TEXTRON INC

FORM 10-K
(Annual Report)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

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

For the fiscal year ended December 28, 1996
Commission File Number 1-5480

Textron Inc.

(Exact name of registrant as specified in charter)

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

40 Westminster Street, Providence, R.I. 02903
(401) 421-2800
(Address and telephone number of principal executive offices) **Securities registered pursuant to Section 12(b) of the Act:**

Name of Each Exchange on
Title of Class Which Registered

Common Stock - par value $.125; (83,027,315 New York Stock Exchange shares outstanding at February 28, 1997) Pacific Stock Exchange Preferred Stock Purchase Rights Chicago Stock Exchange

$2.08 Cumulative Convertible Preferred New York Stock Exchange Stock, Series A - no par value

$1.40 Convertible Preferred Dividend Stock, New York Stock Exchange

Series B (preferred only as to dividends) - no par value	
8.75% Debentures due July 1, 2022	New York Stock Exchange
7.92% Trust Preferred Securities of Subsidiary Trust (and Textron Guaranty with respect thereto)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x . No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

The aggregate market value of voting stock held by non-affiliates of the registrant is $8,252,124,965 as of February 28, 1997.

Portions of Textron's Annual Report to Shareholders for the fiscal year ended December 28, 1996 are incorporated by reference in Parts I and II of this Report. Portions of Textron's Proxy Statement for its Annual Meeting of Shareholders to be held on April 23, 1997 are incorporated by reference in Part III of this Report.

PART I

ITEM 1. BUSINESS OF TEXTRON*

Textron is a global multi-industry company with operations in five business segments - Aircraft, Automotive, Industrial, Systems and Components, and Finance. A listing of the Divisions within each business segment, including a description of the product lines of each Division, is incorporated herein by reference to pages 54 and 55 of Textron's 1996 Annual Report to Shareholders. Financial information by business segment and geographic area is incorporated herein by reference to pages 23 and 51 of Textron's 1996 Annual Report to Shareholders. Additional information regarding each business segment and Textron in general is set forth below.

Business Segments
Aircraft. The Aircraft segment consists of Bell Helicopter Textron, The Cessna Aircraft Company and Textron Lycoming. Based on unit sales, Bell is the largest supplier of helicopters, spare parts and helicopter-related services in the world. Since it was founded in 1946, Bell has delivered over 33,000 aircraft to military and civilian customers in over 120 countries. Bell has three military and six civilian helicopter models in current production. Its aircraft are turbine powered, and range in size from the five-place Bell Model 206 series to the Bell Model 412EP aircraft, which carries up to fifteen people.

Bell's military business includes both U.S. Government and non- U.S. Government customers. There are more helicopters manufactured by Bell in field service in the inventory of the U.S. Government than manufactured by any other helicopter company. Currently, Bell is supplying advanced military helicopters, spare parts and product support to the U.S. and Canadian Governments and to the governments of several countries in the Pacific Rim, Middle East and Europe. Military sales to non-U.S. customers are made only with the concurrence of the U.S. Government.

Bell is also a leading supplier of commercially-certified helicopters to charter, offshore, utility, corporate, police, fire, rescue and emergency medical helicopter operators. Bell's non-U.S. Government business (including non-U.S. military customers) typically represents 40% to 60% of its annual sales. In 1996, such sales accounted for approximately 60% of Bell's business.

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* Reference herein to "Textron" includes Textron Inc., its divisions and subsidiaries. A Textron "Division" is an operating unit which may be comprised of an unincorporated division of Textron, a subsidiary of Textron, or an unincorporated division of a subsidiary.

Bell is teamed with the Helicopter Division of the Boeing Company ("Boeing Helicopters") in the development of the V-22 Osprey tiltrotor aircraft for the U.S. Department of Defense. Tiltrotor aircraft are designed to utilize the benefits of both helicopters and fixed-wing aircraft. Production of V-22 aircraft was started in 1996 upon award of a contract for the first four aircraft. In 1996, Bell and Boeing Helicopters entered into a joint venture to develop a commercial tiltrotor aircraft designated the Model 609. First delivery of this nine-place aircraft is scheduled for 2001.

In 1996, Bell was also awarded a development contract to upgrade the U.S. Marines' fleet of AH-1W and UH-1N helicopters.

Bell introduced two new civilian helicopter models in 1996:
the single-engine Bell Model 407 (a light helicopter), and the twin- engine intermediate size Bell Model 430. Other commercial products and product improvements continue to be developed.

In the light and medium helicopter market, Bell has two major U.S. competitors and one major European competitor. Certain of its competitors are substantially larger and more diversified aircraft manufacturers. Bell markets its products worldwide through its own sales force as well as through independent representatives. Price, financing terms, aircraft performance, reliability and product support are significant factors in the sale of helicopters. Bell has developed the world's largest distribution system to sell and support helicopters, serving customers in over 120 countries. Revenues of Bell accounted for approximately 16%, 18% and 16% of Textron's total revenues in 1996, 1995 and 1994, respectively.

The Cessna Aircraft Company is, based on unit sales, the world's largest manufacturer of light and mid-size business jets and single-engine utility turboprop aircraft. Cessna designs, manufactures and sells general aviation aircraft, aircraft propellers, and related accessories worldwide. Based on units shipped by manufacturers, Cessna's 1996 share of all manufacturers' worldwide sales of light and mid-size jets was approximately 54%.

Cessna currently has two major product lines, Citation business jets and single-engine turboprop Caravans. In addition, Cessna has reentered the business of manufacturing single-engine piston aircraft, and began deliveries in January 1997.

Cessna currently produces a family of Citation business jets ranging from the CitationJet to the Citation X. The Citation X is the world's fastest business jet with a maximum operating speed of Mach .92. Certification was completed and customer deliveries of the Citation X began in 1996. In addition, deliveries of the new Citation Bravo and Citation Excel business jets will commence in 1997 and 1998, respectively.

The Cessna Caravan is the world's best selling utility turboprop. The delivery of the 850th Caravan will occur in early 1997. Caravan deliveries have averaged over 75 aircraft per year since the Caravan's first delivery in 1985. Caravans are used in the United States primarily to carry overnight express package shipments. International uses of Caravans include commuter airlines, relief flights, tourism and freight.

Cessna markets its products worldwide primarily through its own sales force as well as through a network of authorized independent sales representatives. Cessna has four major competitors for its business jet products, two U.S. and two foreign. Cessna's aircraft compete with other aircraft that vary in size, speed, range, capacity, handling characteristics, and price. Reliability and product support are significant factors in the sale of these aircraft. Cessna provides its business jet operators with factory-direct customer support offering 24 hour a day service and maintenance. More than 40% of the worldwide Citation fleet of more than 2,400 aircraft receive service through Cessna-owned service centers. Cessna Caravan and piston customers receive product support through independently owned service stations and 24 hour spare parts support through Cessna. Revenues of Cessna accounted for approximately 12%, 10% and 10% of Textron's total revenues in 1996, 1995 and 1994, respectively.

Textron Lycoming, formerly reported as part of the Systems and Components segment, is the world leader in the design, manufacture and overhaul of reciprocating piston aircraft engines serving the worldwide general aviation market. Textron Lycoming sells new products directly to general aviation airframe manufacturers, including Piper Aircraft, Robinson Helicopter, and SOCATA, a division of Aerospatiale, and is the exclusive supplier of engines for Cessna's new product line of single engine aircraft. Aftermarket sales are made to the more than 180,000 existing owners of Textron Lycoming products through a worldwide network of independently owned distributors.

Textron Lycoming's McCauley Propeller Systems unit is a leader in the general aviation industry. McCauley provides new propellers directly to original equipment manufacturers ("OEMs") and sells parts for service and repairs worldwide through independently-owned distributors. The new Cessna single-engine piston aircraft will use McCauley propellers exclusively.

Automotive. The Automotive segment, organized under an umbrella organization called Textron Automotive Company ("TAC"), consists of the Textron Automotive Trim Operations, CWC Castings, Kautex, McCord Winn, Micromatic and Randall. These operations sell primarily to automotive OEMs and their suppliers operating in North America and Europe and, to a lesser extent, in Latin America and Asia. TAC is headquartered in Troy, Michigan and has over 45 facilities located in the United States, Belgium, Brazil, Canada, China, the Czech Republic, Germany, Mexico, the Netherlands,Portugal, Spain, and the United Kingdom.

Through its Textron Automotive Trim Operations, TAC is a leading worldwide supplier of automotive interior and exterior plastic components. Interior trim products include instrument panels, door and sidewall trim, airbag doors, consoles, trim components, armrests and headliner systems. During 1996, TAC assumed 100% ownership of Textron Automotive B.V., its former joint venture in the Netherlands for the manufacture of instrument panels and, beginning in 1998, door trim. In addition, TAC's trim facilities manufacture exterior decorative components including painted bumpers and fascia, body side moldings and claddings, fender liners, decorative wheel trim, signal lighting and structural composite bumper beams. Revenues of the Textron Automotive Trim Operations accounted for 15%, 15% and 16% of Textron's total revenues in 1996, 1995 and 1994, respectively.

On January 7, 1997, Textron completed the acquisition of Kautex Werke Reinold Hagen AG of Bonn, Germany and the assets of its North American affiliate, Kautex North America, Inc. (collectively "Kautex"). Kautex is a leading manufacturer of blow- molded plastic fuel tank systems and other blow-molded plastic technical parts for OEMs throughout Europe, North America and Brazil. Kautex also manufactures a broad selection of blow-molded plastic containers for a variety of industrial and consumer applications. Kautex's sales in 1996 were approximately $500 million from fifteen plants located close to automotive customers in Germany, Belgium, Brazil, Canada, China, the Czech Republic, Portugal, Spain, the United Kingdom and the United States.

