TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 05/13/94 for the Period Ending 04/02/94

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

TEXTRON INC

FORM 10-Q
(Quarterly Report)

Filed 5/13/1994 For Period Ending 4/2/1994

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

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal quarter ended April 2, 1994

OR

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

Commission file number 1-5480

TEXTRON INC.

(Exact name of registrant as specified in its charter)

Delaware	05-315468
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

40 Westminster Street, Providence, RI 02903
401-421-2800

(Address and telephone number of principal executive offices)

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

Yes X No

Common stock outstanding at April 30, 1994 - 88,664,000 shares

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	Three Months Ended	
	April 2, 1994	April 3, 1993
Revenues		
Sales	$ 1,687	$ 1,478
Interest, discount and service charges	324	315
Insurance premiums	290	278
Investment income (including net realized investment	107	94

gains)		
Total revenues	2,408	2,165
Costs and expenses		
Cost of sales	1,426	1,233
Selling and administrative	361	344
Interest expense	158	171
Provision for losses on collection of finance receivables, less recoveries	43	39
Insurance benefits and increase in policy liabilities	225	206
Amortization of insurance policy acquisition costs	26	37
Total costs and expenses	2,239	2,030
Income before income taxes	169	135
Income taxes	(65)	(52)
Elimination of minority interest in net income of Paul Revere	(4)	-
Net income	$ 100	$ 83
Net income per common share	$ 1.10	$ .92
Average shares outstanding*	90,588,000	89,600,000
Dividends per share:		
$2.08 Preferred stock, Series A	$.52	$.52
$1.40 Preferred stock, Series B	$.35	$.35
Common stock	$.35	$.31

* Average shares outstanding assume full conversion of preferred stock and exercise of options.

See notes to consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.
Consolidated Balance Sheet (unaudited)
(In millions)

	April 2, 1994	January 1, 1994
Assets		
Cash	$ 26	$ 26
Investments	4,897	4,764

Receivables - net:		
Finance	7,589	7,562
Commercial and U.S. Government	802	678
	8,391	8,240
Inventories	1,514	1,488
Property, plant and equipment - net	1,271	1,269
Unamortized insurance policy acquisition costs	802	784
Goodwill, less accumulated amortization of $357 and $343	1,423	1,437
Other assets (including net prepaid income taxes)	1,644	1,650
Total assets	$ 19,968	$ 19,658
Liabilities and shareholders' equity		
Liabilities		
Accounts payable	$ 643	$ 614
Accrued postretirement benefits other than pensions	1,037	1,033
Other accrued liabilities (including income taxes)	2,334	2,268
Insurance reserves and claims	4,183	4,091
Debt:		
Textron Parent Company Borrowing Group	2,058	2,025
Finance and insurance subsidiaries	6,843	6,847
	8,901	8,872
Total liabilities	17,098	16,878
Shareholders' equity		
Capital stock:		
Preferred stock	16	16
Common stock*	12	12
Capital surplus	695	687
Retained earnings	2,278	2,209
Other	(39)	(52)
	2,962	2,872
Less cost of treasury shares	92	92
Total shareholders' equity	2,870	2,780

Total liabilities and shareholders' equity	$ 19,968	$ 19,658
*Common shares outstanding	88,652,000	88,413,000

See notes to consolidated financial statements.

Item 1. FINANCIAL STATEMENTS (Continued)

TEXTRON INC.
Consolidated Statement of Cash Flows (unaudited)

(In millions)

	Three Months Ended	
	April 2, 1994	April 3, 1993
Cash flows from operating activities:		
Net income	$ 100	$ 83
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	72	65
Provision for losses on receivables	51	49
Deferred income taxes	17	12
Increase in insurance policy liabilities	91	81
Amortization of insurance policy acquisition costs	26	37
Changes in assets and liabilities:		
Increase in commercial and U.S. Government receivables	(125)	(43)
Increase in inventories	(26)	(47)
Additions to insurance policy acquisition costs	(49)	(57)
Increase in other assets	(25)	(24)
Increase in accounts payable	29	16
Increase (decrease) in accrued liabilities	64	(1)
Other - net	(19)	29
Net cash provided by operating activities	206	200
Cash flows from investing activities:		
Purchases of investments	(471)	(476)
Proceeds from sales of debt and marketable equity securities available for sale	144	29
Proceeds from sales of debt securities held to maturity	10	118
Proceeds from maturities and calls of debt and marketable equity securities	213	168
Finance receivables originated or purchased	(1,298)	(1,139)
Finance receivables repaid or sold	1,165	1,020

