1,663	1,992
Operating expenses	749	978	1,486	1,755
Segment profit	101	141	177	237
Profit margin	11.9%	12.6%	10.6%	11.9%

Bell's major U.S. Government programs at this time are the V-22 tiltrotor aircraft and the H-1 helicopter platforms, which are both in the production stage and represent a significant portion of Bell's revenues from the U.S. Government.

Bell Revenues and Operating Expenses

The following factors contributed to the change in Bell's revenues for the periods:

(In millions)	Q2 2015 versus Q2 2014	YTD 2015 versus YTD 2014
Volume and mix	$ (273)	$ (336)
Other	4	7
Total change	$ (269)	$ (329)

Bell's revenues decreased $269 million, 24%, in the second quarter of 2015, compared with the second quarter of 2014, primarily due to the following factors:

- $148 million decrease in V-22 program revenues, primarily reflecting lower aircraft deliveries, as we delivered 6 V-22 aircraft in the second quarter of 2015 compared with 10 V-22 aircraft in the second quarter of 2014.
- $61 million decrease in other military revenues primarily due to $41 million recorded in the second quarter of 2014 related to the settlement of the SDD phase of the ARH program. Bell delivered 6 H-1 aircraft in the second quarter of 2015, compared with 8 H-1 aircraft in the second quarter of 2014.
- $60 million decrease in commercial revenues, largely related to lower commercial aircraft deliveries. Bell delivered 39 commercial aircraft in the second quarter of 2015, compared with 46 commercial aircraft in the second quarter of 2014.

Bell's revenues decreased $329 million, 17%, in the first half of 2015, compared with the first half of 2014, primarily due to the following factors:

- $232 million decrease in V-22 program revenues, primarily reflecting lower aircraft deliveries, as we delivered 12 V-22 aircraft in the first half of 2015, compared with 18 V-22 aircraft in the first half of 2014.
- $58 million decrease in other military revenues primarily due to $41 million related to the ARH program as described above. Bell delivered 10 H-1 aircraft in the first half of 2015, compared with 13 H-1 aircraft in the first half of 2014.
- $39 million decrease in commercial revenues, largely related to lower commercial aircraft deliveries. Bell delivered 74 commercial aircraft in the first half of 2015, compared with 80 commercial aircraft in the first half of 2014.

Bell's operating expenses decreased $229 million and $269 million in the second quarter and first half of 2015, respectively, compared with the corresponding periods of 2014, primarily due to lower net sales volume as described above.

As a result of cost reduction actions announced in April 2015, Bell incurred approximately $40 million in severance and benefit costs during the quarter. The impact of the restructuring on Bell's segment profit was not significant due to cost savings from headcount reductions and the impact of including a portion of these costs in our indirect cost rates. These actions reduced Bell's headcount by approximately 1,100 employees representing approximately 12% of the Bell workforce.

Bell Segment Profit
The following factors contributed to the change in Bell's segment profit for the periods:

(In millions)	Q2 2015 versus Q2 2014	YTD 2015 versus YTD 2014
Volume and mix	$ (69)	$ (89)
Performance and Other	29	29
Total change	$ (40)	$ (60)

Bell's segment profit decreased $40 million and $60 million in the second quarter and first half of 2015, respectively, compared with the corresponding periods of 2014. The impact of volume and mix was largely the result of lower V-22 aircraft deliveries, lower commercial aircraft deliveries and a $16 million favorable program profit adjustment in the second quarter of 2014 related to the ARH program as described above. The unfavorable impact of volume and mix was partially offset by $29 million of favorable performance, largely related to ongoing cost reduction activities.

Textron Systems

	Three Months Ended		Six Months Ended	
(Dollars in millions)	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Revenues	$ 322	$ 282	$ 637	$ 645
Operating expenses	301	248	588	572
Segment profit	21	34	49	73
Profit margin	6.5%	12.1%	7.7%	11.3%

Textron Systems Revenues and Operating Expenses
The following factors contributed to the change in Textron Systems' revenues for the periods:

(In millions)	Q2 2015 versus Q2 2014	YTD 2015 versus YTD 2014
Volume	$ 38	$ (11)
Other	2	3
Total change	$ 40	$ (8)

Revenues at Textron Systems increased $40 million, 14% in the second quarter of 2015 compared with the second quarter of 2014, primarily due to higher volume in the Unmanned Systems product line of $51 million and higher volume in the Marine and Land Systems product line of $26 million, partially offset by lower volume in the Weapons and Sensors product line of $28 million.

Revenues at Textron Systems decreased $8 million in the first half of 2015, compared with the first half of 2014, primarily due to lower volume in the Weapons and Sensors product line of $46 million and lower volume in the Marine and Land Systems product line of $29 million, mostly offset by higher volume in the Unmanned Systems product line of $62 million. The lower volume in the Marine and Land Systems and Weapons and Sensors product lines largely reflects the timing of deliveries during the year.

Textron Systems' operating expenses increased $53 million in the second quarter of 2015 compared with the second quarter of 2014, primarily due to higher volume as described above and an unfavorable mix of products delivered.

Textron Systems' operating expenses increased $16 million in the first half of 2015, compared with the first half of 2014, largely related to an unfavorable mix of products delivered.

Textron Systems Segment Profit
The following factors contributed to the change in Textron Systems' segment profit for the periods:

(In millions)	Q2 2015 versus Q2 2014	YTD 2015 versus YTD 2014
Volume and mix	$ (9)	$ (22)
Performance	(3)	—
Other	(1)	(2)
Total change	$ (13)	$ (24)

Textron Systems segment profit decreased $13 million and $24 million in the second quarter and first half of 2015, respectively, compared with the corresponding periods of 2014. Volume and mix reflects an unfavorable product mix in 2015.

Industrial

	Three Months Ended		Six Months Ended	
(Dollars in millions)	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Revenues:				
Fuel Systems and Functional Components	$ 526	$ 512	$ 1,039	$ 1,004
Other Industrial	401	382	760	687
Total revenues	927	894	1,799	1,691
Operating expenses	841	800	1,631	1,531
Segment profit	86	94	168	160
Profit margin	9.3%	10.5%	9.3%	9.5%

Industrial Revenues and Operating Expenses
The following factors contributed to the change in Industrial's revenues for the periods:

(In millions)	Q2 2015 versus Q2 2014	YTD 2015 versus YTD 2014
Volume	$ 92	$ 191
Acquisitions	14	55
Foreign exchange	(69)	(131)
Other	(4)	(7)
Total change	$ 33	$ 108

Industrial segment revenues increased $33 million, 4%, in the second quarter of 2015, compared with the second quarter of 2014, primarily due to higher volume of $92 million and the impact from acquisitions of $14 million, primarily within our Specialized Vehicles and Equipment product line. These increases were partially offset by an unfavorable foreign exchange impact of $69 million mostly related to the strengthening of the U.S. dollar primarily against the Euro. Higher volume reflected a $74 million increase in the Fuel Systems and Functional Components product line, primarily due to automotive industry demand in Europe and North America.

Industrial segment revenues increased $108 million, 6%, in the first half of 2015, compared with the first half of 2014, primarily due to higher volume of $191 million and the impact from acquisitions of $55 million, primarily within our Specialized Vehicles and Equipment product line. These increases were partially offset by an unfavorable foreign exchange impact $131 million mostly related to the strengthening of the U.S. dollar primarily against the Euro. Higher volume reflected a $146 million increase in the Fuel Systems and Functional Components product line, primarily due to automotive industry demand in Europe and North America.

Operating expenses for the Industrial segment increased $41 million and $100 million in the second quarter and first half of 2015, respectively, compared with the corresponding periods of 2014, largely due to the impact from higher volume as described above and additional operating expenses from acquisitions of $14 million and $53 million, respectively, partially offset by a favorable impact of $66 million and $124 million, respectively, from foreign exchange fluctuations.

Industrial Segment Profit

The following factors contributed to the change in Industrial's segment profit for the periods:

(In millions)	Q2 2015 versus Q2 2014	YTD 2015 versus YTD 2014
Volume	$ 10	$ 27
Performance	(14)	(15)
Foreign exchange	(3)	(7)
Other	(1)	3
Total change	$ (8)	$ 8

Segment profit for the Industrial segment decreased $8 million in the second quarter of 2015, compared with the second quarter of 2014, primarily due to unfavorable performance of $14 million, partially offset by the impact from higher volume as described above.

Segment profit for the Industrial segment increased $8 million in the first half of 2015, compared with the first half of 2014, largely due to the impact from higher volume as described above, partially offset by unfavorable performance of $15 million and an unfavorable impact of $7 million from foreign exchange fluctuations.

Finance

	Three Months Ended		Six Months Ended	
(In millions)	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Revenues	$ 24	$ 27	$ 46	$ 56
Segment profit	10	7	16	11

Finance segment revenues decreased $3 million and $10 million in the second quarter and first half of 2015, respectively, compared with the corresponding periods of 2014, primarily attributable to average finance receivables being lower by $198 million and $215 million, respectively. Finance segment profit increased $3 million and $5 million in the second quarter and first half of 2015, respectively, compared with the corresponding periods of 2014, primarily due to lower provision for loan losses of $4 million and $7 million.

Finance Portfolio Quality

The following table reflects information about the Finance segment's credit performance related to finance receivables.