TAC's other operations manufacture and sell a broad variety of functional components. CWC Castings designs and manufactures engine camshafts and vibration damper components for OEMs and the aftermarket. McCord Winn manufactures seating comfort systems, windshield washer systems and armatures for precision DC motors. In 1996, McCord Winn expanded its washer systems business with the acquisition of Valeo Wiper Systems Limited in Wales (U.K.). Micromatic manufactures machine tools used in the production of automobile engines for precision bore and surface finishing, and spline and gear production. Randall produces fuel filler systems.

More than 70 vehicle models currently carry parts made by TAC, including Chrysler's Jeep Grand Cherokee, Voyager and Caravan minivans, Ford's Lincoln Town Car and Windstar and Aerostar mini- vans, and GM's Cadillac Seville, Corvette and the Venture, Silhouette and Sintra mini-vans.

TAC's manufacturing operations are supported by a staff of research and design specialists at TAC's Automotive Technology Center. These specialists have developed new processes and products, many of which are patented, that allow TAC to offer its customers technology driven products and processes. In the plastics and coatings area, TAC is a recognized leader in alternative skin materials (including non-PVC materials), spray urethane and cloth integration, energy management foam (including impact and knee bolsters), the development of modular integrated assemblies and vertical body panels, and High Crystalline Polypropylene material for complete mold-in-color interior components. CWC Castings is a leader in the design and manufacture of automotive castings. It has developed a selective austempering heat treatment process for ductile camshafts as well as a vacuum casting system for hollow steel camshafts. McCord Winn is working with OEMs worldwide to develop advanced technologies in areas such as "intelligent" comfort seating systems, brushless motors and carbon commutation for flexible fuel applications. Micromatic machine tools are used for cylindrical form generation and surface finishing.

In the automotive business, there is often a long lead time from the time a supplier is selected to supply components on a new car model to the time the supplier can begin shipping production parts. During this period, the supplier incurs engineering and development costs. Until recently, the OEMs reimbursed the supplier for these costs as incurred. Within the last few years, the OEMs have begun to require that these costs be recovered in the piece prices charged by the suppliers as the goods are shipped. In addition, automotive OEMs often require "just-in-time" delivery, so the manufacturer has to both plan shipments in advance and hold inventory.

Automotive OEMs and their suppliers are the principal customers of TAC. The only customers, the loss of which would have a material adverse effect on TAC, are the U.S. and Europe-based automotive OEMs and their first-tier suppliers. However, because of the broad range of products sold to such customers, it is unlikely that such customers would cease all purchases from TAC.

Each of TAC's businesses faces competition from a number of other manufacturers based primarily on price, quality, reputation and delivery. Although TAC is one of the largest manufacturers offering its range of products and services, it faces strong competition in all of its market segments. Because of the diversity of products and services offered, no single company is a competitor in all market segments. In certain markets, TAC also competes for business with the OEMs' own operations.

Industrial. The Industrial segment consists of three major product groups: Fastening Systems, Golf and Turf-Care Products, and Engineered Products and Components.

The Fastening Systems Group consists of the Avdel, Camcar, Elco, Textron Aerospace Fasteners (formerly, "Cherry"), Textron Industries (France) and Textron Fastening Systems-Germany Divisions. The Fastening Systems Group manufactures and sells fasteners, fastening systems and installation tools to the aerospace, appliance, automotive, construction, do-it-yourself, electronics, general industrial and transportation markets. Sales are made to a wide range of customers, including OEMs, distributors and consumers. Fasteners manufactured by the Group include rivets, threaded and non-threaded fasteners, cold-formed components, metal stampings, plastic components, and assemblies

which incorporate
such products. Textron acquired Valois Industries (now renamed Textron Industries, S.A.S.), a France-based manufacturer of engineered fastening systems, in April 1996. The German operations of Valois and Boesner (acquired in 1995) were combined to form Textron Fastening Systems-Germany. In 1996, Textron also acquired Xact Products, a Michigan-based manufacturer of metal stampings, which is now part of the Elco operation. In addition, in 1996 certain of Randall's metal stampings operations (previously included in the Automotive segment) were combined with Elco.

Although the Fastening Systems Group is one of the largest manufacturers of its products and services, there are hundreds of competitors of the Fastening Systems Group ranging from small proprietorships to large multinational companies. As is the case with all Divisions of the Industrial segment, competition is based primarily on price, quality, reputation and delivery. In addition, larger customers of fastening systems tend to procure products and services from the larger suppliers, except for "niche" products which may be sourced from smaller companies. Only the loss of the major OEM automotive customers and their first-tier suppliers would have a material adverse effect on the Fastening Systems Group. However, because of the broad range of products sold to such customers, it is unlikely that such customers will cease all purchases from the Fastening Systems Group.

The Golf and Turf-Care Products Group consists of the E-Z-GO Division, which manufactures and sells electric and gasoline powered golf cars and multipurpose utility vehicles, and the Jacobsen Division, which manufactures and sells professional mowing and turf maintenance equipment. In 1996, Jacobsen acquired The Bunton Company, a leading manufacturer of commercial lawn mowers. The customers of the Golf and Turf-Care Products Group consist primarily of golf courses, resort communities and commercial and industrial users such as airports and factories. Sales are made directly through factory branches, through a network of distributors and to end-users. Many sales of golf and turf-care equipment (both at the distributor and end-user level) are financed through Textron Financial Corporation, both for marketing purposes and as an additional source of revenue to Textron.

The Engineered Products and Components Group consists of Divisions manufacturing a wide range of products, including double enveloping worm gear speed reducers, gear motors and gear sets (Cone Drive); powered equipment, electrical test instruments and hand tools (Greenlee); and watch attachments and fashion jewelry (Speidel). In 1996, Greenlee purchased Gustae Klauke GmbH & Co. KG (Remschied), a Germany-based manufacturer of electrical connectors, and its related companies. Products of these Divisions are sold to a wide variety of customers, including OEMs, distributors and end-users. Also included in the Engineered Products and Components Group is HR Textron ("HRT"), formerly reported as part of the Systems and Components segment. HRT designs and manufactures control systems and components for aircraft, armored vehicles, and commercial applications. Its aerospace and defense products are marketed directly to the U.S. Government and OEMs and, in the aftermarket, both directly and through service centers. In January 1997, Textron acquired Zurich, Switzerland-based Maag Pump Systems AG and Milan, Italy-based Maag Italia S.p.A., manufacturers of gears, gear pumps and gear systems.

Systems and Components. The Systems and Components segment consists of four Divisions which serve both commercial and military customers, primarily in aerospace markets, with an extensive offering of systems, subsystems, components, materials and services.

Fuel Systems Textron ("FST") designs, manufactures and overhauls gas turbine engine injection and metering devices, fuel distribution valves, and afterburner fuel injection systems for commercial and military aircraft, and industrial, marine, and vehicular markets. OEM sales are made directly to engine manufacturers with aftermarket overhaul and repair services sold directly to domestic end users and through a distributor for international customers. FST invests in the design and development of innovative, proprietary products, with on-site engineering support at customer facilities and an advanced product development facility to extend the customers' own design activities.

Textron Marine & Land Systems ("TM&LS") is a world leader in the design and construction of advanced technology air cushion vehicles, surface effect ships, high performance search and rescue vessels, light armored combat vehicles, and suspension systems. TM&LS has products operating in over 35 countries. These products are marketed directly in the United States and through sales representatives and distributors internationally. In 1996, deliveries commenced for the Engineering/Manufacturing/Development phase of the U.S. Army's Armored Security Vehicle as a prelude to full production. In addition, a new contract for the development of a Service Life Extension Program for the Landing Craft Air Cushion (LCAC) was received, and the U.S. Coast Guard exercised an option for an additional 20 Motor Lifeboats under an existing production contract.

Textron Systems is a leading supplier of "smart" munitions, airborne surveillance systems, and automatic aircraft landing systems to the U.S. Department of Defense. Textron Systems also supplies a number of key components and specialty materials for critical defense needs, including infrared detectors, high strength composites, reentry systems and materials, and high power lasers. Once exclusively a supplier to the Department of Defense, Textron Systems now applies its technologies to non-defense markets. Current commercial products include advanced composites for automotive, industrial, sporting goods and aircraft manufacturers; laser ultrasonic systems for industrial control; infrared sensors for medical and industrial applications; fire protection and insulating materials for oil and chemical companies worldwide; and unique decorative materials for automotive and other markets. While Textron Systems sells most of its products directly to its customers, it also sells some products through sales representatives and distributors.

Turbine Engine Components Textron ("TECT") is one of the world's largest independent suppliers of internal components for gas turbine engines for aircraft and industrial applications. Its products include fan and compressor

blades, vanes, shafts, disks,
rotors, blisks and other rotating components; the forgings from which those products are machined; and stationary components of turbine engines, such as frames, diffusers, and air collectors. TECT manufactures its products to the specifications of its customers, and most of its sales are made directly to its customers.

The principal competitive factors affecting sales of the products of the Systems and Components segment are price, quality, customer service, performance, reliability, reputation and existing product base.

In September 1996, Textron Aerostructures, which designs and manufactures structural assemblies for aircraft and space vehicles, was sold to The Carlyle Group.

Finance. The Finance segment consists of Avco Financial Services ("AFS") and Textron Financial Corporation ("TFC").