Capital expenditures	(60)	(43)
Other investing activities - net	13	18
Net cash used by investing activities	(284)	(305)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	(123)	279
Proceeds from issuance of long-term debt	638	405
Principal payments on long-term debt	(419)	(569)
Receipts from interest-sensitive insurance products	49	56
Return of account balances on interest-sensitive insurance products	(31)	(23)
Proceeds from exercise of stock options	6	5
Dividends paid	(31)	(27)
Net cash provided by financing activities	89	126
Effect of foreign exchange rate changes on cash	(11)	-
Net increase in cash	-	21
Cash at beginning of period	26	31
Cash at end of period	$ 26	$ 52

See notes to consolidated financial statements.

TEXTRON INC.

Notes to Consolidated Financial Statements (unaudited)

Note 1: Summary of significant accounting policies

The financial statements should be read in conjunction with the financial statements included in Textron's Form 10-K for the year ended January 1, 1994. The financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of Textron's consolidated financial position at April 2, 1994 and January 1, 1994, and its consolidated results of operations and cash flows for each of the respective three month periods ended April 2, 1994 and April 3, 1993. The results of operations for the three months ended April 2, 1994 are not necessarily indicative of results for the full year.

Note 2: Acquisitions

Avdel plc

In early 1989, Textron acquired Avdel plc, a fastening systems manufacturing business based in England, the total cost of which approximated $250 million. In February 1989, the U.S. Federal Trade Commission (FTC) challenged the acquisition under antitrust law. On May 10, 1994, the FTC gave final approval to a settlement of the matter by Textron's licensing a new competitor for Avdel's Monobolt non-aerospace blind rivet and selling the licensee certain manufacturing equipment of Avdel's U.S. operation. Textron expects to assume control of Avdel before the end of May 1994, and will begin in the second quarter of 1994 to consolidate in its financial statements the results of operations of Avdel.

For the full year of 1993 (the latest period for which information is available relative to Avdel's operating results), Avdel's sales and earnings before income taxes were $153 million and $17 million, respectively, compared with $163 million and $16 million, respectively, in 1992. Such results do not reflect any purchase price adjustments which would be required as a result of Textron's acquisition of Avdel, principally amortization of goodwill.

Textron Acustar Plastics

On May 3, 1993, Textron acquired the plastics operations of the Acustar division of Chrysler Corporation at a cost of $139 million in cash.

Note 3: Investments

	April 2, 1994	January 1, 1994
	(In millions)	
Debt and marketable equity securities available for sale (April 2, 1994 amortized cost: $2,735)	$ 2,802	$ 648
Debt securities held to maturity (April 2, 1994 estimated fair value: $1,735)	1,763	3,778
Other	332	338
	$ 4,897	$ 4,764

Effective at the beginning of 1994, Textron adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (FAS 115). In accordance with FAS 115, prior period financial statements have not been restated to reflect the change in accounting principle. FAS 115 established new, more restrictive criteria to be used in determining which debt securities can be carried in the financial statements at amortized cost. Beginning in 1994, securities carried at amortized cost and classified in Textron's held to maturity category are those which Textron has both the ability and positive intent to hold to maturity. Securities classified in the available for sale category are carried at fair value and consist of those securities which Textron intends to hold for an indefinite period of time but not necessarily to maturity. Unrealized gains and losses related to securities available for sale are reported as a separate component of shareholders' equity. To comply with FAS 115, Textron transferred certain debt securities from the held to maturity category to the available for sale category of its investment portfolio. The net unrealized gains of $94 million, net of applicable income taxes, relating to the debt securities classified in the available for sale category of its investment portfolio at the date of adoption, were recorded as an increase to shareholders' equity. The net unrealized gains related to the available for sale category were $40 million, net of applicable income taxes, at April 2, 1994. The decrease in the net unrealized gains was principally due to financial market fluctuations during the first quarter of 1994. The adoption of FAS 115 had no effect upon Textron's net income.