(Dollars in millions)	July 4, 2015	January 3, 2015
Finance receivables*	$ 1,183	$ 1,254
Nonaccrual finance receivables	97	81
Ratio of nonaccrual finance receivables to finance receivables	8.20%	6.46%
60+ days contractual delinquency	$ 63	$ 57
60+ days contractual delinquency as a percentage of finance receivables	5.33%	4.55%

** Excludes finance receivables held for sale.*

Liquidity and Capital Resources

Our financings are conducted through two separate borrowing groups. The Manufacturing group consists of Textron consolidated with its majority-owned subsidiaries that operate in the Textron Aviation, Bell, Textron Systems and Industrial segments. The Finance group, which also is the Finance segment, consists of Textron Financial Corporation and its consolidated subsidiaries. We designed this framework to enhance our borrowing power by separating the Finance group. Our Manufacturing group operations include the development, production and delivery of tangible goods and services, while our Finance group provides financial services. Due to the fundamental differences between each borrowing group's activities, investors, rating agencies and analysts use different measures to evaluate each group's performance. To support those evaluations, we present balance sheet and cash flow information for each borrowing group within the Consolidated Financial Statements.

Key information that is utilized in assessing our liquidity is summarized below:

(Dollars in millions)	July 4, 2015	January 3, 2015
Manufacturing group		
Cash and equivalents	$ 661	$ 731
Debt	2,913	2,811
Shareholders' equity	4,602	4,272
Capital (debt plus shareholders' equity)	7,515	7,083
Net debt (net of cash and equivalents) to capital	33%	33%
Debt to capital	39%	40%
Finance group		
Cash and equivalents	$ 131	$ 91
Debt	971	1,063

We believe that our calculations of debt to capital and net debt to capital are useful measures as they provide a summary indication of the level of debt financing (i.e., leverage) that is in place to support our capital structure, as well as to provide an indication of the capacity to add further leverage. We believe that we will have sufficient cash to meet our future needs, based on our existing cash balances, the cash we expect to generate from our manufacturing operations and other available funding alternatives, as appropriate.

Textron has a senior unsecured revolving credit facility that expires in October 2018 for an aggregate principal amount of $1.0 billion, of which up to $100 million is available for the issuance of letters of credit. At July 4, 2015, there were no amounts borrowed against the facility. We also maintain an effective shelf registration statement filed with the Securities and Exchange Commission that allows us to issue an unlimited amount of public debt and other securities.

Manufacturing Group Cash Flows

Cash flows from continuing operations for the Manufacturing group as presented in our Consolidated Statements of Cash Flows are summarized below:

	Six Months Ended	
(In millions)	July 4, 2015	June 28, 2014
Operating activities	$ 116	$ 283
Investing activities	(207)	(1,727)
Financing activities	28	961

Cash flows from operating activities decreased $167 million during the first half of 2015, compared with the first half of 2014, largely due to an unfavorable change in working capital, primarily resulting from an increase in cash used for inventory at Textron Aviation and Textron Systems to support sales growth.

Cash flows used in investing activities included capital expenditures of $173 million and $172 million in the first half of 2015 and 2014, respectively. Investing cash flows also included a $1.5 billion aggregate cash payment to acquire Beechcraft in the first quarter of 2014.

In the first half of 2015, financing activities included an increase in short-term debt of $105 million, primarily from the issuance of commercial paper. Financing activities in the first half of 2014 included proceeds of $1.1 billion from long-term debt, which was used to finance a portion of the Beechcraft acquisition.

In the second quarter of 2015, under a 2013 share repurchase authorization, we repurchased an aggregate of 1.9 million shares of our outstanding common stock for $87 million. In the first half of 2014, we repurchased shares of our outstanding common stock from a counterparty for $150 million under an accelerated share repurchase agreement.

Finance Group Cash Flows
Cash flows from continuing operations for the Finance group as presented in our Consolidated Statements of Cash Flows are summarized below:

	Six Months Ended	
(In millions)	July 4, 2015	June 28, 2014
Operating activities	$ 27	$ 10
Investing activities	134	139
Financing activities	(121)	(62)

Finance cash flows from operating activities increased in the first half of 2015, compared with the first half of 2014, primarily due to $10 million of net taxes paid during the first half of 2014.

Cash flows from investing activities included collections on finance receivables totaling $181 million and $222 million in the first half of 2015 and 2014, respectively, partially offset by finance receivable originations of $82 million and $97 million, respectively.

In the first half of 2015, cash flows used in financing activities included payments on long-term and nonrecourse debt of $130 million, compared with $120 million of payments in the first half of 2014. These cash outflows were partially offset by proceeds from long-term debt of $9 million and $58 million in the first half of 2015 and 2014, respectively.

Consolidated Cash Flows
The consolidated cash flows from continuing operations, after elimination of activity between the borrowing groups, are summarized below:

	Six Months Ended	
(In millions)	July 4, 2015	June 28, 2014
Operating activities	$ 205	$ 353
Investing activities	(135)	(1,648)
Financing activities	(93)	899

Cash flows from operating activities decreased $148 million during the first half of 2015, compared with the first half of 2014, largely due to an unfavorable change in working capital, primarily resulting from an increase in cash used for inventory at Textron Aviation and Textron Systems to support sales growth.

Cash flows used in investing activities included capital expenditures of $173 million and $172 million in the first half of 2015 and 2014, respectively. Investing cash flows also included a $1.5 billion aggregate cash payment to acquire Beechcraft in the first quarter of 2014. Collections on finance receivables totaled $46 million and $58 million in the first half of 2015 and 2014, respectively.

Total cash used in financing activities in the first half of 2015 consisted of payments on long-term and nonrecourse debt of $130 million, partially offset by an increase in short-term debt of $105 million, primarily from the issuance of commercial paper. Cash flows from financing activities in the first half of 2014 included proceeds of $1.2 billion from long-term debt, which was used primarily to finance a portion of the Beechcraft acquisition. Cash flows used in financing activities also included $87 million and $150 million of share repurchases in the first half of 2015 and 2014, respectively.

Captive Financing and Other Intercompany Transactions
The Finance group finances retail purchases and leases for new and pre-owned aircraft and helicopters manufactured by our Manufacturing group, otherwise known as captive financing. In the Consolidated Statements of Cash Flows, cash received from customers is reflected as operating activities when received from third parties. However, in the cash flow information provided for the separate borrowing groups, cash flows related to captive financing activities are reflected based on the operations of each group. For example, when product is sold by our Manufacturing group to a customer and is financed by the Finance group, the origination of the finance receivable is recorded within investing activities as a cash outflow in the Finance group's statement of cash flows. Meanwhile, in the Manufacturing group's statement of cash flows, the cash received from the Finance group on the customer's behalf is recorded within operating cash flows as a cash inflow. Although cash is transferred between the two borrowing groups, there is no cash transaction reported in the consolidated cash flows at the time of the original financing. These

captive financing activities, along with all significant intercompany transactions, are reclassified or eliminated from the Consolidated Statements of Cash Flows.

Reclassification adjustments included in the Consolidated Statements of Cash Flows are summarized below:

	Six Months Ended	
(In millions)	July 4, 2015	June 28, 2014
Reclassifications from investing activities to operating activities:		
Cash received from customers	$ 135	$ 164
Finance receivable originations for Manufacturing group inventory sales	(82)	(97)
Other	9	(7)
Total reclassifications from investing activities to operating activities	$ 62	$ 60

Critical Accounting Estimates

The accounting policies that we believe are most critical to the portrayal of our financial condition and results of operations are disclosed on pages 33 through 36 in our 2014 Annual Report on Form 10-K. The following section provides an update of the year-end disclosure for long-term contracts to include program profit adjustments made during the quarter.

Long-Term Contracts

We make a substantial portion of our sales to government customers pursuant to long-term contracts. These contracts require development and delivery of products over multiple years and may contain fixed-price purchase options for additional products. We account for these long-term contracts under the percentage-of-completion method of accounting. Under this method, we estimate profit as the difference between total estimated revenues and cost of a contract. The percentage-of-completion method of accounting involves the use of various estimating techniques to project costs at completion and, in some cases, includes estimates of recoveries asserted against the customer for changes in specifications. Due to the size, length of time and nature of many of our contracts, the estimation of total contract costs and revenues through completion is complicated and subject to many variables relative to the outcome of future events over a period of several years. We are required to make numerous assumptions and estimates relating to items such as expected engineering requirements, complexity of design and related development costs, product performance, performance of subcontractors, availability and cost of materials, labor productivity and cost, overhead and capital costs, manufacturing efficiencies and the achievement of contract milestones, including product deliveries, technical requirements, or schedule.

At the outset of each contract, we estimate the initial profit booking rate. The initial profit booking rate of each contract considers risks surrounding the ability to achieve the technical requirements (for example, a newly-developed product versus a mature product), schedule (for example, the number and type of milestone events), and costs by contract requirements in the initial estimated costs at completion. Profit booking rates may increase during the performance of the contract if we successfully retire risks surrounding the technical, schedule, and costs aspects of the contract. Likewise, the profit booking rate may decrease if we are not successful in retiring the risks; and, as a result, our estimated costs at completion increase. All of the estimates are subject to change during the performance of the contract and, therefore, may affect the profit booking rate. When adjustments are required, any changes from prior estimates are recognized using the cumulative catch-up method with the impact of the change from inception-to-date recorded in the current period. The aggregate gross amount of all program profit adjustments that are included within segment profit are presented below.