AFS is primarily engaged in consumer finance and insurance activities. AFS's finance operations mainly involve loans made by the Avco Financial Services Group, consisting of consumer loans which are unsecured or secured by personal property, real estate loans secured by real property, and retail installment contracts, principally covering personal property. AFS's insurance business consists primarily of the sale of credit life, credit disability and casualty insurance, offered through the Avco Insurance Services Group, a significant part of which is directly related to AFS's finance activities. AFS's consumer finance and insurance activities are conducted through its more than 1,200 branch offices located in the United States, Australia, Canada, Hong Kong, New Zealand, Spain and the United Kingdom. In 1996, AFS acquired Tuckahoe Leasing, Inc., a Canadian provider of equipment financing, and Insurex Canada Inc., a provider of insurance premium financing.

AFS's loan business is regulated by laws that, among other things, can limit maximum charges for loans and the maximum amount and term thereof. Such laws also require disclosure to customers of the interest rate and other basic terms of most credit transactions and give customers a limited right to cancel certain loans and retail installment contracts without penalty. The insurance business is subject to licensing and regulation by state authorities.

The consumer finance business is highly competitive, with price and service being the principal competitive factors. AFS's competitors include not only other companies operating under consumer loan laws, but also other types of lending institutions not so regulated and usually not limited in the size of their loans, such as companies which finance the sale of their own merchandise or the merchandise of others, industrial banks, the personal loan departments of commercial banks and credit unions. AFS's strongest competition is from commercial banks and credit unions. The interest rates charged by these lenders are usually lower than the rates charged by AFS. AFS's insurance businesses, to the extent not related to AFS's finance activities, compete with many other insurance companies offering similar

products. Revenues
of AFS accounted for approximately 19%, 20% and 17% of Textron's total revenues in 1996, 1995 and 1994, respectively.

TFC is a diversified commercial finance company specializing in aircraft, golf and equipment financing and revolving credit arrangements. TFC provides commercial financing for a wide range of customers, including those who purchase or lease Textron products and certain suppliers to Textron Divisions. TFC presently offers its services primarily in the United States and, to a lesser extent, in Europe and Canada, through its 11 business units. Each TFC business unit has a discrete market focus and specific profit objectives and is staffed to provide responsive services to its market. TFC's activities are subject to a variety of federal and state regulations.

The businesses in which TFC operates are highly competitive. TFC is subject to competition from various types of financing institutions, including banks, leasing companies, insurance companies, independent finance companies associated with manufacturers and finance companies that are subsidiaries of banking institutions. Competition within the commercial finance industry is primarily focused on price and service.

Finance Receivables

The following table presents the Finance segment's outstanding finance receivables by country:

	December 31, 1996	1995
	(In millions)	
United States	$7,096	$6,750
Canada	1,079	1,013
Australia	1,067	1,026
United Kingdom	692	632
Other countries	488	473
	$10,422	$9,894

At December 31, 1996, finance receivables in the United States represented 68% of Textron's total finance receivables outstanding. At such date, no receivables outstanding in any one state other than California exceeded 8% of the United States portfolio. In California, outstanding receivables represented 15% of the United States portfolio and 10% of the consolidated portfolio.

The following table presents accruing loans on which one or more installments were more than 60 days past due on a contractual basis (expressed as a percentage of the related gross receivables outstanding):

Years ended December, 31	Consumer loans	Commercial loans	Total loans
1996	3.25%	0.21%	2.32%
1995	2.89%	0.24%	2.10%

The following table shows gross and net write-offs, the percentages which those amounts bear to average finance receivables, and the amount of the provision for losses charged to income:

	Gross write-offs amount	Gross write-offs Percentage of average finance receivables	Recoveries from receivables previously written off	Net write-offs amount	Net write-offs Precentage of average finance receivables	Provision for losses
Years ended December 31, (In millions)						
1996						
Consumer	$230	3.3%	$36	$194	2.8%	$203
Commercial	30	1.0%	3	27	0.9%	27
	$260	2.6%	$39	$221	2.2%	$230
1995						
Consumer	$177	2.6%	$33	$144	2.1%	$149
Commercial	25	0.9%	4	21	0.7%	20
	$202	2.1%	$37	$165	1.7%	$169
1994						
Consumer	$142	2.5%	$28	$114	2.0%	$136
Commercial	27	1.0%	3	24	0.4%	26
	$169	2.0%	$31	$138	1.6%	$162

Backlog

Information regarding Textron's backlog of government and commercial orders at the end of the past two fiscal years is contained on page 30 of Textron's 1996 Annual Report to Shareholders, which page is incorporated herein by reference.

Approximately 37% of Textron's total backlog at December 28, 1996, represents orders which are not expected to be filled within the 1997 fiscal year. At December 28, 1996, approximately 95% of the total government backlog of $2.2 billion was funded.

Government Contracts

In 1996, 24% and 50% of the revenues of the Aircraft and the Systems and Components segments, respectively, constituting in the aggregate 10% of Textron's consolidated revenues, were generated by or resulted from contracts with the U.S. Government. U.S. Government business is subject to competition, changes in procurement policies and regulations, the continuing availability of Congressional appropriations, world events, and the size and timing of programs in which Textron may participate.

A substantial portion of Textron's government contracts are fixed-price or fixed-price incentive contracts. Contracts that contain incentive pricing terms provide for upward or downward adjustments in the prices paid by the U.S. Government upon completion of the contract or any agreed portion thereof, based on cost or other performance factors. U.S. Government contracts generally may be terminated in whole or in part at the convenience of the U.S. Government or if the contractor is in default. Upon termination of a contract for the convenience of the U.S. Government, the contractor is normally entitled to reimbursement for allowable costs incurred (up to a maximum equal to the con tract price) and an allowance for profit or adjustment for loss if the contractor would have incurred a loss had the entire contract been completed. If, however, a contract is terminated for default:
(i) the contractor is paid such amount as may be agreed upon for manufacturing materials and partially completed products accepted by the U.S. Government; (ii) the U.S. Government is not liable for the contractor's costs with respect to unaccepted items and is entitled to repayment of advance payments and progress payments, if any, related to the terminated portions of the contract; and (iii) the contractor may be liable for excess costs incurred by the U.S. Government in procuring undelivered items from another source.

Research and Development

Information regarding Textron's research and development expenditures is contained on page 47 of Textron's 1996 Annual Report to Shareholders, which page is incorporated herein by reference.

Patents and Trademarks

Textron owns, or is licensed under, a number of patents and trademarks throughout the world relating to products and methods of manufacturing. Patents and trademarks have been of value in the past and are expected to be of value in the future; however, the loss of any single patent or group of patents would not, in the opinion of Textron, materially affect the conduct of its business.

Environmental Considerations

Textron's operations are subject to numerous laws and regulations designed to protect the environment. Compliance with such laws and expenditures for environmental control facilities have not had, and are not expected to have, a material effect on capital expenditures, earnings or the competitive position of Textron. Additional information regarding environmental matters is contained on pages 30 and 50 of Textron's 1996 Annual Report to Shareholders, which pages are incorporated herein by reference.

Employees

At December 28, 1996, Textron had approximately 57,000 employees.

Recent Development

On February 26, 1997, Textron's Board of Directors declared a two-for-one split of Textron common stock in the form of a stock dividend, subject to shareholder approval of an increase in Textron's authorized number of common shares from 250 million to 500 million shares. If the increase is approved at Textron's Annual Meeting on April 23, 1997, the new shares will be distributed on June 1, 1997, to shareholders of record on the close of business on May 9, 1997.

ITEM 2. PROPERTIES

At December 28, 1996, Textron operated a total of 142 plants located throughout the United States and 30 plants outside the United States. Of the total of 172 plants, Textron owned 113 and the balance were leased. In the aggregate, the total manufacturing space was approximately 30 million square feet.

In addition, Textron owns or leases offices, warehouse and other space at various locations throughout the United States and outside the United States. Textron also owns or leases such machinery and equipment as are necessary in the operation of its Divisions. Textron considers the productive capacity of the plants operated by each of its business segments to be adequate. In general, the plants and machinery are in good condition, are considered to be adequate for the uses to which they are being put, and are substantially in regular use.

ITEM 3. LEGAL PROCEEDINGS

Lawsuits and other proceedings are pending or threatened against Textron and its subsidiaries. Some allege violations of federal government procurement regulations, involve environmental matters, or are or purport to be class actions. Some seek compensatory, treble or punitive damages in substantial amounts; fines, penalties or restitution; or remediation of contamination. Under federal government procurement regulations, some could result in suspension or debarment of Textron or its subsidiaries from U.S. Government contracting for a period of time. On the basis of information presently available, Textron believes that any liability for these suits and proceedings would not have a material effect on Textron's net income or financial condition.

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

No matters were submitted to a vote of Textron's security holders during the last quarter of the period covered by this Report.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information concerning the executive officers of Textron as of February 28, 1997. Unless otherwise indicated, the employer is Textron.