In the first quarter of 1994, an investment in the held to maturity category, with an amortized cost of $10 million, was sold due to a significant deterioration in the issuer's creditworthiness. Proceeds from the sale were $10 million. Gross realized gains and losses from sales of securities classified as available for sale were $10 million and $1 million, respectively, in the first quarter of 1994.

Note 4: Finance receivables - net

	April 2, 1994	January 1, 1994
	(In millions)	
Finance receivables	$ 8,052	$ 8,019
Less allowance for credit losses	232	225
Less finance-related insurance reserves and claims	231	232
	$ 7,589	$ 7,562

Note 5: Inventories

	April 2, 1994	January 1, 1994

	(In millions)	
Finished goods	$ 370	$ 395
Work in process	1,168	1,120
Raw materials	222	241
	1,760	1,756
Less progress and advance payments	246	268
	$ 1,514	$ 1,488

Note 6: Insurance reserves and claims

	April 2, 1994	January 1, 1994
	(In millions)	
Paul Revere:		
Future policy benefits	$ 1,108	$ 1,090
Unpaid claim and claim expenses	1,400	1,358
Other policyholder funds	1,499	1,462
Other	176	181
	$ 4,183	$ 4,091

Note 7: Contingencies

There are pending or threatened against Textron and its subsidiaries lawsuits and other proceedings, some of which allege violations of federal government procurement regulations, involve environmental matters, or are or purport to be class actions. Among these suits and proceedings are some which seek compensatory, treble or punitive damages in substantial amounts; fines, penalties or restitution; the cleanup of allegedly hazardous wastes; or, under federal government procurement regulations, could result in suspension or debarment of Textron or its subsidiaries from U.S. Government contracting for a period of time. These suits and proceedings are being defended or contested on behalf of Textron and its subsidiaries. On the basis of information presently available, Textron believes that any such liability or the impact of the application of relevant government regulations would not have a material effect on Textron's net income or financial condition.

See Part II, Item 1., LEGAL PROCEEDINGS.

Note 8: Subsequent events

On May 11, 1994, Textron and AlliedSignal Inc. signed a memorandum of understanding for AlliedSignal to acquire the Textron Lycoming Turbine Engine Division of Textron for approximately $375 million in cash plus the assumption of certain liabilities. Completion of the transaction is subject to negotiation of a final agreement and regulatory approvals. The proceeds from the sale will be used for general corporate purposes including debt reduction, repurchase of common shares and the financing of acquisitions.

On May 12, 1994, Textron reactivated its share repurchase program to purchase up to five million shares of its common stock from time to time in the open market as conditions warrant.

Note 9: Financial information by borrowing group

Textron consists of two borrowing groups - the Textron Parent Company Borrowing Group and the finance and insurance subsidiaries.

The Textron Parent Company Borrowing Group is comprised of all entities of Textron other than its finance and insurance subsidiaries. The financial statements of this group as set forth below reflect Textron's investments in its finance and insurance subsidiaries on the equity basis. Its sources of cash flow include dividends paid by the finance and insurance subsidiaries, as well as cash generated by other operating units.

The finance and insurance subsidiaries finance their respective operations by borrowing from their own group of external creditors.

Note 9: Financial information by borrowing group (continued)

Textron, which had been the sole shareholder of The Paul Revere Corporation (PRC), sold 7.5 million shares of PRC, representing 16.7% of the outstanding shares of PRC, on October 26, 1993 in an underwritten public offering registered under the Securities Act of 1933.