	Three Months Ended		Six Months Ended	
(In millions)	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Gross favorable	$ 40	$ 41	$ 73	$ 65
Gross unfavorable	(4)	(3)	(19)	(6)
Net adjustments	$ 36	$ 38	$ 54	$ 59

Forward-Looking Information

Certain statements in this Quarterly Report on Form 10-Q and other oral and written statements made by us from time to time are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements, which may describe strategies, goals, outlook or other non-historical matters, or project revenues, income, returns or other financial measures, often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "guidance," "project," "target," "potential," "will," "should," "could," "likely" or "may" and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results to differ materially from those expressed or implied by such forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements. In addition to those factors described in our 2014 Annual Report on Form 10-K under "RISK FACTORS," among the factors that could cause actual results to differ materially from past and projected future results are the following:

- Interruptions in the U.S. Government's ability to fund its activities and/or pay its obligations;
- Changing priorities or reductions in the U.S. Government defense budget, including those related to military operations in foreign countries;
- Our ability to perform as anticipated and to control costs under contracts with the U.S. Government;
- The U.S. Government's ability to unilaterally modify or terminate its contracts with us for the U.S. Government's convenience or for our failure to perform, to change applicable procurement and accounting policies, or, under certain circumstances, to withhold payment or suspend or debar us as a contractor eligible to receive future contract awards;
- Changes in foreign military funding priorities or budget constraints and determinations, or changes in government regulations or policies on the export and import of military and commercial products;
- Volatility in the global economy or changes in worldwide political conditions that adversely impact demand for our products;
- Volatility in interest rates or foreign exchange rates;
- Risks related to our international business, including establishing and maintaining facilities in locations around the world and relying on joint venture partners, subcontractors, suppliers, representatives, consultants and other business partners in connection with international business, including in emerging market countries;
- Our Finance segment's ability to maintain portfolio credit quality or to realize full value of receivables;
- Performance issues with key suppliers or subcontractors;
- Legislative or regulatory actions, both domestic and foreign, impacting our operations or demand for our products;
- Our ability to control costs and successfully implement various cost-reduction activities;
- The efficacy of research and development investments to develop new products or unanticipated expenses in connection with the launching of significant new products or programs;
- The timing of our new product launches or certifications of our new aircraft products;
- Our ability to keep pace with our competitors in the introduction of new products and upgrades with features and technologies desired by our customers;
- Pension plan assumptions and future contributions;
- Demand softness or volatility in the markets in which we do business;
- Cybersecurity threats, including the potential misappropriation of assets or sensitive information, corruption of data or operational disruption;
- Difficulty or unanticipated expenses in connection with integrating acquired businesses; and
- The risk that anticipated synergies and opportunities as a result of acquisitions will not be realized or the risk that acquisitions do not perform as planned, including, for example, the risk that acquired businesses will not achieve revenue and profit projections.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no significant change in our exposure to market risk during the fiscal quarter ended July 4, 2015. For discussion of our exposure to market risk, refer to Item 7A. Quantitative and Qualitative Disclosures about Market Risk contained in Textron's 2014 Annual Report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of July 4, 2015. The evaluation was performed with the participation of senior management of each business segment and key Corporate functions, under the supervision of our Chairman, President and Chief Executive Officer (CEO) and our Executive Vice President and Chief Financial Officer (CFO). Based on this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were operating and effective as of July 4, 2015.

There were no changes in our internal control over financial reporting during the fiscal quarter ended July 4, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

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

The following provides information about our second quarter 2015 repurchases of equity securities that are registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended:

Period *(shares in thousands)*	**Total Number of Shares Purchased (1)**		**Average Price Paid per Share (excluding commissions)**	**Total Number of Shares Purchased as part of Publicly Announced Plan (1)**	**Maximum Number of Shares that may yet be Purchased under the Plan**
April 5, 2015 – May 9, 2015	802	$	44.51	802	15,277
May 10, 2015 – June 6, 2015	1,127		45.43	1,127	14,150
June 7, 2015 – July 4, 2015	—		—	—	14,150
Total	1,929	$	45.05	1,929	

(1) These shares were purchased pursuant to a plan authorizing the repurchase of up to 25 million shares of Textron common stock that had been announced on January 23, 2013. This plan has no expiration date.

Item 6. **EXHIBITS**

10.1	Textron Inc. 2015 Long-Term Incentive Plan
12.1	Computation of ratio of income to fixed charges of Textron Inc. Manufacturing Group
12.2	Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Textron Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended July 4, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.

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: July 29, 2015

/s/ Mark S. Bamford
Mark S. Bamford
Vice President and Corporate Controller
(principal accounting officer)

LIST OF EXHIBITS

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Exhibit 10.1

TEXTRON INC.
2015 LONG-TERM INCENTIVE PLAN

1. Purposes of the Plan

The purposes of the Plan are to (a) promote the long-term success of the Company and its Subsidiaries and to increase shareholder value by providing Eligible Individuals with incentives to contribute to the long-term growth and profitability of the Company and (b) assist the Company in attracting, retaining and motivating highly qualified individuals who are in a position to make significant contributions to the Company and its Subsidiaries.

Upon the Effective Date, no further Awards will be granted under the Prior Plan.

2. Definitions and Rules of Construction

(a) *Definitions.* For purposes of the Plan, the following capitalized words shall have the meanings set forth below:

" ***Affiliate*** " means any Parent or Subsidiary and any person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the Company.

" ***Award*** " means an Option, Restricted Stock, Restricted Stock Unit, Stock Appreciation Right, Performance Stock, Performance Share Unit or Other Award granted by the Committee pursuant to the terms of the Plan.

" ***Award Document*** " means an agreement, certificate or other type or form of document or documentation approved by the Committee that sets forth the terms and conditions of an Award. An Award Document may be in paper, electronic or other media, may be limited to a notation on the books and records of the Company and, unless the Committee requires otherwise, need not be signed by a representative of the Company or a Participant.

" ***Beneficial Owner*** " and " ***Beneficially Owned*** " have the meaning set forth in Rule 13d-3 under the Exchange Act.

" ***Board*** " means the Board of Directors of the Company, as constituted from time to time.

" ***Cause*** " shall have the meaning set forth in the applicable Award Document.

" ***Change of Control*** " means:

(i) Any "person" or "group" (within the meaning of Sections 13 (d) and 14 (d)(2) of the Exchange Act other than the Company, any "person" who on the Effective Date was a director or officer of the Company, any trustee or other fiduciary holding Common Stock under an employee benefit plan of the Company or a Subsidiary, or any corporation which is owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of Common Stock, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act) of more than thirty percent (30%) of the then outstanding voting stock of the Company, or

(ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period (or whose election or nomination was previously so approved) cease for any reason to constitute a majority of the Board, or

(iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or

(iv) the consummation of the complete liquidation of the Company or the sale or disposition by the Company of all or substantially all of the Company's assets.

If an Award is subject to Section 409A of the Code, the payment or settlement of the Award shall accelerate upon a Change of Control only if the event also constitutes a "change in ownership," "change in effective control," or "change in the ownership of a substantial portion of the Company's assets" as defined under Section 409A of the Code. Any adjustment to the Award that does not affect the Award's status under Section 409A (including accelerated vesting or adjustment of the amount of the Award) may occur upon a Change of Control as defined in the Plan, regardless of whether the event also constitutes a change in control under Section 409A.

" ***Code*** " means the Internal Revenue Code of 1986.

" ***Committee*** " means the Organization and Compensation Committee of the Board, any successor committee thereto or any other committee appointed from time to time by the Board to administer the Plan, which committee shall meet the requirements of Section 162 (m)(4)(C) of the Code, Section 16(b) of the Exchange Act and the applicable rules of the NYSE; *provided* , *however* , that, if any Committee member is found not to have met the qualification requirements of Section 162(m)(4)(C) of the Code and Section 16(b) of the Exchange Act, any actions taken or Awards granted by the Committee shall not be invalidated by such failure to so qualify.

" ***Common Stock*** " means the common stock of the Company, par value $0.125 per share, or such other class of share or other securities as may be applicable under Section 13 of the Plan.

" ***Company*** " means Textron Inc., a Delaware corporation, or any successor to all or substantially all of the Company's business that adopts the Plan.

" ***Effective Date*** " means the date on which the Plan is approved by the shareholders of the Company.

" ***Eligible Individuals*** " means the individuals described in Section 4(a) of the Plan who are eligible for Awards under the Plan.

" ***Exchange Act*** " means the Securities Exchange Act of 1934.

" ***Fair Market Value*** " means, with respect to a share of Common Stock, the closing selling price of a share of Common Stock on the relevant date of determination as reported on the composite tape for securities listed on the NYSE, or such national securities exchange as may be designated by the Committee. If there were no sales on the relevant date, the fair market value shall equal the closing share price on the most recent day preceding the relevant date during which a sale occurred.

" ***Incentive Stock Option*** " means an Option that is intended to comply with the requirements of Section 422 of the Code.

" ***Non-Employee Director*** " means any member of the Board who is not an officer or employee of the Company or any Subsidiary.

" ***Nonqualified Stock Option*** " means an Option that is not an Incentive Stock Option.

" ***NYSE*** " means the New York Stock Exchange or any successor thereto.