Name	Age	Position
James F. Hardymon	62	Chairman since 1993, and Chief Executive Officer since 1992; formerly President, 1989 to 1993; and Chief Operating Officer, 1989 to 1991; Director since 1989.
Lewis B. Campbell	50	President and Chief Operating Officer since 1994; formerly Executive Vice President and Chief Operating Officer, 1992 to 1993; Vice President of General Motors (1988 to 1992) and General Manager of its GMC Truck Division (1991 to 1992); Director since 1994.
Mary L. Howell	44	Executive Vice President, Government and International since 1995; formerly Senior Vice President Government and International Relations, 1993 to 1995; Vice President Government Affairs, 1985 to 1993.
Wayne W. Juchatz	50	Executive Vice President and General Counsel since 1995; formerly Executive Vice President and General Counsel of R.J. Reynolds Tobacco Company, 1994 to 1995; Senior Vice President, General Counsel and Secretary of R.J. Reynolds Tobacco Company, 1987 to 1994.
Stephen L. Key	53	Executive Vice President and Chief Financial Officer since 1995; formerly Executive Vice President and Chief Financial Officer of ConAgra, Inc., 1992 to 1995; Managing Partner of the New York office of Ernst & Young (formerly Arthur Young), 1988 to 1992.
William F. Wayland	61	Executive Vice President Administration and Chief Human Resources Officer since 1993; formerly

		Executive Vice President Human Resources, 1989 to 1993.
Herbert L. Henkel	48	President, Textron Industrial Products since 1995; formerly Group Vice President, Textron Inc., 1993 to 1995; President of the Greenlee Textron Division, 1987 to 1993.
Richard A. Watson	52	Senior Vice President and Treasurer since October 1995; formerly Senior Vice President, Financial Services, August 1995 to October 1995; Group Vice President, 1990 to August 1995.
Frederick K. Butler	45	Vice President and Secretary since January 1997; formerly Group General Counsel Financial Services, 1995 to 1996; Assistant General Counsel, 1994 to 1995; Vice President and General Counsel of Paul Revere Investment Management Company, 1993 to 1994; Senior Vice President/Law of Textron Investment Management Company, 1991 to 1993.
Peter B. S. Ellis	43	Vice President Strategic Planning since 1995; formerly Managing Director, Telecommunications Practice of Arthur D. Little, Inc., 1991 to 1995.
Douglas A. Fahlbeck	51	Vice President Mergers and Acquisitions since 1995; formerly Executive Vice President and Chief Financial Officer of Textron Financial Corporation, 1994 to 1995; Senior Vice President and Chief Financial Officer of Textron Financial Corporation, 1985 to 1994.
Arnold M. Friedman	54	Vice President and Deputy General Counsel since 1984.
William B. Gauld	43	Vice President Corporate Information Management and Chief Information Officer since 1995; formerly Staff Vice President, Corporate Information Management and Chief Information Officer, 1994 to 1995; Chief Information Officer of General Electric (Electrical Distribution and Control business) 1992 to 1994; Manager, Manufacturing Systems of General Electric (Appliances), 1989 to 1992.
Carol J. Grant	43	Vice President Human Resources since January 1997; formerly Vice President and Chief Executive Officer of NYNEX (Rhode Island Strategic Business Unit), 1993 to January 1997; Vice President Public Affairs and Communications of NYNEX - Rhode Island, 1991 to 1993.
Gregory E. Hudson	50	Vice President Taxes since 1987.

William P. Janovitz	54	Vice President Financial Management since January 1997; formerly Vice President Financial Reporting, 1995 to January 1997; Vice President and Controller, 1983 to 1995.
Mary F. Lovejoy	41	Vice President Communications and Investor Relations since September 1996; formerly Vice President Investor Relations, 1995 to September 1996; Director of Investor Relations, 1993 to 1995; Vice President and Senior Corporate Banker of The First National Bank of Chicago, 1991 to 1993.
John W. Mayers, Jr.	43	Vice President Risk Management and Insurance since January 1997; formerly Director Risk Management and Insurance, 1993 to January 1997; Treasurer of Textron Financial Corporation, 1990 to 1993.
Frank W. McNally	57	Vice President Employee Relations and Benefits since 1995; formerly Staff Vice President, Employee Relations and Benefits, 1993 to 1995; Staff Vice President Employee Relations, 1992 to 1993; Director, Employee Relations, 1991 to 1992.
Gero K. H. Meyersiek	49	Vice President International since February 1996; formerly Vice President of Textron International Inc., 1995 to February 1996; Vice President, International Business Development of GE Financial Services, 1991 to 1994.
Freda M. Peters	55	Vice President Executive Development and Human Resource Policy and Compliance since January 1997; formerly Director Management/Organization Development, July 1996 to January 1997; Vice President, Human Resources of Branson Ultrasonics Corporation (subsidiary of Emerson Electric Company), 1985 to July 1996.
Daniel L. Shaffer	60	Vice President Audit and Business Ethics since 1994; formerly President of Textron's Aircraft Engine Components Division, 1992 to 1994; Vice President Finance of the Textron Systems Division, 1984 to 1992.
Richard F. Smith	57	Vice President Government Affairs since August 1995; Staff Vice President Government Affairs, March 1995 to August 1995; Director Government Affairs, 1985 to March 1995.
Richard L. Yates	46	Vice President and Controller since 1995; formerly Executive

Vice President, Chief Financial Officer and Treasurer of Paul Revere, 1994 to 1995; Senior Vice President, Chief Financial Officer and Treasurer of Paul Revere, 1991 to 1994.

John F. Zugschwert 63 Vice President Government Marketing since 1995; Staff Vice President, Washington Operations, 1993 to 1995; Vice President, Washington Operations of Bell Helicopter Textron, 1991 to 1993.

No family relationship exists between any of the individuals named above.

PART II

ITEM 5. MARKETS FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Textron's Common Stock is traded on the New York, Chicago and Pacific Stock Exchanges. Additional information regarding "Markets for the Registrant's Common Equity and Related Stockholder Matters" is contained on pages 52 and 53 and on the inside back cover of Textron's 1996 Annual Report to Shareholders, which pages are incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

Information regarding "Selected Financial Data" is contained in the Selected Financial Information on page 53 of Textron's 1996 Annual Report to Shareholders, which page is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations is contained on pages 24 through 30 of Textron's 1996 Annual Report to Shareholders, which pages are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and the supplementary information listed in the accompanying index to financial statements and financial statement schedules are filed as part of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding Textron's directors is contained on pages 2 through 7 and page 10 of Textron's Proxy Statement for the Annual Meeting of Shareholders to be held on April 23, 1997, which pages are incorporated herein by reference.

Information regarding Textron's executive officers is included on pages 14 through 17 of Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding "Executive Compensation" is contained on pages 10 through 20 and pages 23 through 26 of Textron's Proxy Statement for the Annual Meeting of Shareholders to be held on April 23, 1997, which pages are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding "Security Ownership of Certain Beneficial Holders" and "Security Ownership of Management" is contained on pages 9 and 10 of Textron's Proxy Statement for the Annual Meeting of Shareholders to be held on April 23, 1997, which pages are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions is contained on pages 19 and 20 of Textron's Proxy Statement for the Annual Meeting of Shareholders to be held on April 23, 1997, which pages are incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial Statements and Schedules The consolidated financial statements, supplementary information and financial statement schedules listed in the accompanying index to financial statements and financial statement schedules are filed as part of this Report.

Exhibits
3.1A Restated Certificate of Incorporation of Textron as filed March 24, 1988. Incorporated by reference to Exhibit 3.1 to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1988.

3.1B Amendment to Certificate of Designations, Preferences and Rights of Series C Junior Participating Preferred Stock as filed March 20, 1996.

3.2 By-Laws of Textron, restated December 10, 1992. Incorporated by reference to Exhibit 3.2 to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993.

NOTE: Exhibits 10.1 through 10.20 below are management contracts or compensatory plans, contracts or agreements.

10.1 Annual Incentive Compensation Plan For Textron Employees. Incorporated by reference to Exhibit 10.1 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.2 Deferred Income Plan For Textron Key Executives. Incorporated by reference to Exhibit 10.2 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.3 Severance Plan For Textron Key Executives. Incorporated by reference to Exhibit 10.3 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.4 Special Benefits for Textron Key Executives. Incorporated by reference to Exhibit 10.4 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.5 Supplemental Benefits Plan For Textron Key Executives with Market Square Profit Sharing Plan Schedule. Incorporated by reference to Exhibit 10.5 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.6 Supplemental Retirement Plan For Textron Key Executives. Incorporated by reference to Exhibit 10.6 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.7 Survivor Benefit Plan For Textron Key Executives. Incorporated by reference to Exhibit 10.7 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.8A Textron 1982 Long-Term Incentive Plan ("1982 Plan"). Incorporated by reference to Exhibit 10.5(a) to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.

10.8B First Amendment to 1982 Plan. Incorporated by reference to Exhibit 10.5(b) to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 1987.

10.8C Second Amendment to 1982 Plan. Incorporated by reference to Exhibit 10.5(c) to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1988.

10.9A Textron 1987 Long-Term Incentive Plan ("1987 Plan"). Incorporated by reference to Exhibit 10.6 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.

10.9B First Amendment to 1987 Plan. Incorporated by reference to Exhibit 10.6(b) to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 1991.

10.10A Textron 1990 Long-Term Incentive Plan ("1990 Plan"). Incorporated by reference to Exhibit 10.7 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.

10.10B First Amendment to 1990 Plan. Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 1991.

10.10C Second Amendment to 1990 Plan. Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993.

10.11 Textron 1994 Long-Term Incentive Plan. Incorporated by reference to Exhibit 10 to Textron's Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 1994.

10.12 Form of Indemnity Agreement between Textron and its directors and executive officers. Incorporated by reference to Exhibit A to Textron's Proxy Statement for its Annual Meeting of Shareholders on April 29, 1987.

10.13A Pension Plan for Directors as amended by a First Amendment (discontinued as of September 30, 1996). Incorporated by reference to Exhibit 10.14 to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.

10.13B Second Amendment to Pension Plan for Directors (discontinued as of September 30, 1996). Incorporated by reference to Exhibit 10.16(b) to Textron's Annual Report on Form 10-K for the fiscal year ended December 29, 1990.