Item 1. FINANCIAL STATEMENTS (Continued)

Note 9: Financial information by borrowing group (continued)

TEXTRON PARENT COMPANY BORROWING GROUP
(unaudited) (In millions)

	Three Months Ended	
Statement of Income	April 2, 1994	April 3, 1993
Revenues	$ 1,688	$ 1,479
Costs and expenses		
Cost of sales	1,426	1,233
Selling and administrative	160	152
Interest expense	53	61
Total costs and expenses	1,639	1,446
	49	33
Pretax income of finance and insurance subsidiaries	120	102
Income before income taxes	169	135
Income taxes	(65)	(52)
Elimination of minority interest in net income of Paul Revere	(4)	-
Net income	$ 100	$ 83

Balance Sheet	April 2, 1994	January 1, 1994
Assets		
Cash	$ 10	$ 12
Receivables - net	830	695
Inventories	1,514	1,488
Investments in finance and insurance subsidiaries	2,212	2,161
Property, plant and equipment - net	1,153	1,150
Goodwill, less accumulated amortization of $183 and $173	1,128	1,138
Other assets (including net prepaid income taxes)	1,476	1,433

Total assets	$ 8,323	$ 8,077
Liabilities and shareholders' equity		
Accounts payable and accrued liabilities (including income taxes)	$ 3,395	$ 3,272
Debt	2,058	2,025
Shareholders' equity	2,870	2,780
Total liabilities and shareholders' equity	$ 8,323	$ 8,077

Item 1. FINANCIAL STATEMENTS (Continued)

Note 9: Financial information by borrowing group (continued)

TEXTRON PARENT COMPANY BORROWING GROUP (continued)
(unaudited) (In millions)

	Three Months Ended	
Statement of Cash Flows	April 2, 1994	April 3, 1993
Cash flows from operating activities:		
Net income	$ 100	$ 83
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed earnings of finance and insurance subsidiaries	(44)	(46)
Depreciation and amortization	59	53
Interest accretion	10	9
Changes in assets and liabilities:		
Increase in receivables	(135)	(48)
Increase in inventories	(26)	(47)
Increase in other assets	(46)	(18)
Increase in accounts payable and accrued liabilities	119	46
Other - net	(3)	5
Net cash provided by operating activities	34	37
Cash flows from investing activities:		
Capital expenditures	(54)	(39)
Other investing activities - net	6	2
Net cash used by investing activities	(48)	(37)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	(15)	3

Proceeds from issuance of long-term debt	307	130
Principal payments on long-term debt	(255)	(92)
Proceeds from exercise of stock options	6	5
Dividends paid	(31)	(27)
Net cash provided by financing activities	12	19
Net increase (decrease) in cash	(2)	19
Cash at beginning of period	12	28
Cash at end of period	$ 10	$ 47

Item 1. FINANCIAL STATEMENTS (Continued)

Note 9: Financial information by borrowing group (continued)

FINANCE AND INSURANCE SUBSIDIARIES
(unaudited) (In millions)

	Three Months Ended	
Statement of Income	March 31, 1994	March 31, 1993
Revenues		
Interest, discount and service charges	$ 324	$ 315
Credit life, credit disability and casualty insurance premiums	63	76
Non-cancellable disability income, life and group insurance premiums	227	202
Investment income (including net realized investment gains)	106	93
Total revenues	720	686
Costs and expenses		
Selling and administrative	201	192
Interest expense	105	110
Provision for losses on collection of finance receivables, less recoveries	43	39
Credit life, credit disability and casualty insurance losses and adjustment expenses, less recoveries	31	33
Death and other insurance benefits	107	96
Increase in insurance policy liabilities	87	77
Amortization of insurance policy acquisition costs	26	37
Total costs and expenses	600	584

Income before income taxes	120	102
Income taxes	(46)	(39)
Net income	74	63
Elimination of minority interest in net income of Paul Revere	(4)	-
Textron's equity in net income	$ 70	$ 63

Balance Sheet	March 31, 1994	December 31, 1993
Assets		
Cash	$ 16	$ 14
Investments	4,892	4,760
Finance receivables - net	7,651	7,605
Property, plant and equipment - net	99	99
Unamortized insurance policy acquisition costs	802	784
Goodwill, less accumulated amortization of $174 and $170	295	299
Other assets	636	660
Total assets	$ 14,391	$ 14,221
Liabilities and equity		
Accounts payable and accrued liabilities (including income taxes)	$ 967	$ 939
Insurance reserves and claims	4,183	4,091
Debt	6,843	6,847
Equity:		
Textron	2,212	2,161
Minority interest	186	183
Total liabilities and equity	$ 14,391	$ 14,221