" ***Option*** " means an Incentive Stock Option or Nonqualified Stock Option granted pursuant to Section 7 of the Plan.

" ***Other Award*** " means any form of Award other than an Option, Restricted Stock, Restricted Stock Unit, Performance Stock, Performance Share Unit, or Stock Appreciation Right, granted pursuant to Section 11 of the Plan.

" ***Parent*** " means a corporation which owns or beneficially owns a majority of the outstanding voting stock or voting power of the Company. Notwithstanding the above, with respect to an Incentive Stock Option, Parent shall have the same meaning as "parent corporation" set forth in Section 424(e) of the Code.

“ ***Participant*** ” means an Eligible Individual who has been granted an Award under the Plan.

“ ***Performance Period*** ” means the period established by the Committee and set forth in the applicable Award Document over which Performance Targets are measured.

“ ***Performance Stock*** ” means an Award of Shares based on achievement of Performance Targets, granted pursuant to Section 10(b) of the Plan.

“ ***Performance Target*** ” means the performance objectives established by the Committee, from among the performance criteria provided in Section 6(g), and set forth in the applicable Award Document.

“ ***Performance Share Unit*** ” means an Award that grants a right to receive Shares or cash in the future based on achievement of Performance Targets, granted pursuant to Section 10(c) of the Plan.

“ ***Plan*** ” means this Textron Inc. 2015 Long-Term Incentive Plan, as set forth herein and amended or restated from time to time.

“ ***Plan Limit*** ” means the maximum aggregate number of Shares that may be issued for all purposes under the Plan as set forth in Section 5(a) of the Plan.

“ ***Prior Plan*** ” means the 2007 Long-Term Incentive Plan, as in effect, amended and restated from time to time.

“ ***Restricted Stock*** ” means one or more Shares granted pursuant to Section 8(b) of the Plan.

“ ***Restricted Stock Unit*** ” means a right to receive one or more Shares (or cash, if applicable) in the future granted pursuant to Section 8(c) of the Plan.

“ ***Shares*** ” means shares of Common Stock, as may be adjusted pursuant to Section 13(b).

“ ***Stock Appreciation Right*** ” means a right to receive all or some portion of the appreciation on Shares granted pursuant to Section 9 of the Plan.

“ ***Subsidiary*** ” means (i) a corporation or other entity with respect to which the Company, directly or indirectly, has the power, whether through the ownership of voting securities, by contract or otherwise, to elect at least a majority of the members of such corporation’s board of directors or analogous governing body, or (ii) any other corporation or other entity in which the Company, directly or indirectly, has an equity or similar interest greater than 50% and which the Committee designates as a Subsidiary for purposes of the Plan. For purposes of determining eligibility for the grant of Incentive Stock Options under the Plan, the term “Subsidiary” shall be defined in the manner required by Section 424(f) of the Code.

“ ***Substitute Award*** ” means any Award granted upon assumption of, or in substitution or exchange for, outstanding employee equity awards previously granted by a company or other entity acquired by the Company or with which the Company combines pursuant to the terms of an equity compensation plan that was approved by the shareholders of such company or other entity.

“ ***Target Number*** ” means, if applicable, the target number of Shares or cash value established by the Committee and set forth in the applicable Award Document.

(b) *Rules of Construction.* Whenever used in the Plan, (i) the masculine pronoun shall be deemed to include the feminine pronoun; (ii) the singular form of a word shall be deemed to include the plural form, unless the context requires otherwise; (iii) the word “include” shall mean “including but not limited to”; (iv) references to a statute or regulation or statutory or regulatory provision shall include the provision (or a successor provision of similar import) as currently in effect, as amended, or as reenacted, and to any regulations and other formal guidance of general applicability issued thereunder; (v) references to a law shall include any statute, regulation, rule, court case, or other requirement established by an exchange or an agency or other governmental authority, and (vi) applicable law shall include any tax law that imposes requirements in order to avoid adverse tax consequences. Unless the text indicates otherwise, references to sections are to sections of the Plan.

3. Administration

(a) Committee. The Plan shall be administered by the Committee, which shall have full power and authority, subject to the express provisions hereof, to:

(i) select the Participants from the Eligible Individuals;

(ii) grant Awards in accordance with the Plan;

(iii) determine the number of Shares subject to each Award or the cash amount payable in connection with an Award;

(iv) determine the terms and conditions of each Award, including those related to term, permissible methods of exercise, vesting, cancellation, payment, settlement, exercisability, Performance Periods, Performance Targets, and the effect, if any, of a Participant's termination of employment with the Company or any of its Subsidiaries or, subject to Section 6(d), a Change of Control of the Company;

(v) subject to Sections 6 (Awards in General), 16 (restrictions on amendment and termination) and 17(e) (Section 409A of the Code), amend the terms and conditions of an Award after the granting thereof;

(vi) specify and approve the provisions of the Award Documents delivered to Participants in connection with their Awards;

(vii) construe and interpret any Award Document delivered under the Plan;

(viii) make factual determinations in connection with the administration or interpretation of the Plan;

(ix) adopt, prescribe, amend, waive and rescind administrative regulations, rules and procedures relating to the Plan;

(x) employ such legal counsel, independent auditors and consultants as it deems desirable for the administration of the Plan and to rely upon any advice, opinion or computation received therefrom;

(xi) vary the terms of Awards to Participants in non-US jurisdictions to take account of local tax and securities law and other regulatory requirements or to procure favorable tax treatment for Participants;

(xii) correct any defects, supply any omission or reconcile any ambiguity or inconsistency in any Award Document or the Plan; and

(xiii) make all other determinations and take any other action desirable or necessary to interpret, construe or implement properly the provisions of the Plan or any Award Document.

(b) *Plan Construction and Interpretation.* The Committee shall have full power and authority, subject to the express provisions hereof, to construe and interpret the Plan.

(c) *Determinations of Committee Final and Binding.* All determinations by the Committee in carrying out and administering the Plan and in construing and interpreting the Plan shall be made in the Committee's sole discretion and shall be final, binding and conclusive for all purposes and upon all persons interested herein.

(d) *Delegation of Authority.* To the extent not prohibited by applicable laws, rules and regulations, the Committee may, from time to time, delegate some or all of its authority under the Plan to a subcommittee or subcommittees thereof, or to one or more officers or employees of the Company, as it deems necessary, appropriate or advisable under such conditions or limitations as it may set at the time of such delegation or thereafter; *provided* , *however* , that the Committee may not delegate its authority (i) to make Awards to employees (A) who are subject on the date of the Award to the reporting rules under Section 16(a) of the Exchange Act, (B) who are executive officers whose compensation may be subject to the limit on deductible compensation pursuant to Section 162(m) of the Code, or (C) who are officers of the Company who are delegated authority by the Committee hereunder, or (ii) pursuant to Section 16 of the Plan. For purposes of the Plan, reference to the Committee shall be deemed to refer to any subcommittee, subcommittees, officer, officers, or employee or employees to whom the Committee delegates authority pursuant to this Section 3(d). In addition, notwithstanding the foregoing, an independent Committee of the Board is required to approve any grants under this plan to non-employee directors.

(e) *Liability of Committee.* Subject to applicable laws, rules and regulations: (i) no member of the Board or Committee (or its delegates) shall be liable for any good faith action or determination made in connection with the operation, administration or interpretation of the Plan and (ii) the members of the Board or the Committee (and its delegates) shall be entitled to indemnification and reimbursement in the manner provided in the Company's Restated Certificate of Incorporation as it may be amended from time to time. In the performance of its responsibilities with respect to the Plan, the Committee shall be entitled to rely upon information and/or advice furnished by the Company's officers or employees, the Company's accountants, the Company's counsel and any other party the Committee deems necessary, and no member of the Committee shall be liable for any action taken or not taken in reliance upon any such information and/or advice.

(f) *Action by the Board.* Anything in the Plan to the contrary notwithstanding, subject to applicable laws, rules and regulations, any authority or responsibility that, under the terms of the Plan, may be exercised by the Committee may alternatively be exercised by the Board.

4. Eligibility

(a) *Eligible Individuals.* Awards may be granted to employees and Non-Employee Directors of the Company or any of its Subsidiaries; *provided* , *however* , that only employees of the Company or a Parent or Subsidiary may be granted Incentive Stock Options. The Committee shall have the authority to select the persons to whom Awards may be granted and to determine the type, number and terms of Awards to be granted to each such Participant. Under the Plan, references to "employment" or "employed" include service of Participants who are Non-Employee Directors, except for purposes of determining eligibility to be granted Incentive Stock Options.

(b) *Grants to Participants.* The Committee shall have no obligation to grant any Eligible Individual an Award or to designate an Eligible Individual as a Participant solely by reason of such Eligible Individual having received a prior Award or having been previously designated as a Participant. The Committee may grant more than one Award to a Participant and may designate an Eligible Individual as a Participant for overlapping periods of time.

5. Shares Subject to the Plan

(a) *Plan Limit.* Subject to adjustment in accordance with Section 13 of the Plan, the maximum aggregate number of Shares that may be issued for all purposes under the Plan shall be 17,000,000, plus any Shares that become available for issuance upon cancellation, forfeiture, or expiration of awards granted under the Prior Plan without having been exercised or settled. Shares to be issued under the Plan may be authorized and unissued shares, issued shares that have been reacquired by the Company (in the open-market or in private transactions) and that are being held in treasury, or a combination thereof. No more than 17,000,000 Shares may be issued pursuant to Incentive Stock Options.