10.14 Deferred Income Plan for Non-Employee Directors.

10.15A Employment Agreement between Textron and James F. Hardymon dated November 24, 1989 ("Employment Agreement"). Incorporated by reference to Exhibit 10.9 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.

10.15B Amendment dated as of December 15, 1994 to Employment Agreement. Incorporated by reference to Exhibit 10.10B to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

10.16A Employment Agreement between Textron and Lewis B. Campbell dated September 22, 1992. Incorporated by reference to Exhibit 10.9 to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993.

10.16B Retention Award granted to Lewis B. Campbell on December 14, 1995. Incorporated by reference to Exhibit 10.16B to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.17 Employment Agreement between Textron and Mary L. Howell dated May 4, 1993. Incorporated by reference to Exhibit 10.11 to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 1994.

10.18 Employment Agreement between Textron and Wayne W. Juchatz dated November 1, 1995. Incorporated by reference to Exhibit 10.18 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.19 Employment Agreement between Textron and Stephen L. Key dated November 1, 1995. Incorporated by reference to Exhibit 10.19 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.20 Employment Agreement between Textron and William F. Wayland dated January 1, 1989. Incorporated by reference to Exhibit 10.12 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.

10.21A Credit Agreement dated as of November 1, 1993 among Textron, the Lenders listed therein and Bankers Trust Company as Administrative Agent ("Credit Agreement"). Incorporated by reference to Exhibit 10.20A to Textron's Annual Report on Form 10- K for the fiscal year ended January 1, 1994.

10.21B First Amendment dated as of October 30, 1994 to Credit Agreement. Incorporated by reference to Exhibit 10.22B to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

10.21C Second Amendment to Credit Agreement dated as of July 1, 1995. Incorporated by reference to Exhibit (b) (3) to Schedule 14D-1 filed by Textron on September 19, 1995.

10.21D Third Amendment to Credit Agreement dated as of July 1, 1996.

12.1	Computation of ratio of income to combined fixed charges and preferred stock dividends of the Parent Group.
12.2	Computation of ratio of income to combined fixed charges and preferred stock dividends of Textron Inc. including all majority-owned subsidiaries.
13	A portion (pages 23 and following) of Textron's 1996 Annual Report to Shareholders. Except for pages or items specifically incorporated by reference herein, such portion of Textron's 1996 Annual Report to Shareholders is furnished for the information of the Commission and is not filed as part of this Report.
21	Certain subsidiaries of Textron. Other subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, are omitted from such list.
23	Consent of Independent Auditors.
24.1	Power of attorney.
24.2	Certified copy of a resolution of the Board of Directors of Textron.
27	Financial Data Schedule.

(b) Reports on Form 8-K During the quarter ended December 28, 1996, Textron filed with the Securities and Exchange Commission a report on Form 8-K dated November 8, 1996, reporting, under Item 5 (Other Events) and Item 7 (Exhibits), information regarding the sale to Provident Companies, Inc. of all the outstanding shares of The Paul Revere Corporation, 83% of which are owned by Textron.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 14th day of March, 1997.

TEXTRON INC.
Registrant

By: /s/ Michael D. Cahn
Michael D. Cahn
Attorney-in-fact

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on this 14th day of March, 1997, by the following persons on behalf of the registrant and in the capacities indicated:

NAME TITLE

* James F. Hardymon	Chairman and Chief Executive Officer, Director (principal executive officer)

* President and Chief Lewis B. Campbell Operating Officer, Director

* Director H. Jesse Arnelle

* Director Teresa Beck

* Director R. Stuart Dickson

* Director Paul E. Gagne

* Director John D. Macomber

* Director Dana G. Mead

* Director Barbara Scott Preiskel

* Director Brian H. Rowe

* Director Sam F. Segnar

* Director Jean Head Sisco

* Director John W. Snow

* Director Martin D. Walker

* Director Thomas B. Wheeler

* Stephen L. Key	Executive Vice President and Chief Financial Officer (principal financial officer)

* Vice President and Controller Richard L. Yates (principal accounting officer)

**By:/s/ Michael D. Cahn*
Michael D. Cahn
Attorney-in-fact

TEXTRON INC.
INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

Item 14(a)

All other schedules are omitted because the conditions requiring the filing thereof do not exist or because the information required is included in the financial statements and notes thereto.

TEXTRON INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

For each of the three years in the period ended December 28, 1996

Financial information of the Registrant is omitted because condensed financial information of the Parent Group, which includes the Registrant and all of its majority-owned subsidiaries other than its finance subsidiaries (Finance Group), is shown on pages 32 through 37 of Textron's 1996 Annual Report to Shareholders. Management believes that the disclosure of financial information on the basis of the Parent Group results in a more meaningful presentation, since this group constitutes the Registrant's basic borrowing entity and the only restrictions on net assets of Textron's subsidiaries relate to its Finance Group. The Registrant's investment in its Finance Group is shown on pages 34 and 35 of Textron's 1996 Annual Report to Shareholders under the caption "Investments in Finance Group."

The Parent Group received dividends of $124 million, $117 million and $106 million from its Finance Group in 1996, 1995 and 1994, respectively. The portion of the net assets of Textron's Finance Group available for cash dividends and other payments to the Parent Group is restricted by the terms of lending agreements and insurance statutory requirements. As of December 28, 1996, approximately $473 million of their net assets of $1.6 billion was available to be transferred to the Parent Group pursuant to these restrictions.

The Parent Group's credit agreements contain provisions requiring it to maintain a minimum level of shareholders' equity and a minimum interest coverage ratio. For additional information concerning the Parent Group's long-term debt, see Note 9 to the consolidated financial statements appearing on pages 43 and 44 of Textron's 1996 Annual Report to Shareholders.

For information concerning Textron-obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Textron Junior Subordinated Debt Securities, see Note 11 to the consolidated financial statements appearing on page 45 of Textron's 1996 Annual Report to Shareholders.

TEXTRON INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For each of the three years in the period ended December 28, 1996

(In millions)

Allowance for credit losses

Changes in the allowance for credit losses for the years indicated were as follows:

	1996	1995	1994
Balance of the allowance for credit losses at the beginning of the year	$270	$250	$225
Add - charged to income:			
Consumer	203	149	136
Commercial	27	20	26
	230	169	162
Deduct - balances charged off:			
Gross charge offs:			
Consumer	(230)	(177)	(142)
Commercial	(30)	(25)	(27)
	(260)	(202)	(169)
Recoveries:			
Consumer	36	33	28
Commercial	3	4	3
	39	37	31
Net charge offs	(221)	(165)	(138)
Other	14	16	1
Balance of the allowance for credit losses at the end of the year	$293	$270	$250
Balance of the allowance for credit losses at the end of the year applicable to:			
Consumer	$218	$195	$181
Commercial	75	75	69
	$293	$270	$250

TEXTRON INC.

Index of Exhibits

Annual Report on Form 10-K for the Fiscal Year Ended December 28, 1996

Exhibits Description

3.1A Restated Certificate of Incorporation of Textron as filed March 24, 1988. Incorporated by reference to Exhibit 3.1 to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1988.

3.1B Amendment to Certificate of Designations, Preferences and Rights of Series C Junior

Participating Preferred Stock as filed March 20, 1996.

3.2 By-Laws of Textron, restated December 10, 1992. Incorporated by reference to Exhibit 3.2 to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993.

NOTE: Exhibits 10.1 through 10.20 below are management contracts or compensatory plans, contracts or agreements.

10.1 Annual Incentive Compensation Plan For Textron Employees. Incorporated by reference to Exhibit 10.1 to Textron's Annual Report on Form 10- K for the fiscal year ended December 30, 1995.

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10.8B First Amendment to 1982 Plan. Incorporated by reference to Exhibit 10.5(b) to Textron's Annual Report on Form 10-K for the fiscal year ended January 3, 1987.

10.8C Second Amendment to 1982 Plan. Incorporated by reference to Exhibit 10.5(c) to Textron's

Annual Report on Form 10-K for the fiscal year ended January 2, 1988.

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Annual Report on Form 10-K for the fiscal year ended December 28, 1991.

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10.10C Second Amendment to 1990 Plan. Incorporated by reference to Exhibit 10.7(c) to Textron's Annual Report on Form 10-K for the fiscal year ended January 2, 1993.

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10.12 Form of Indemnity Agreement between Textron and its directors and executive officers. Incorporated by reference to Exhibit A to

Textron's Proxy Statement for its Annual Meeting of Shareholders on April 29, 1987.

10.13A Pension Plan for Directors as amended by a First Amendment (discontinued as of September 30, 1996). Incorporated by reference to Exhibit 10.14 to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.

10.13B Second Amendment to Pension Plan for Directors (discontinued as of September 30, 1996).

Incorporated by reference to Exhibit 10.16(b) to Textron's Annual Report on Form 10-K for the fiscal year ended December 29, 1990.

10.14 Deferred Income Plan for Non-Employee Directors.

10.15A Employment Agreement between Textron and James F. Hardymon dated November 24, 1989 ("Employment Agreement"). Incorporated by reference to Exhibit 10.9 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.

10.15B Amendment dated as of December 15, 1994 to Employment Agreement. Incorporated by reference to Exhibit 10.10B to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

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10.16B Retention Award granted to Lewis B. Campbell on December 14, 1995. Incorporated by reference to Exhibit 10.16B to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

10.17 Employment Agreement between Textron and Mary L. Howell dated May 4, 1993. Incorporated by reference to Exhibit 10.11 to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 1994.