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

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

	Three Months Ended	
	April 2, 1994	April 3, 1993

REVENUES		
MANUFACTURING:		
Aircraft	$ 508	$ 416
Automotive	391	253
Industrial	344	315
Systems and Components	445	494
	1,688	1,478
FINANCIAL SERVICES:		
Finance	400	402
Paul Revere	320	284
	720	686
Total revenues*	$ 2,408	$ 2,164
INCOME		
MANUFACTURING:		
Aircraft	$ 36	$ 20
Automotive	35	21
Industrial	36	28
Systems and Components	12	41
	119	110
FINANCIAL SERVICES:		
Finance	78	70
Paul Revere	42	32
	120	102
Segment operating income	239	212
Corporate expenses and other - net	(17)	(17)
Interest expense - net	(53)	(60)
Income before income taxes	$ 169	$ 135

* Revenues by business segment exclude interest income of the Textron Parent Company Borrowing Group for the three month period ended April 3, 1993 of $1 million.

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

Financial Condition

Textron Parent Company Borrowing Group: During the three months ended April 2, 1994, the Textron Parent Company Borrowing Group's operating activities provided cash of $34 million versus $37 million during the corresponding period of 1993. Such cash flows approximated last year's level as increased income and customer deposits for 1994 were offset by higher receivables, due primarily to strong first quarter 1994 sales. The Group's debt increased by $33 million principally as a result of cash used for capital expenditures and payments of dividends in excess of cash provided by operations.

During the three months ended April 3, 1993, the Group's operating activities provided cash of $37 million versus cash used of $67 million during the corresponding period of 1992, with the improvement due primarily to increased deliveries on certain military contracts in 1993 and significant payments on trade payables and other liabilities in 1992. The Group's debt increased by $38 million principally as a result of cash used for capital expenditures and payments of dividends in excess of cash provided by operations.

The Textron Parent Company Borrowing Group's credit facilities not used or reserved as support for outstanding commercial paper or bank borrowings at April 2, 1994 were $824 million. Textron had $236 million available at April 2, 1994 for unsecured debt securities under its shelf registration statement filed with the Securities and Exchange Commission.

In 1990, PRC purchased in the open market (on behalf of Textron) 1,696,500 shares of Textron common stock at a total cost of approximately $40 million. Such purchase was accounted for in the Textron Parent Company Borrowing Group's balance sheet as a purchase of stock for the Textron Parent Company Borrowing Group's treasury and as a dividend (special distribution) from PRC. In July 1993, Textron's Board of Directors approved Textron's purchase of all of the shares of Textron common stock owned by PRC in four annual installments of 424,125 shares each, beginning on April 10, 1994, at a share price to be equal to the average closing price of Textron's stock over the fiscal quarter preceding each such purchase. The first of the four purchases (for $25 million) was made in April 1994.

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

Finance and insurance subsidiaries: The finance and insurance subsidiaries paid dividends of $26 million and $17 million to the Textron Parent Company Borrowing Group during the three month periods ended April 2, 1994 and April 3, 1993, respectively.

During the three months ended March 31, 1994, Avco Financial Services (AFS) issued $150 million under its shelf registration statements. AFS had $1,497 million and $154 million available at March 31, 1994 for unsecured debt securities under its shelf registration statements with the Securities and Exchange Commission and Canadian provincial security exchanges, respectively.

During the three months ended March 31, 1994, Textron Financial Corporation (TFC) issued $105 million of medium-term notes under a $350 million medium-term notes facility under Rule 144A of the Securities Act of 1933, as amended. TFC had $18 million available for medium-term notes under this facility at March 31, 1994.

During the first quarter of 1994, the finance subsidiaries had $128 million of interest rate exchange agreements go into effect. The agreements, which have a weighted average original term of 4.7 years and expire through 1999, had the effect of fixing the rate of interest at approximately 6.1% on $128 million of variable rate borrowings at March 31, 1994.

Results of Operations - Three months ended April 2, 1994 vs. Three months ended April 3, 1993

Textron reported first quarter net income of $100 million ($1.10 per share), up 20% from net income of $83 million ($.92 per share) in 1993. Revenues increased 11% to $2.4 billion in 1994 from $2.2 billion in 1993. Earnings per share for 1994 reflect an increased number of average shares outstanding.