(b) *Rules Applicable to Determining Shares Available for Issuance.* The number of Shares remaining available for issuance will be reduced by the number of Shares subject to outstanding Awards that are both denominated and intended to be settled in Shares and, for all other awards, by the number of Shares actually delivered upon settlement or payment of the Award. For purposes of determining the number of Shares that remain available for issuance under the Plan, (i) the number of Shares that are tendered by a Participant or withheld by the Company to pay the exercise price of an Award or to satisfy the Participant's tax withholding obligations in connection with the exercise or settlement of an Award and (ii) all of the Shares covered by a stock-settled Stock Appreciation Right to the extent exercised, will not be added back to the Plan Limit. In addition, for purposes of determining the number of Shares that remain available for issuance under the Plan, the number of Shares corresponding to Awards that are both denominated and intended to be settled in Shares under the Plan that are forfeited or canceled or otherwise expire for any reason without having been exercised or settled or that is settled through issuance of consideration other than Shares (including cash) shall be added back to the Plan Limit and again be available for the grant of Awards; *provided* , *however* , that this provision shall not be applicable with respect to (i) the cancellation of a Stock Appreciation Right granted in tandem with an Option upon the exercise of the Option or (ii) the cancellation of an Option granted in tandem with a Stock Appreciation Right upon the exercise of the Stock Appreciation Right.

(c) *Special Limits.* Anything to the contrary in Section 5(a) above notwithstanding, but subject to adjustment under Sections 5(b) and 13 of the Plan, the following special limits shall apply to Shares available for Awards under the Plan:

(i) the maximum number of Shares that may be issued pursuant to awards of Restricted Stock, Restricted Stock Units, Performance Stock, Performance Share Units and Other Awards that are payable in Shares granted under the Plan shall equal 4,250,000 Shares in the aggregate.

(ii) the maximum number of Shares that may be made subject to Options and Stock Appreciation Rights granted to any Eligible Individual in any calendar year shall equal 700,000 Shares, and if any Option or Stock Appreciation Right is forfeited, canceled or otherwise expires for any reason without having been exercised, the Shares subject to such Option or Stock Appreciation Right shall be included in the determination of the aggregate number of Shares issued to such employee under the Plan.

(iii) the maximum amount of Awards (other than those Awards set forth in Section 5(c)(ii)) that may be (1) awarded to any Eligible Individual in any calendar year (with respect to Awards settled in Shares) is 700,000 Shares measured as of the date of grant, or (2) paid to any Eligible Individual in any calendar year (with respect to Awards settled in cash) is $15 million; and

(iv) A maximum of five percent (5%) of the aggregate number of Shares available for issuance under the Plan may be covered by Awards without the minimum vesting period otherwise required by Sections 7(f) (minimum vesting for Options), 8(a) (minimum vesting for Restricted Stock and Restricted Stock Units), 9(c) (minimum vesting for Stock Appreciation Rights), 10(a) (minimum vesting for Performance Stock and Performance Share Units) and 11 (minimum vesting for other Awards).

(d) Any Shares underlying Substitute Awards shall not be counted against the number of Shares remaining for issuance and shall not be subject to Section 5(c).

6. Awards in General

(a) *Types of Awards* . Awards under the Plan may consist of Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Stock, Performance Share Units and Other Awards. Any Award described in Sections 7 through 11 of the Plan may be granted singly or in combination or tandem with any other Award, as the Committee may determine. Awards under the Plan may be made in combination with, in replacement of, or as alternatives to awards or rights under any other compensation or benefit plan of the Company, including the plan of any acquired entity.

(b) *Terms Set Forth in Award Document* . The terms and conditions of each Award shall be set forth in an Award Document in a form approved by the Committee for such Award, which Award Document shall contain terms and conditions consistent with the Plan. Notwithstanding the foregoing, and subject to applicable laws, the Committee may accelerate (i) the vesting or payment of any Award, (ii) the lapse of restrictions on any Award or (iii) the date on which any Award first becomes exercisable. The Committee shall exercise this discretion only in the event of death, disability, Change of Control, retirement, or involuntary termination without Cause. The terms of Awards may vary among Participants, and the Plan does not impose upon the Committee any requirement to make Awards subject to uniform terms. Accordingly, the terms of individual Award Documents may vary.

(c) *Termination of Employment* . The Committee shall specify at or after the time of grant of an Award the provisions governing the disposition of an Award in the event of a Participant's termination of employment with the Company or any of its Subsidiaries. Subject to applicable laws, rules and regulations, in connection with a Participant's termination of employment, the Committee shall have the discretion to accelerate the vesting, exercisability or settlement of, eliminate the restrictions and conditions applicable to, alter the form of payment, or extend the post-termination exercise period of an outstanding Award. Such provisions may be specified in the applicable Award Document or determined at a subsequent time.

(d) *Change of Control* . (i) The Committee shall have full authority to determine the effect, if any, of a Change of Control of the Company or any Subsidiary on the vesting, exercisability, settlement, payment or lapse of restrictions applicable to an Award, which effect may be specified in the applicable Award Document or determined at a subsequent time. Subject to applicable laws, rules and regulations, the Board or the Committee shall, at any time prior to, coincident with, or after the effective time of a Change of Control, take such actions as it may consider appropriate, including: (A) providing for the acceleration of any vesting conditions relating to the exercise or settlement of an Award or that an Award shall terminate or expire unless exercised or settled in full on or before a date fixed by the Committee; (B) making such adjustments to the Awards then outstanding as the Committee deems appropriate to reflect such Change of Control; (C) causing the Awards then outstanding to be assumed, or new rights substituted therefor, by the surviving corporation in such Change of Control; or (D) permitting or requiring Participants to surrender outstanding Options and Stock Appreciation Rights in exchange for a cash payment equal to the difference, if any, between the highest price paid for a Share in the Change of Control transaction and the exercise price of the Award. If an Award is subject to Section 409A of the Code, the Committee shall have discretion to alter the terms of the Award only to the extent that the alteration would not cause the Award to fail to satisfy the requirements of Section 409A. In addition, except as otherwise specified in an Award Document (or a Participant's written employment agreement with the Company or any Subsidiary) if a Participant's employment with the Company and Subsidiaries is terminated involuntarily without Cause, within two years after a Change of Control:

(1) any and all Options and Stock Appreciation Rights outstanding as of the effective date of the Participant's termination shall become immediately exercisable;

(2) any restrictions imposed on Restricted Stock and Restricted Stock Units outstanding as of the effective date of the Participant's termination shall lapse;

(3) the Performance Targets with respect to all Performance Share Units, Performance Stock and other performance-based Awards granted pursuant to Sections 6(g) or 10 outstanding as of the effective date of the Participant's termination shall be deemed to have been attained at the specified target level of performance;

(4) all Awards denominated in Shares outstanding as of the effective date of the Participant's termination shall be immediately vested; and

(5) any Award that became earned or vested as a result of the Participant's termination or the Change of Control shall be paid in full within 30 days after the vesting date (unless the payment would constitute an impermissible acceleration under Section 409A of the Code, in which case the payment shall be made on the original distribution date).

To the extent provided under the applicable Award Document, resignation by a Participant for "good reason" (as defined in the Award Document) shall be treated as an involuntary termination of the Participant's employment without Cause.

(ii) Notwithstanding any other provision of the Plan or any Award Document, the provisions of this Section 6(d) may not be terminated, amended, or modified upon or after a Change of Control in a manner that would adversely affect a Participant's rights with respect to an outstanding Award without the prior written consent of the Participant. Subject to Section 16 and the requirements of Section 409A of the Code, the Board, upon recommendation of the Committee, may terminate, amend or modify this Section 6(d) at any time and from time to time prior to the approval by the shareholders of the Company of a transaction which would result in a Change of Control (or, if earlier, the occurrence of a Change of Control).

(e) *Dividends and Dividend Equivalents* . The Committee may provide Participants with the right to receive dividends or payments equivalent to dividends or interest with respect to an outstanding Award, which payments can either be paid currently or deemed to have been reinvested in Shares, and can be made in Shares, cash or a combination thereof, as the Committee shall determine; *provided* , *however* , that the terms of any payment or reinvestment of dividends (including the time and form in which reinvested dividends will be paid to the Participant) must be specified in the Award Document when the Award is granted and must comply with all applicable laws, rules and regulations. Dividends or dividend equivalents that are paid currently with respect to any Award generally shall be paid at the same time as dividends are paid to the Company's shareholders, and in no event later than 2½ months after the end of the year in which the dividend record date falls. Dividends or dividend equivalents that are reinvested with respect to any Award shall vest and be paid out at the same time and under the same conditions as the underlying Award. Notwithstanding the foregoing, no dividends or dividend equivalents shall be paid with respect to (i) Options or Stock Appreciation Rights or (ii) Performance Stock or Performance Share Units prior to payment of the Award.

(f) *Rights of a Shareholder* . A Participant shall have no rights as a shareholder with respect to Shares covered by an Award (including voting rights) until the date the Participant or his or her nominee becomes the holder of record of such Shares. No adjustment shall be made for dividends or other rights for which the record date is prior to such date, except as provided in Section 13.