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Wayne W. Juchatz dated November 1, 1995. Incorporated by reference to Exhibit 10.18 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1995.

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10.20 Employment Agreement between Textron and William F. Wayland dated January 1, 1989. Incorporated by reference to Exhibit 10.12 to Textron's Annual Report on Form 10-K for the fiscal year ended December 30, 1989.

10.21A	Credit Agreement dated as of November 1, 1993 among Textron, the Lenders listed therein and Bankers Trust Company as Administrative Agent ("Credit Agreement"). Incorporated by reference to Exhibit 10.20A to Textron's Annual Report on Form 10-K for the fiscal year ended January 1, 1994.
10.21B	First Amendment dated as of October 30, 1994 to Credit Agreement. Incorporated by reference to Exhibit 10.22B to Textron's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.
10.21C	Second Amendment to Credit Agreement dated as of July 1, 1995. Incorporated by reference to Exhibit (b) (3) to Schedule 14D-1 filed by Textron on September 19, 1995.
10.21D	Third Amendment to Credit Agreement dated as of July 1, 1996.
12.1	Computation of ratio of income to combined fixed charges and preferred stock dividends of the Parent Group.
12.2	Computation of ratio of income to combined fixed charges and preferred stock dividends of Textron Inc. including all majority-owned subsidiaries.
13	A portion (pages 23 and following) of Textron's 1996 Annual Report to Shareholders. Except for pages or items specifically incorporated by reference herein, such portion of Textron's 1996 Annual Report to Shareholders is furnished for the information of the Commission and is not filed as part of this Report.
21	Certain subsidiaries of Textron. Other subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, are omitted from such list.
23	Consent of Independent Auditors.
24.1	Power of attorney.
24.2	Certified copy of a resolution of the Board of Directors of Textron.
27	Financial Data Schedule.

Exhibit 3.1B
TEXTRON INC.

AMENDMENT TO CERTIFICATE OF DESIGNATIONS,
PREFERENCES AND RIGHTS OF
SERIES C JUNIOR PARTICIPATING PREFERRED STOCK

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

Textron Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware in accordance with the provisions of Section 103 thereof (the "Corporation"), does here certify:

FIRST: That the Corporation filed a Certificate of Designation, Preferences and Rights on March 11, 1986 creating a series of 500,000 shares of preferred stock designated as "Series C Junior Participating Preferred Stock" (the "Certificate of Designation").

SECOND: That as authorized and directed by a resolution adopted by the Board of Directors of the Corporation (the "Board") at a duly convened meeting of the Board held on September 27, 1995, pursuant to the authority vested in it by the provisions of the Restated Certificate of Incorporation of the Corporation, the Certificate of Designations is hereby amended to increase the number of shares constituting the series from 500,000 to 2,000,000.

THIRD: That none of the shares of the Corporation's Series C Junior Participating Preferred Stock have been issued as of the date set forth below.

FOURTH: That the Certificate of Designations is hereby amended to change the Rights Declaration Date (as referenced therein) from March 8, 1986 to September 27, 1995 and that the foregoing amendment to the Certificate of Designations was effected by the following resolution adopted by the Board at a duly convened meeting of the Board held on September 27, 1995, pursuant to the authority vested in it by the provisions of the Restated Certificate of Incorporation of the Corporation;

FURTHER RESOLVED, that, subject to the filing of an Amendment to Certificate of Designations, Preferences and Rights of Series C Junior Participating Preferred Stock with the Secretary of State of the State of Delaware, the Certificate of Designation, Preferences and Rights of Series C Junior Participating Preferred Stock filed by the Corporation with the Secretary of State of the State of Delaware on March 11, 1986 (the "Certificate of Designations") be amended to change the Rights Declaration Date (as defined in the Certificate of Designations) from March 8, 1986 to September 27, 1995 and to increase the number of shares constituting the Series C Junior Participating Preferred Stock from 500,000 to 2,000,000.

FIFTH: That the Amendment to Certificate of Designations, Preferences and Rights of Series C Junior Participating Preferred Stock has been duly adopted in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware.

SIXTH: That this Amendment to Certificate of Designations, Preferences and Rights of Series C Junior Participating Preferred Stock shall not become effective until 5:01 p.m., New York City time, on March 20, 1996.

The Corporation has caused this Certificate to be signed by its Vice President and Deputy General Counsel this 12th day of March 1996.

/s/ Arnold M. Friedman
Vice President and Deputy
General Counsel

Exhibit 10.14

Deferred Income Plan for Non Employee Directors

This Deferred Income Plan for Non-Employee Directors, the "Plan", is effective January 1, 1997 and replaces the plan previously in effect.

Article I - Participation

1.1 Non-employee members of the Board of Directors of Textron Inc. ("Textron") may elect to defer receipt of any or all of the cash portion of the annual retainer into either a stock unit account or an interest-bearing account. The deferred stock portion of the annual retainer is automatically deferred into the stock unit account.

1.2 Each Director must have on file with Textron a Deferral Election Form indicating deferral elections for the following calendar year(s).

1.3 For any complete calendar quarters remaining in the calendar year in which an individual initially becomes a non-employee director, the Director may elect to defer his or her fees at any time before the start of each such quarter.

Article II - Deferred Income Accounts

2.1 For record-keeping purposes only, Textron shall maintain a stock unit account and an interest-bearing account for each non-employee Director.

2.2 Stock Unit Account The Stock Unit Account shall consist of Stock Units, which are fictional shares of Textron common stock accumulated and accounted for the sole purpose of determining the cash payout of any distribution under this portion of the Plan.

As of the end of each calendar quarter, Textron shall credit to the Stock Unit Account 125% (includes a 25% Premium contributed by Textron, the "Premium") of the amount, including both the cash portion and the deferred stock portion of the annual retainer, the Director deferred into this account during the quarter. Textron shall also credit to this account Stock Units equal to the number of shares of Textron common stock that would have been allocated on account of dividends.

The number of Stock Units Textron shall credit to the Stock Unit Account will equal the number of shares of Textron common stock that could have been purchased at a price per share equal to the average price per share of Textron common stock contributed to the Textron Savings Plan during that quarter.

Half of the 25% Premium contributed by Textron shall vest (become nonforfeitable) on December 31 of the calendar year in which the deferred income otherwise would have been paid, and the remaining half on the next December 31. The Premium will continue to vest after the termination of the Directorship. The Premium will vest only if the related deferred compensation is unpaid at the time of vesting. Unvested Premiums shall vest immediately upon the Director's death or total disability as determined by the Textron Benefits Committee.

2.3 Interest Account As of the end of each calendar quarter Textron shall credit to the Interest Account an amount equal to interest on the average balance in the Interest Account during such quarter. The average balance will be computed by adding the opening and closing balances for the quarter and dividing by two. Interest will be credited monthly at the greater of 8% or the Moody's Corporate Bond Yield Index rate.

Article III - Payments

3.1 Payments or withdrawals from either the Stock Unit Account or the Interest Account or transfers between the two accounts shall not be allowed while the individual remains a Director of Textron. Prior to or at the time of the Director's resignation, removal, or retirement from the Board of Directors, the Director must elect a payment schedule.

3.2 Upon the Director's resignation, removal or retirement from the Board of Directors, the Director may, once each calendar quarter, elect to transfer, in 10% increments, any or all amounts in the Stock Unit Account to the Interest Account. The cash amount transferred will be determined by multiplying the current value of Textron common stock by the number of whole or fractional Stock Units in the Stock Unit Account as of the end of that calendar quarter times the percentage being transferred. The current value shall be the average of the composite closing prices, as reported in the Wall Street Journal for the ten trading days immediately following the calendar quarter in which the election to transfer was made.

3.3 Upon the Director's resignation, removal or retirement from the Board of Directors, he or she must make a payment election by completing the Payment Election Form. The Director may elect on the Payment Election Form to receive (1) the entire amount of his or her accounts as soon as practical following the end of the current quarter which will be deemed to be an election to transfer under the provisions of paragraph 3.2 in the current quarter all amounts in the Director's Stock Unit Account, (2) the entire amount of his or her accounts as soon as practical following the end of the current calendar year which will be deemed to be an election to transfer under the provisions of paragraph 3.2 in the final quarter of the current calendar year all amounts in the Director's Stock Unit Account, or (3) payment in a number of annual installments, each payable as soon as practical following the end of each successive calendar year, over a period of up to five years which will be deemed to be an election to transfer under the provisions of paragraph 3.2 in the final quarter of each respective calendar year an amount, if necessary, from the Director's Stock Unit Account sufficient to make the required payment. Annual installments shall be calculated each year by dividing the unpaid amount as of January 1 of that year by the remaining number of unpaid installments.

3.4 During the installment period, the unpaid balance in the Interest Account will continue to earn interest at the same rate as if the individual had continued as a Director.

3.5 If the Director or former Director dies before all payments have been made, payment(s) shall be made to the beneficiary designated on the Designation of Beneficiary Form. In the event of death, the Benefits Committee shall choose in its sole discretion the payment schedule after considering the method of payment that may have been requested by the Director or by the beneficiaries.

The designated beneficiary may be changed from time to time by delivering a new Designation of Beneficiary Form to Textron. If no designation is made, or if the named beneficiary predeceases the Director, payment shall be made to the Director's estate.

3.6 At the discretion of Textron, the payments to be made after the Director's resignation, removal, or retirement from the Board of Directors pursuant to this Article III may be accelerated in such amounts and at such times as the Benefits Committee determines.

Article IV - Miscellaneous

4.1 Benefits provided under this Plan are unfunded obligations of Textron. Nothing contained in this Plan shall require Textron to segregate any monies from its general funds with respect to such obligations.