The Aircraft segment's revenues and income increased by $92 million (22%) and $16 million (80%), respectively, due to higher results at both Bell Helicopter and Cessna. Bell's revenues and income increased primarily as a result of higher sales of military aircraft, higher international sales and higher revenues under the Bell-Boeing V-22 engineering and manufacturing development (EMD) contract, partially offset by lower sales of both military and commercial spare parts. Cessna's income increased as a result of higher sales, the benefit of which was partially offset by higher bid and proposal expenses for the Joint Primary Aircraft Training System (JPATS) competition for a new U.S. military trainer.

In October 1992, the U.S. Government terminated substantially all of the fixed price full scale development (FSD) contract on the V-22 program and issued the Bell-Boeing team a new cost-type letter contract, providing initial funding for the EMD phase of the V-22 program. In the first quarter of 1994, the parties entered into a definitized cost-type EMD contract, which replaced the letter contract, with a value of approximately $2.65 billion. Under the terms of that contract, Bell-Boeing will build four production-representative V-22 aircraft and modify two existing aircraft to meet the requirements of the U.S. Marine Corps' medium lift replacement aircraft. The settlement of the terminated portions of the FSD contract was also finalized in the first quarter of 1994. Textron's share of cumulative losses on the FSD contract approximated the amounts previously recorded.

The Automotive segment's revenues and income increased by $138 million (55%) and $14 million (67%), respectively, due primarily to the inclusion of the operating results of Textron Acustar Plastics (acquired in May 1993), partially offset by the completion of a higher margin program in 1993 at Davidson Interiors.

The Industrial segment's revenues increased $29 million (9%), due to growth in all three business lines -- outdoor products, fasteners and diversified products. Income increased $8 million (29%), due primarily to the higher sales and improved productivity in the fastener business and dividends of $2 million from Avdel plc.

The Systems and Components segment's revenues decreased $49 million (10%) and income decreased $29 million (71%), reflecting further weakness in the commercial aerospace industry and the wind down of certain U.S. Government contracts. Income decreased, due primarily to the reduction in volume and provisions aggregating $15 million for further consolidation of manufacturing operations and certain legal matters.

Excluding the effects of those provisions, income decreased principally at Textron Lycoming Turbine Engine, the major line of business in this segment, and at Textron Aerostructures. Despite a slight increase in revenues, Textron Lycoming Turbine Engine's income decreased due to a lower margin in its commercial aerospace business and reduced shipments of turbine engines for the Abrams main battle tank, partially offset by the impact of higher sales of military helicopter engines and kits. Textron Aerostructures' income decreased, due principally to both nonrecurring tooling revenues and a cumulative favorable profit adjustment on long-term contracts in 1993. At Textron Defense Systems, income approximated the 1993 level as the impact of a significant decrease in revenues, due to the wind down of a military communications satellite contract, was offset by the shipment of higher margin aircraft carrier landing systems.

The Finance segment's revenues decreased $2 million while income increased $8 million (11%). Income at AFS increased, due to a higher level of finance receivables outstanding and a decrease in the cost of borrowed funds, partially offset by a decrease in yields on finance receivables. AFS' revenues decreased slightly, due to the decline in yields on finance receivables and a decrease in premiums earned in its nonfinance-related insurance business, partially offset by the higher level of finance receivables outstanding. Revenues at TFC increased slightly, due to an increased level of receivables and higher leveraged lease income primarily related to the sales of residual appreciation rights, partially offset by a decrease in yields. Its income increased due to those factors and a decrease in the cost of borrowed funds, partially offset by an increase in loan loss provisions, reflecting a general strengthening of reserves.

Paul Revere's revenues increased $36 million (13%), due to continuing growth in its individual disability insurance business, increased premium volume in group insurance and higher investment income. Income increased $10 million (31%), primarily as a result of higher income in its individual disability insurance business (due to higher revenues and lower expense ratio, partially offset by higher benefit ratios, which reflected late reported claims in the excess risk reinsurance business) and higher investment income. Paul Revere's investment income increased as a result of (a) a higher level of invested assets, offset in part by lower investment yields, and (b) higher net realized investment gains ($5 million in 1994 vs. $2 million in 1993). Realized investment gains in 1994 ($11 million) were partially offset by an increased provision for other than temporary declines in values of investments ($6 million).