(g) *Performance-Based Awards* . (i) The Committee may determine whether any Award (or portion of an Award) under the Plan is intended to be "performance-based compensation" under Section 162(m)(4)(C) of the Code. Any such Awards (or portions of Awards) designated to be "performance-based compensation" shall be conditioned on the achievement of one or more Performance Targets to the extent required by Section 162(m) of the Code and will be subject to all other conditions and requirements of Section 162(m). The Performance Targets will consist of specified levels of one or more of the following performance criteria as the Committee deems appropriate: operating cash flows from continuing operations; operating working capital; free cash flow; cash efficiency; revenues; segment profit; corporate expenses; special charges; gain (loss) on sale of business; income from continuing operations; net income; EBITDA—earnings before interest, taxes, depreciation and amortization; EBIT—earnings before interest and taxes; EPS—earnings per share, as adjusted EPS; ROA—return on assets; ROS—return on sales; ROE—return on equity; ROIC—return on invested capital; WACC—weighted average cost of capital; total shareholder return; stock price appreciation; growth in managed assets; organic growth; cost performance; net cost reductions; inventory turns; selling and administrative expense as a percentage of sales; days sales outstanding; ratio of income to fixed charges; segment profit margins; total profit margin; EVA—economic value added; intrinsic value and effective income tax rate. The Performance Targets may be described in terms of objectives that are related to the individual Participant or objectives that are Company-wide or related to a Subsidiary, division, department, region, function or business unit and may be measured on an absolute or cumulative basis or on the basis of percentage of improvement over time, and may be measured in terms of Company performance (or performance of the applicable Subsidiary, division, department, region, function or business unit) or measured relative to selected peer companies or a market index. In addition, for Awards or portions of Awards not intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee may establish Performance Targets based on other criteria as it deems appropriate.

(ii) The Participants will be designated, and the applicable Performance Targets will be established, by the Committee within ninety (90) days following the commencement of the applicable Performance Period (or such earlier or later date permitted or required by Section 162(m) of the Code). Any payment of an Award that is designated to be "performance-based compensation" under Section 162(m)(4)(C) of the Code shall be conditioned on the written certification of the Committee in each case that the Performance Targets and any other material conditions were satisfied. The Committee may determine, at the time of Award grant and to the extent permitted by Code Section 162(m), that if performance exceeds the specified Performance Targets, the Award may be settled with payment greater than the Target Number, but in no event may such payment exceed the limits set forth in Section 5(c). Similarly, the Committee may establish a payment that is below the Target Number but above a threshold level of payment if performance is below established Performance Targets. The Committee retains the right to reduce any Award notwithstanding the attainment of the Performance Targets. The Committee does not, however, retain any right to increase the amount otherwise determined under the provisions of an Award or portion of an Award that is intended to be "performance-based compensation" under Section 162(m)(4)(C) of the Code.

(h) *Deferrals* . No Option or Stock Appreciation Right shall include a right to defer gain upon exercise or any other deferral feature. Deferrals of other Awards shall be subject to provisions of the Award Document or another plan document that satisfies the requirements of Section 409A of the Code.

(i) *Repricing of Options and Stock Appreciation Rights* . Notwithstanding any other provision of the Plan, except as may be specifically authorized by the Company's shareholders, at any time when the exercise price of an Option or Stock Appreciation Right is above the Fair Market Value of a Share, the Company shall not reduce the exercise price of such Option or Stock Appreciation Right and shall not exchange such Option or Stock Appreciation Right for a new Award with a lower (or no) exercise price or for cash. The foregoing shall not (i) prevent adjustments pursuant to Section 13 or (ii) apply to grants of Substitute Awards.

(j) *Clawback Provision* . The Committee shall, in all appropriate circumstances, require reimbursement of any annual incentive payment or long-term incentive payment under any Award to an executive officer where: (1) the payment was predicated upon achieving certain financial results that were subsequently the subject of a substantial restatement of Company financial statements filed with the Securities and Exchange Commission; (2) the Committee determines the executive engaged in intentional misconduct that caused or substantially caused the need for the substantial restatement; and (3) a lower payment would have been made to the executive based upon the restated financial results. In each such instance, the Company will, to the extent practicable, seek to recover from the individual executive the amount by which the individual executive's incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results. For purposes of this provision, the term "executive officer" means any officer who has been designated an executive officer by the Board.

7. Options

(a) *General* . The Committee, in its discretion, may grant Options to Eligible Individuals and shall determine whether such Options shall be Incentive Stock Options or Nonqualified Stock Options. Each Option shall be evidenced by an Award Document that shall expressly identify the Option as an Incentive Stock Option or Nonqualified Stock Option, and be in such form and contain such provisions as the Committee shall from time to time deem appropriate.

(b) *Exercise Price* . The exercise price of an Option shall be fixed by the Committee at the time of grant or shall be determined by a method specified by the Committee at the time of grant. In no event shall the exercise price of an Option be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant; *provided* , *however* that the exercise price of a Substitute Award granted as an Option shall be determined in accordance with Section 409A of the Code and, with respect to Incentive Stock Options, Section 424 of the Code and may be less than one hundred percent (100%) of the Fair Market Value.

(c) *Term* . An Option shall be effective for such term as shall be determined by the Committee and as set forth in the Award Document relating to such Option, and the Committee may extend the term of an Option after the time of grant; *provided* , *however* , that the term of an Option may in no event extend beyond the tenth (10^{th}) anniversary of the date of grant of such Option.

(d) *Exercise; Payment of Exercise Price* . Options shall be exercised by delivery of a notice of exercise in a form approved by the Company. Subject to the provisions of the applicable Award Document, the exercise price of an Option may be paid (i) in cash or cash equivalents, (ii) by actual delivery or attestation to ownership of freely transferable Shares already owned by the person exercising the Option, (iii) by a combination of cash and Shares equal in value to the exercise price, (iv) through net share settlement or similar procedure involving the withholding of Shares subject to the Option with a value equal to the exercise price or (v) by such other means as the Committee may authorize. In accordance with the rules and procedures authorized by the Committee for this purpose, the Option may also be exercised through a "cashless exercise" procedure authorized by the Committee from time to time that permits Participants to exercise Options by delivering irrevocable instructions to a broker to deliver promptly to the Company the amount necessary to pay the exercise price and the amount of any required tax or other withholding obligations or such other procedures determined by the Company from time to time.

(e) *Incentive Stock Options* . The exercise price per Share of an Incentive Stock Option shall be fixed by the Committee at the time of grant or shall be determined by a method specified by the Committee at the time of grant, but in no event shall the exercise price of an Incentive Stock Option be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant. No Incentive Stock Option may be issued pursuant to the Plan to any individual who, at the time the Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, unless (i) the exercise price determined as of the date of grant is at least one hundred ten percent (110%) of the Fair Market Value on the date of grant of the Shares subject to such Incentive Stock Option and (ii) the Incentive Stock Option is not exercisable more than five (5) years from the date of grant thereof. No Participant shall be granted any Incentive Stock Option which would result in such Participant receiving a grant of Incentive Stock Options that would have an aggregate Fair Market Value in excess of one hundred thousand dollars ($100,000), determined as of the time of grant, that would be exercisable for the first time by such Participant during any calendar year. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code.

(f) *Minimum Vesting Provisions* . Except as otherwise permitted by Section 5(c)(iv) of the Plan, Options shall have a minimum vesting period of one (1) year from the date of grant. Options shall not be deemed to lack a minimum vesting period solely because they vest before the end of the period in the event of the Participant's death, disability or retirement, or upon or after a Change of Control.

8. Restricted Stock and Restricted Stock Units

(a) *Minimum Vesting Provisions* . Except as otherwise permitted by Section 5(c)(iv) of the Plan, Restricted Stock or Restricted Stock Units settled in Shares that are granted without any other performance-based qualification criteria other than the Participant's continued service shall have a minimum period of restriction of three (3) years. Performance-based grants shall feature a minimum period of restriction of one (1) year. Awards of Restricted Stock or Restricted Stock Units shall not be deemed to lack a minimum period of restriction solely because they vest before the end of the period in the event of the Participant's death, disability or retirement, or upon or after a Change of Control.

(b) *Restricted Stock* . The Committee, in its discretion, may grant Restricted Stock to Eligible Individuals. An Award of Restricted Stock shall consist of one or more Shares granted to an Eligible Individual, and shall be subject to the terms, conditions and restrictions set forth in the Plan and established by the Committee in connection with the Award and specified in the applicable Award Document. Restricted Stock may, among other things, be subject to restrictions on transferability, vesting requirements or other specified circumstances under which it may be canceled.

(c) *Restricted Stock Units.* The Committee, in its discretion, may grant Restricted Stock Units to Eligible Individuals. A Restricted Stock Unit shall entitle a Participant to receive, subject to the terms, conditions and restrictions set forth in the Plan and the applicable Award Document, one or more Shares or cash in the amount of the Fair Market Value of the Shares. Restricted Stock Units may, among other things, be subject to restrictions on transferability, vesting requirements or other specified circumstances under which they may be canceled. If and when the cancellation provisions lapse, the Restricted Stock Units shall become Shares owned by the applicable Participant or, if provided in the Award Document or at the sole discretion of the Committee, cash, or a combination of cash and Shares, with a value equal to the Fair Market Value of the Shares on the vesting date.