4.2 The Textron Benefits Committee shall be the plan administrator of this Plan and shall be solely responsible for its general administration and interpretation and for carrying out the provisions hereof, and shall have all such powers as may be necessary to do so.

4.3 Unless a contrary or different meaning is expressly provided, each use in this Plan of the masculine or feminine shall include the other and each use of the singular number shall include the plural.

4.4 No benefit payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge or encumbrance of any kind unless specifically approved in writing in advance by the Textron Benefits Committee or its designee. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefit, whether presently or subsequently payable, shall be void unless so approved. Except as required by law, no benefit payable under this Plan shall in any manner be subject to garnishment, attachment, execution or other legal process, or be liable for or subject to the debts or liability of any Participant or Beneficiary.

4.5 The Board or its designee shall have the right to amend, modify, suspend or terminate this Plan at any time by written ratification of such action; provided, however, that no amendment, modification, suspension or termination shall reduce the amount credited to either the Stock Unit Account or the Interest Account immediately before the effective date of the amendment, modification, suspension or termination.

4.6 This Plan shall be construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, Textron Inc. has caused this restated Plan to be executed by its duly authorized officer to be effective as of January 1, 1997.

TEXTRON INC.

By:/s/Frederick K. Butler
Frederick K. Butler
Vice President and Secretary

EXHIBIT 10.21D

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS AMENDMENT is dated as of the 1st day of July, 1996 (the "Third Amendment") among TEXTRON INC., a Delaware corporation (including its successors and assigns as permitted by the Credit Agreement as defined below, "Compa ny"), THE LENDERS LISTED ON THE SIGNATURE PAGES HEREOF (indi vidually referred to herein as a "Lender" and collectively as "Lenders"), and BANKERS TRUST COMPANY ("Bankers"), as Administrative Agent for Lenders ("Agent").

RECITALS

WHEREAS, Company, the lenders listed therein and Agent entered into a credit agreement dated as of November 1, 1993, as amended on October 30, 1994 and July 1, 1995 ("Credit Agreement"); and

WHEREAS, Company, Lenders and Agent desire to further amend the Credit Agreement;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, Company, Lenders and Agent agree as follows:

1. Subsection 2.8A(i) of the Credit Agreement is hereby deleted in its entirety and the following substituted therefor:

"(A) Facility Fees. (i) The Company shall pay to the Agent for the account of the Banks a facility fee as set forth in the table below, accrued from and including the Effective Date to and including the Final Maturity Date, on the daily average aggregate amount of the Commitments (whether used or unused) based upon the rating issued by Standard & Poor's Corporation and Moody's Investors Service, Inc. for the Company's long-term unsecured indebtedness at the beginning of each fiscal quarter of the Company:

Rating Category*	Facility Fee
A/A2 or higher	.0900%
A-/A3	.1000%
BBB+/Baal	.1500%
BBB/Baa2	.1750%
BBB-/Baa3 or lower or no rating	.2000%

____

* In the case of "split" ratings (i.e., if the ratings of each such rating agency differ by one or more catego ries, including numerical modifiers and (+) and (-) as categories), the facility fee will be based upon the higher of the two ratings."

2. The Final Maturity Date is hereby extended to July 1, 2001 and the Facility Extension Date is hereby extended to July 1, 1997.

3. The execution and delivery of this Third Amendment by the Company is deemed a certification by the Company that
(i) the representations and warranties set forth in Section 4 of the Credit Agreement, as amended by this Third Amendment, are true and correct on and as of the date hereof as if made on and as of the date hereof, (ii) there exists no Event of Default or Potential Event of Default on and as of the date hereof, (iii) between October 30, 1995 and July 1, 1996 there have been no changes in generally accepted accounting principles which have had a material effect on the Company's financial condition, and (iv) the Company has full power, authority and legal right to execute, and deliver, and perform its obligations under, this Third Amendment.

4. This Third Amendment shall not constitute a consent or waiver to or modification of any other provision, term or condition of the Credit Agreement. All terms, provisions, covenants, representations, warranties, agreements and conditions contained in the Credit Agreement, as amended hereby, shall remain in full force and effect.

5. As permitted by Section 10.16 of the Credit Agree ment, this Third Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. This Third Amendment shall be deemed effective as of July 1, 1996, subject to the prior execution of a counterpart of this Third Amendment by each of the parties hereto and delivery of copies hereof to Company and Agent.

6. All interest, fees and other amounts accruing under the Credit Agreement on or prior to, or determined in respect of any day accruing on or prior to July 1, 1996 shall be computed and determined as provided in the Credit Agreement before giving effect to this Third Amendment.

7. THIS THIRD AMENDMENT SHALL BE GOVERNED BY, AND CON STRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS.

WITNESS the due execution hereof by the respective duly authorized officers of the undersigned as of the date first above written.

Borrower
TEXTRON INC.

By: /s/R. A. Watson
Title: Senior Vice
President
and Treasurer

BANK OF AMERICAN NATIONAL TRUST AND SAVINGS ASSOCATION

BY: /s/Deborah J. Graziano
NAME: Deborah J. Graziano
TITLE: Vice President

COMMITTMENT $78,947,400

PRO RATA SHARE: 5.2632%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

BANKERS TRUST COMPANY

BY: /s/Cynthia A. Jay
NAME: Cynthia A. Jay
TITLE: Vice President

COMMITTMENT: $69,736,850

PRO RATE SHARE: 4.6491%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

BANQUE NATIONALE de PARIS

BY: /s/Richard L. Sted
NAME: Richard L. Sted
TITLE: Senior Vice President

BY: /s/Richard Pace
NAME: Richard Pace
TITLE: Assistant Vice President

COMMITTMENT: $15,789,450

PRO RATE SHARE: 1.0526%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

CIBC INC.

BY: /s/W. B. Anderson
NAME: W. B. Anderson
TITLE: Director

COMMITMENT: $59,210,550

PRO RATE SHARE: 3.9474%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

CHEMICAL BANK

BY: /s/J. Treger
NAME: J. Treger
TITLE: Vice President

COMMITMENT: $84,210,550

PRO RATE SHARE: 5.6140%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

MARINE MIDLAND BANK

BY: /s/William M. Holland
NAME: William M. Holland
TITLE: Vice President

COMMITMENT: $25,000,000

PRO RATE SHARE: 1.66667$

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

CHEMICAL BANK

BY: /s/Chris Georvassilis
NAME: Chris Georvassilis
TITLE: Vice President

COMMITMENT: $23,684,160

PRO RATE SHARE: 1.5789%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

CREDIT LYONNAIS NEW YORK BRANCH

BY: /s/Robert Ivonevich
NAME: Robert Ivonevich
TITLE: Senior Vice President

COMMITMENT: $15,789,450

PRO RATE SHARE: 1.0526%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

CREDIT SUISSE

BY: /s/Juerg Johner
NAME: Juerg Johner
TITLE: Associate

BY: /s/Edward E. Barr
NAME: Edward E. Barr
TITLE: Associate

COMMITMENT: $25,000,000

PRO RATE SHARE: 1.6667%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

FIRST AMERICAN NATIONAL

BY: /s/Scott M. Bane
NAME: Scott M. Bane
TITLE: Senior Vice President

COMMITMENT: $7,894,710

PRO RATE SHARE: .5263%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

SUNTRUST BANK

BY: /s/Susan Boyd
NAME: Susan Boyd
TITLE: Vice President

COMMITMENT: $7,894,710

PRO RATE SHARE: .5263%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

DEUTSCHE BANK AG, NEW YORK BRANCH

BY: /s/James Fox
NAME: James FOX
TITLE: Assistant Vice President

BY: /s/Ralf Hoffmann
NAME: Ralf Hoffmann
TITLE: Vice President

COMMITMENT: $59,210,550

PRO RATA SHARE: 3.9474%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

BANQUE PARIBAS

BY: /s/John J. McCormick, III
NAME: John J. McCormick, III
TITLE: Vice President

BY: /s/Mary T. Finnegan
NAME: Mary T. Finnegan
TITLE: Group Vice President

COMMITMENT: $39,210,550

PRO RATA SHARE: 2.6140%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT

AGREEMENT

CORESTATES BANK, N.A.

BY: /s/John M. Fessick
NAME: John M. Fessick
TITLE: Vice President

COMMITMENT: $7,894,710

PRO RATA SHARE: .5263%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

FLEET NATIONAL BANK

BY: /s/Roger C. Boucher
NAME: Roger C. Boucher
TITLE: Vice President

COMMITMENT: $48,684,160

PRO RATA SHARE: 3.2456%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

CITIBANK, N.A.

BY: /s/W. Martens
NAME: W. Martens
TITLE: Attorney in Fact

COMMITMENT: $59,210,550

PRO RATA SHARE: 3.9474%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

THE SANWA BANK, LIMITED

BY: /s/Tatsumi Kimishima
NAME: Tatsumi Kimishima
TITLE: Senior Deputy General Manager

COMMITMENT: $19,736,850

PRO RATA SHARE: 1.3158%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

THE FIRST NATIONAL BANK OF BOSTON

BY: /s/Harvey H. Thayer, Jr.
NAME: Harvey H. Thayer, Jr.
TITLE: Director

COMMITMENT: $61,842,110

PRO RATA SHARE: 4.1228%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

THE BANK OF NEW YORK

BY: /s/David C. Judge
NAME: David C. Judge
TITLE: Vice President

COMMITMENT: $59,210,550

PRO RATA SHARE: 3.9474%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

BY: /s/G. Stewart
NAME: G. Stewart
TITLE: Assistant Vice President and Manager

COMMITMENT: $22,368,400

PRO RATA SHARE: 1.4912%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

NATIONAL WESTMINSTER BANK PLC.