Corporate expenses and other - net for the three months ended April 2, 1994 were at the same level as in 1993. Lower interest expense of the Textron Parent Company Borrowing Group reflected both a lower level of average borrowing and a decreased average cost of borrowing. The quarter's results reflected an income tax rate equal to the prior year, as the effect of the increase in the federal statutory tax rate from 34% to 35% (new tax legislation passed in the third quarter of 1993, retroactive to the beginning of 1993) was offset by lower foreign and state income taxes, resulting from a change in mix of income between taxing jurisdictions.

Subsequent events - See Note 8 to the consolidated financial statements.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

In early 1989, Textron acquired Avdel plc, a fastening systems manufacturing business based in England, the total cost of which approximated $250 million. In February 1989, the U.S. Federal Trade Commission (FTC) challenged the acquisition under antitrust law. On May 10, 1994, the FTC gave final approval to a settlement of the matter by Textron's licensing a new competitor for Avdel's Monobolt non-aerospace blind rivet and selling the licensee certain manufacturing equipment of Avdel's U.S. operation. Textron expects to assume control of Avdel before the end of May 1994, and will begin in the second quarter of 1994 to consolidate in its financial statements the results of operations of Avdel.

Since 1979, Textron has been engaged in arbitration in Switzerland with the Government of Iran concerning conflicting claims and counterclaims arising out of a 1975 helicopter coproduction agreement between its Bell Helicopter Division and the Government of Iran. The contract was terminated in 1978 and the arbitration started in 1979. In May 1994, Bell Helicopter, Textron and the Government of Iran entered into an agreement for the settlement of these matters over time at an estimated cost not expected to exceed amounts previously reserved.

In addition, there are pending or threatened against Textron and its subsidiaries lawsuits and other proceedings, some which allege violations of federal government procurement regulations, involve environmental matters, or are or purport to be class actions. Among these suits and proceedings are some which seek compensatory, treble or punitive damages in substantial amounts; fines, penalties or restitution; the cleanup of allegedly hazardous wastes; or, under federal government procurement regulations, could result in suspension or debarment of Textron or its subsidiaries from U.S. Government contracting for a period of time. These suits and proceedings are being defended or contested on behalf of

Textron and its subsidiaries. On the basis of information presently available, Textron believes that any such liability or the impact of the application of relevant government regulations would not have a material effect on Textron's net income or financial condition.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

12.1 Computation of ratio of income to fixed charges of the Textron Parent Company Borrowing Group.

12.2 Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the first quarter ended April 2, 1994.

SIGNATURES

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

TEXTRON INC.

Date: May 13, 1994 *s/W. P. Janovitz*

W. P. Janovitz
Vice President and Controller
(principal accounting officer)

LIST OF EXHIBITS

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

	Name of Exhibit
12.1	Computation of ratio of income to fixed charges of the Textron Parent Company Borrowing Group
12.2	Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries

EXHIBIT 12.1

TEXTRON PARENT COMPANY BORROWING GROUP

COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES

(unaudited)

(In millions except ratio)

	Three Months Ended April 2, 1994
Fixed charges:	
Interest expense (1)	$ 53
Estimated interest portion of rents	5
Total fixed charges	$ 58
Income:	
Income before income taxes	$ 169
Fixed charges	58
Eliminate equity in undistributed pre-tax income of finance and insurance subsidiaries	(94)
Adjusted income	$ 133
Ratio of income to fixed charges	2.29

(1) Includes interest unrelated to borrowings of $10 million (primarily interest accretion).

EXHIBIT 12.2

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

COMPUTATION OF RATIO OF INCOME TO FIXED CHARGES

(unaudited)

(In millions except ratio)

	Three Months Ended April 2, 1994
Fixed charges:	
Interest expense (1)	$ 158
Estimated interest portion of rents	11
Total fixed charges	$ 169
Income:	
Income before income taxes	$ 169
Elimination of minority interest in pretax income of Paul Revere	(7)
Fixed charges	169
Adjusted income	$ 331
Ratio of income to fixed charges	1.96

(1) Includes interest unrelated to borrowings of $10 million (primarily interest accretion).