9. Stock Appreciation Rights

(a) *General.* The Committee, in its discretion, may grant Stock Appreciation Rights to Eligible Individuals. A Stock Appreciation Right shall entitle a Participant to receive, upon satisfaction of the conditions to payment specified in the applicable Award Document, an amount equal to the excess, if any, of the Fair Market Value on the exercise date of the number of Shares for which the Stock Appreciation Right is exercised over the grant price for such Stock Appreciation Right specified in the applicable Award Document. The grant price per share of Shares covered by a Stock Appreciation Right shall be fixed by the Committee at the time of grant or, alternatively, shall be determined by a method specified by the Committee at the time of grant, but in no event shall the grant price of a Stock Appreciation Right be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant; *provided* , *however* , that the grant price of a Substitute Award granted as a Stock Appreciation Rights shall be in accordance with Section 409A of the Code and may be less than one hundred percent (100%) of the Fair Market Value. Payments to a Participant upon exercise of a Stock Appreciation Right may be made in cash or Shares, or a combination of cash and Shares having an aggregate Fair Market Value as of the date of exercise equal to the excess, if any, of the Fair Market Value on the exercise date of the number of Shares for which the Stock Appreciation Right is exercised over the grant price for such Stock Appreciation Right. The term of a Stock Appreciation Right settled in Shares shall not exceed ten (10) years.

(b) *Stock Appreciation Rights in Tandem with Options.* A Stock Appreciation Right granted in tandem with an Option may be granted either at the same time as such Option or subsequent thereto. If granted in tandem with an Option, a Stock Appreciation Right shall cover the same number of Shares as covered by the Option (or such lesser number of Shares as the Committee may determine) and shall be exercisable only at such time or times and to the extent the related Option shall be exercisable, and shall have the same term as the related Option. The grant price of a Stock Appreciation Right granted in tandem with an Option shall equal the per-share exercise price of the Option to which it relates. Upon exercise of a Stock Appreciation Right granted in tandem with an Option, the related Option shall be canceled automatically to the extent of the number of Shares covered by such exercise; conversely, if the related Option is exercised as to some or all of the Shares covered by the tandem grant, the tandem Stock Appreciation Right shall be canceled automatically to the extent of the number of Shares covered by the Option exercise.

(c) *Minimum Vesting Provisions* . Except as otherwise permitted by Section 5(c)(iv) of the Plan, Stock Appreciation Rights shall have a minimum vesting period of one (1) year from the date of grant. Stock Appreciation Rights shall not be deemed to lack a minimum vesting period solely because they vest before the end of the period in the event of the Participant’s death, disability or retirement, or upon or after a Change of Control.

10. Performance Stock and Performance Share Units

(a) *Minimum Vesting Provisions* . Except as otherwise permitted by Section 5(c)(iv) of the Plan, Performance Stock or Performance Share Units shall feature a minimum period of restriction of one (1) year. Awards of Performance Stock or Performance Share Units shall not be deemed to lack a minimum period of restriction solely because they vest before the end of the period in the event of the Participant’s death, disability or retirement, or upon or after a Change of Control.

(b) *Performance Stock.* The Committee may grant Performance Stock to Eligible Individuals. An Award of Performance Stock shall consist of a Target Number of Shares granted to an Eligible Individual based on the achievement of Performance Targets over the applicable Performance Period, and shall be subject to the terms, conditions and restrictions set forth in the Plan and established by the Committee in connection with the Award and specified in the applicable Award Document.

(c) *Performance Share Units.* The Committee, in its discretion, may grant Performance Share Units to Eligible Individuals. A Performance Share Unit shall entitle a Participant to receive, subject to the terms, conditions and restrictions set forth in the Plan and established by the Committee in connection with the Award and specified in the applicable Award Document, a Target Number of Shares or cash based upon the achievement of Performance Targets over the applicable Performance Period. At the sole discretion of the Committee, Performance Share Units shall be settled through the delivery of Shares or cash, or a combination of Shares and cash.

11. Other Awards

The Committee shall have the authority to specify the terms and provisions of other forms of equity- or cash-based Awards not described above that the Committee determines to be consistent with the purpose of the Plan and the interests of the Company, which Awards may provide for cash payments or settlement in Shares. Except as otherwise permitted by Section 5(c)(iv) of the Plan, (a) to the extent that any such other Awards are to be settled in Shares and are performance-based, the minimum period of restriction shall be one (1) year, and (b) to the extent that such other Awards are to be settled in Shares that have no performance-based criteria other than the Participant’s continued service, the minimum period of restriction shall be three (3) years; provided that, in each case, Awards shall not be deemed to lack a minimum period of restriction solely because they vest before the end of the period in the event of the Participant’s death, disability or retirement, or upon or after a Change of Control.

12. Certain Restrictions

(a) *Transfers.* No Award shall be transferable other than pursuant to a beneficiary designation under Section 12(c), by last will and testament or by the laws of descent and distribution or, except in the case of an Incentive Stock Option, pursuant to a domestic relations order; *provided* , *however* , that the Committee may, subject to applicable laws, rules and regulations and such terms and conditions as it shall specify, permit the transfer of an Award, other than an Incentive Stock Option, for no consideration, to a member of the Participant's family or household or to a trust, partnership, corporation, or similar vehicle the parties in interest in which are limited to the Participant and members of the Participant's family or household, in each case, with respect to whom such Award or the exercise thereof (as applicable) is covered by an effective registration statement under the Securities Act of 1933 (collectively, the "Permitted Transferees"). Any Award transferred to a Permitted Transferee shall be further transferable only by last will and testament or the laws of descent and distribution or, for no consideration, to another Permitted Transferee of the Participant.

(b) *Award Exercisable Only by Participant.* During the lifetime of a Participant, an Award shall be exercisable only by the Participant or by a Permitted Transferee to whom such Award has been transferred in accordance with Section 12(a) above. The grant of an Award shall impose no obligation on a Participant to exercise or settle the Award.

(c) *Beneficiary Designation.* Subject to restrictions and procedures established by the Company, a Participant may, from time to time, name a beneficiary or beneficiaries to receive any benefit under the Plan in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, including any default designation, and will be effective only when filed by the Participant (in such form or manner as may be prescribed by the Company) and received by the Company. No beneficiary designation shall be effective if received by the Company after the Participant's death. In the absence of a valid designation by the Participant under the Plan, the Participant's beneficiary shall be his beneficiary under the Company's group life insurance plan or, if none, the Participant's estate. If a beneficiary determined under this paragraph does not survive the Participant, or such designated beneficiary is legally impaired or prohibited from receiving the benefits under an Award, the Participant's beneficiary shall be determined as if such deceased or disqualified beneficiary were never designated.

13. Recapitalization or Reorganization

(a) *Authority of the Company and Shareholders.* The existence of the Plan, the Award Documents and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Shares or the rights thereof or which are convertible into or exchangeable for Shares, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) *Change in Capitalization.* Notwithstanding any provision of the Plan or any Award Document, the number and kind of Shares authorized for issuance under Section 5 of the Plan, including the maximum number of Shares available under the special limits provided for in Section 5(c), shall be equitably adjusted in the sole discretion of the Committee in the event of a stock split, reverse stock split, stock dividend, recapitalization, reorganization, partial or complete liquidation, reclassification, merger, consolidation, separation, extraordinary cash dividend, split-up, spin-off, combination, exchange of Shares, warrants or rights offering to purchase Shares at a price substantially below Fair Market Value, or any other corporate event or distribution of stock or property of the Company affecting the Shares in order to preserve, but not increase, the benefits or potential benefits intended to be made available under the Plan. In addition, upon the occurrence of any of the foregoing events, the number and kind of Shares subject to any outstanding Award and the exercise price per Share (or the grant price per Share, as the case may be), if any, under any outstanding Award shall be equitably adjusted (including by payment of cash to a Participant) in the sole discretion of the Committee in order to preserve the benefits or potential benefits intended to be made available to Participants. Such adjustments shall be made by the Committee. Unless otherwise determined by the Committee, such adjusted Awards shall be subject to the same restrictions and vesting or settlement schedule to which the underlying Award is subject.

14. Term of the Plan

Unless earlier terminated pursuant to Section 16, the Plan shall terminate on the tenth (10^{th}) anniversary of the Effective Date, except with respect to Awards then outstanding. No Awards may be granted under the Plan after the tenth (10^{th}) anniversary of the Effective Date, and no Incentive Stock Option may be granted under the Plan after the tenth (10^{th}) anniversary of the date on which the Plan was adopted by the Board. To the extent (but only to the extent) required by Section 162(m) of the Code, no Award that is intended to be "performance-based compensation" under Section 162(m) shall be granted after the first shareholder meeting in 2020 unless the material terms of the performance goal for the Award have been disclosed to and reapproved by shareholders before that date.

15. Effective Date

The Plan shall become effective on the Effective Date.

16. Amendment and Termination

Subject to applicable laws, rules and regulations, the Board may at any time terminate or, from time to time, amend, modify or suspend the Plan; *provided*, *however*, that no termination, amendment, modification or suspension shall (a) be effective without the approval of the shareholders of the Company if such approval is required under applicable laws, rules and regulations, including the rules of NYSE, or (b) materially and adversely alter or impair the rights of a Participant in any Award previously made under the Plan without the consent of the holder thereof. Notwithstanding the foregoing, the Board shall have broad authority to amend the Plan or any Award under the Plan without the consent of a Participant to the extent it deems necessary or desirable (i) to comply with, take into account changes in, or interpretations of, applicable tax laws, securities laws, employment laws, accounting rules and other applicable laws, rules and regulations, (ii) to take into account unusual or nonrecurring events or market conditions (including the events described in Section 13(b)), or (iii) to take into account significant acquisitions or dispositions of assets or other property by the Company. To the extent permitted by applicable law, the Board may (I) make a non-exclusive written delegation of its authority to amend the Plan to the Committee or to one or more officers of the Company and (II) authorize the Committee or delegated officers to make a further delegation of their authority to amend the Plan.

17. Miscellaneous

(a) *Tax Withholding.* The Company or a Subsidiary, as appropriate, may require any individual entitled to receive a payment of an Award to remit to the Company, prior to payment, an amount sufficient to satisfy any applicable tax withholding requirements. In the case of an Award payable in Shares, the Company or a Subsidiary, as appropriate, may permit or require a Participant to satisfy, in whole or in part, such obligation to remit taxes by the Company withholding Shares that would otherwise be received by such individual or repurchasing Shares that were issued to the Participant to satisfy the (i) minimum statutory withholding rates within the United States, or (ii) in accordance with local tax jurisdictions outside the United States, as applicable, for any applicable tax withholding purposes, in accordance with all applicable laws and pursuant to such rules as the Committee may establish from time to time. The Company or a Subsidiary, as appropriate, shall also have the right to deduct from all cash payments made to a Participant (whether or not such payment is made in connection with an Award) any applicable taxes required to be withheld with respect to such payments.

(b) *No Right to Awards or Employment.* No person shall have any claim or right to receive Awards under the Plan. Neither the Plan, the grant of Awards under the Plan nor any action taken or omitted to be taken under the Plan shall be deemed to create or confer on any Eligible Individual any right to be retained in the employ of the Company or any Subsidiary or other affiliate thereof, or to interfere with or to limit in any way the right of the Company or any Subsidiary or other affiliate thereof to terminate the employment of such Eligible Individual at any time. No Award shall constitute salary or contractual compensation for the year of grant, any later year or any other period of time. Payments received by a Participant under any Award made pursuant to the Plan shall not be included in, nor have any effect on, the determination of employment-related rights or benefits under any other employee benefit plan or similar arrangement provided by the Company and the Subsidiaries, unless otherwise specifically provided for under the terms of such plan or arrangement or by the Committee.

(c) *Securities Law Restrictions.* An Award may not be exercised or settled, and no Shares may be issued in connection with an Award, unless the issuance of such Shares (i) has been registered under the Securities Act of 1933, (ii) has qualified under applicable state “blue sky” laws (or the Company has determined that an exemption from registration and from qualification under such state “blue sky” laws is available) and (iii) complies with all applicable foreign securities laws. All certificates for Shares delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any exchange upon which the Shares are then listed, and any applicable securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(d) *Section 162(m) of the Code.* The Plan is intended to comply in all respects with Section 162(m) of the Code; *provided* , *however* , that in the event the Committee determines that compliance with Section 162(m) of the Code is not desired with respect to a particular Award (or portion of an Award), compliance with Section 162(m) of the Code will not be required. In addition, if any provision of this Plan would cause Awards or portions of Awards that are intended to constitute “qualified performance-based compensation” under Section 162(m) of the Code, to fail to so qualify, that provision shall be severed from, and shall be deemed not to be a part of, the Plan, but the other provisions hereof shall remain in full force and effect.

(e) *Section 409A of the Code.* The Plan is intended, and shall be interpreted, to provide compensation that is exempt from Section 409A, or that complies with the applicable requirements of Section 409A. If any provision of the Plan or an Award Document contravenes any regulations or guidance promulgated under Section 409A of the Code or would cause an Award to be subject to additional taxes, accelerated taxation, interest and/or penalties under Section 409A of the Code, such provision of the Plan or Award Document may be modified by the Committee without the consent of the Participant in any manner the Committee deems reasonable or necessary. In making such modifications the Committee shall attempt, but shall not be obligated, to maintain, to the maximum extent practicable, the original intent of the applicable provision without contravening the provisions of Section 409A of the Code. Moreover, any discretionary authority that the Committee may have pursuant to the Plan shall not be applicable to an Award that is subject to Section 409A of the Code to the extent such discretionary authority would contravene Section 409A of the Code or the guidance promulgated thereunder.

(f) *Awards to Individuals Subject to Laws of a Jurisdiction Outside of the United States.* To the extent that Awards under the Plan are awarded to Eligible Individuals who are domiciled or reside outside of the United States or to persons who are domiciled or reside in the United States but who are subject to the tax laws of a jurisdiction outside of the United States, the Committee may adjust the terms of the Awards granted hereunder to such person (i) to comply with the laws, rules and regulations of such jurisdiction and (ii) to permit the grant of the Award not to be a taxable event to the Participant. The authority granted under the previous sentence shall include the discretion for the Committee to adopt, on behalf of the Company, one or more sub-plans applicable to separate classes of Eligible Individuals who are subject to the laws of jurisdictions outside of the United States.

(g) *Satisfaction of Obligations.* Subject to applicable law, the Company may apply any cash, Shares, securities or other consideration received upon exercise or settlement of an Award to any obligations a Participant owes to the Company and the Subsidiaries in connection with the Plan or otherwise, including any tax obligations or obligations under a currency facility established in connection with the Plan.

(h) *No Limitation on Corporate Actions.* Nothing contained in the Plan shall be construed to prevent the Company or any Subsidiary from taking any corporate action, whether or not such action would have an adverse effect on any Awards made under the Plan. No Participant, beneficiary or other person shall have any claim against the Company or any Subsidiary as a result of any such action.

(i) *Unfunded Plan.* The Plan is intended to constitute an unfunded plan for incentive compensation. Prior to the issuance of Shares, cash or other form of payment in connection with an Award, nothing contained herein shall give any Participant any rights that are greater than those of a general unsecured creditor of the Company. The Committee may, but is not obligated to, authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Shares with respect to awards hereunder.

(j) *Successors.* All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

(k) *Application of Funds.* The proceeds received by the Company from the sale of Shares pursuant to Awards will be used for general corporate purposes.

(l) *Award Document.* In the event of any conflict or inconsistency between the Plan and any Award Document, the Plan shall govern and the Award Document shall be interpreted to minimize or eliminate any such conflict or inconsistency.

(m) *Headings.* The headings of Sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

(n) *Severability.* If any provision of this Plan is held unenforceable, the remainder of the Plan shall continue in full force and effect without regard to such unenforceable provision and shall be applied as though the unenforceable provision were not contained in the Plan.

(o) *Expenses.* The costs and expenses of administering the Plan shall be borne by the Company.

(p) *Governing Law.* Except as to matters of federal law, the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to any conflict of law provisions that might otherwise point to a different jurisdiction.

(q) *Compliance with Individual Tax Requirements.* The Company does not warrant that the Plan will comply with Section 409A or any other provision of the Code with respect to any Participant or with respect to any payment. In no event shall the Company; any Subsidiary; any director, officer, or employee of the Company or a Subsidiary; or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant as a result of the Plan's failure to satisfy the requirements of Section 409A of the Code or any other requirements of applicable tax laws.

EXHIBIT 12.1

TEXTRON INC.
MANUFACTURING GROUP
COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES
(unaudited)
(In millions, except ratio)

	Six Months Ended July 4, 2015
Fixed charges:	
Interest expense*	$ 65
Estimated interest portion of rents	20
Total fixed charges	$ 85
Income:	
Income from continuing operations before income taxes	$ 425
Fixed charges	85
Eliminate pretax income of Finance group	(16)
Adjusted income	$ 494
Ratio of income to fixed charges	5.81

* Includes interest expense on all third-party indebtedness, except for interest related to unrecognized tax benefits, which is included in income tax expense.

EXHIBIT 12.2

TEXTRON INC.
INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES
COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES
(unaudited)
(In millions, except ratio)

		Six Months Ended July 4, 2015
Fixed charges:		
Interest expense*	$	85
Estimated interest portion of rents		20
Total fixed charges	$	105
Income:		
Income from continuing operations before income taxes	$	425
Fixed charges		105
Adjusted income	$	530
Ratio of income to fixed charges		5.05

* Includes interest expense on all third-party indebtedness, except for interest related to unrecognized tax benefits, which is included in income tax expense.

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott C. Donnelly, Chairman, President and Chief Executive Officer of Textron Inc. certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 29, 2015

/s/ Scott C. Donnelly
Scott C. Donnelly
Chairman, President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Frank T. Connor, Executive Vice President and Chief Financial Officer of Textron Inc. certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 29, 2015

/s/ Frank T. Connor
Frank T. Connor
Executive Vice President and Chief Financial Officer

Exhibit 32.1

TEXTRON INC.

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

In connection with the Quarterly Report of Textron Inc. (the “Company”) on Form 10-Q for the period ended July 4, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott C. Donnelly, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: July 29, 2015

/s/ Scott C. Donnelly
Scott C. Donnelly
Chairman, President and Chief Executive Officer

Exhibit 32.2

TEXTRON INC.

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

In connection with the Quarterly Report of Textron Inc. (the "Company") on Form 10-Q for the period ended July 4, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank T. Connor, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: July 29, 2015

/s/ Frank T. Connor
Frank T. Connor
Executive Vice President and Chief Financial Officer