BY: /s/Maria Amaral-LeBlanc
NAME: Maria Amaral-LeBlanc
TITLE: Vice President

COMMITMENT: $15,789,450

PRO RATA SHARE: 1.0526%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

ROYAL BANK OF CANADA

BY: /s/Michael Korine
NAME: Michael Korine
TITLE: Senior Manager

COMMITMENT: $59,210,550

PRO RATA SHARE: 3.9474%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

UNION BANK OF SWITZERLAND

BY: /s/Laurent J. Chaix
NAME: Lauren J. Chaix
TITLE: Vice President

BY: /s/Robert A. High
NAME: Robert A. High
TITLE: Assistant Treasurer

COMMITMENT: $25,000,000

PRO RATA SHARE: 1.6667%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

THE FIRST NATIONAL BANK OF CHICAGO

BY: /s/Daniel J. Lenckos
NAME: Daniel J. Lenckos
TITLE: Vice President

COMMITMENT: $78,947,400

PRO RATA SHARE: 5.2632%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

THE BANK OF NOVA SCOTIA

BY: /s/M. R. Bradley
NAME: M. R. Bradley
TITLE: Authorized Signatory

COMMITMENT: $20,000,000

PRO RATA SHARE: 1.3333%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

BY: /s/Adam J. Silver
NAME: Adam J. Silver
TITLE: Associate

COMMITMENT: $78,947,400

PRO RATA SHARE: 5.2632%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

BANK OF MONTREAL/HARRIS TRUST AND SAVINGS BANK

BY: /s/Marc Heyden
NAME: Marc Heyden
TITLE: Director

COMMITMENT: $19,736,850

PRO RATA SHARE: 1.3158%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

SWISS BANK CORPORATION

BY: /s/James J. Diaz
NAME: James J. Diaz
TITLE: Director, Banking Finance Support, N.A.

BY: /s/Stephanie W. Kim
NAME: Stephanie W. Kim
TITLE: Associate Director

COMMITMENT: $59,210,550

PRO RATA SHARE: 3.9474%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

ABN-AMRO BANK, N.V.
Boston Branch
By: ABN AMRO North American, Inc., as Agent

BY: /s/James E. Davis
NAME: James E. Davis
TITLE: Vice President and Director

BY: /s/Carol A. Levine
NAME: Carol A. Levine
TITLE: Senior Vice President and Managing Director

COMMITMENT: $55,263,166

PRO RATA SHARE: 3.6842%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

WELLS FARGO BANK, NATIONAL ASSOCIATION

BY: /s/Bruce L. Gregory
NAME: Bruce L. Gregory
TITLE: Vice President

COMMITMENT: $35,526,315

PRO RATA SHARE: 2.3684%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

THE FUJI BANK, LTD., NEW YORK BRANCH

BY: /s/Gina Kearns
NAME: Gina Kearns
TITLE: Vice President and Manager

COMMITMENT: $22,368,400

PRO RATA SHARE: 1.4912%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

THE INDUSTRIAL BANK OF JAPAN TRUST COMPANY

BY: /s/John V. Veltri
NAME: John V. Veltri
TITLE: Senior Vice President

COMMITMENT: $22,368,400

PRO RATA SHARE: 1.4912%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

MELLON BANK, N.A.

BY: /s/R. Jane Westrich
NAME: R. Jane Westrich
TITLE: Vice President

COMMITMENT: $34,210,550

PRO RATA SHARE: 2.2807%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

NATIONS BANK

BY: /s/Eric C. Stephenson
NAME: Eric C. Stephenson
TITLE: Vice President

COMMITMENT: $82,894,710

PRO RATA SHARE: 5.5263%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

COMMERZBANK AKTIENGESELLSCHAFT

BY: /s/ Juergen Boysen
NAME: Juergen Boysen
TITLE: Senior Vice President

BY: /s/Robert Donohue
NAME: Robert Donohue
TITLE: Vice President

COMMITMENT: $19,736,850

PRO RATA SHARE: 1.315790%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

THE TORONTO-DOMINION BANK

BY: /s/L. Merghart
NAME: L. Merghart
TITLE: Director

COMMITMENT: $21,052,599

PRO RATA SHARE: 1.4035%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

THE CHASE MANHATTAN BANK, N.A.

BY: /s/J. Treger
NAME: J. Treger
TITLE: Vice President

COMMITMENT: $59,210,550

PRO RATA SHARE: 3.9474%

SIGNATURE PAGE TO THE THIRD AMENDMENT DATED AS OF JULY 1, 1996 TO THE TEXTRON INC. CREDIT AGREEMENT

EXHIBIT 12.1

PARENT GROUP

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

(Unaudited)

(In millions except ratios)

	Year				
	1996	1995	1994	1993	1992
Fixed charges:					
Interest expense (1)	$ 148	$ 178	$ 192	$ 218	$ 242
Distributions on preferred securities of subsidiary trust, net of income taxes	23	-	-	-	-
Estimated interest portion of rents	17	17	20	21	19
Total fixed charges	$ 188	$ 195	$ 212	$ 239	$ 261
Income:					
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust (2)	$ 827	$ 690	$ 623	$ 470	$ 412
Fixed charges	188	195	212	239	261
Eliminate equity in undistributed pretax income of finance subsidiaries	(259)	(248)	(225)	(195)	(177)
Adjusted income	$ 756	$ 637	$ 610	$ 514	$ 496
Ratio of income to fixed charges	4.02	3.27	2.88	2.15	1.90

(1) Includes interest unrelated to borrowings of $11 million in 1996, $23 million in 1995, $27 million in 1994, $25 million in 1993, and $30 million in 1992.

(2) Excludes the cumulative effect of changes in accounting principles in 1992.

EXHIBIT 12.2

TEXTRON INC. INCLUDING ALL MAJORITY-OWNED SUBSIDIARIES

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

(Unaudited)

(In millions except ratios)

	Year				
	1996	1995	1994	1993	1992
Fixed charges:					
Interest expense (1)	$ 731	$ 791	$ 651	$ 650	$ 731
Distributions on preferred securities of subsidiary trust, net of income taxes	23	-	-	-	-
Estimated interest portion of rents	35	34	36	38	36
Total fixed charges	$ 789	$ 825	$ 687	$ 688	$ 767
Income:					
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust (2)	$ 827	$ 690	$ 623	$ 470	$ 412
Fixed charges	789	825	687	688	767
Adjusted income	$1,616	$1,515	$1,310	$1,158	$1,179
Ratio of income to fixed charges	2.05	1.84	1.91	1.68	1.54

(1) Includes interest unrelated to borrowings of $11 million in 1996, $23 million in 1995, $27 million in 1994, $25 million in 1993, and $30 million in 1992.

(2) Excludes the cumulative effect of changes in accounting principles in 1992.

Business Segment Data

For a description of the businesses comprising each segment, see pages 54 and 55.

(In millions)	Revenues 1996	Revenues 1995	Revenues 1994	Operating Income 1996	Operating Income 1995	Operating Income 1994	Operating Income Margins 1996	Operating Income Margins 1995	Operating Income Margins 1994
Aircraft	$2,703	$2,519	$2,290	$ 271	$ 245	$ 197	10.0%	9.7%	8.6%
Automotive	1,627	1,534	1,511	146	135	132	9.0	8.8	8.7
Industrial	2,196	1,560	1,539	233	177	157	10.6	11.3	10.2
Systems and Components	653	855	1,338	57	65	88	8.7	7.6	6.6
Finance	2,095	1,985	1,672	383	365	331	18.3	18.4	19.8
	$9,274	$8,453	$8,350	1,090	987	905	11.8	11.7	10.8
Corporate expenses and other - net				(115)	(119)	(92)			
Interest expense - net				(148)	(178)	(190)			
Income from continuing operations before income taxes<F*>				$ 827	$ 690	$ 623			

<F*>Before distributions on preferred securities of subsidiary trust in 1996.

Income of the Finance segment is net of interest expense.

Prior year amounts have been reclassified to conform to the current year's segment presentation as more fully described on page 24.

1996 Revenues - $9.3 billion	
[GRAPH]	
Aircraft	29%
Automotive	17%
Industrial	24%
Systems & Components	7%
Finance	23%

1996 Operating Income - $1.1 billion	
[GRAPH]	
Aircraft	25%
Automotive	14%
Industrial	21%
Systems & Components	5%
Finance	35%

(In millions)	Identifiable Assets 1996	Identifiable Assets 1995	Identifiable Assets 1994	Capital Expenditures 1996	Capital Expenditures 1995	Capital Expenditures 1994	Depreciation 1996	Depreciation 1995	Depreciation 1994
Aircraft	$ 1,896	$ 1,782	$ 1,680	$119	$ 75	$ 79	$ 55	$ 50	$ 50
Automotive	1,020	861	849	60	78	85	41	39	37
Industrial	1,811	1,372	975	110	81	76	76	50	47
Systems and Components	604	963	1,067	17	18	24	26	31	50
Finance	11,409	10,816	9,900	34	23	22	21	20	18
Corporate, including investment in discontinued operation	1,742	1,932	1,665	3	4	8	4	5	4
Eliminations	(247)	(75)	(33)	-	-	-	-	-	-
	$18,235	$17,651	$16,103	$343	$279	$294	$223	$195	$206

Prior year amounts have been reclassified to conform to the current year's segment presentation as more fully described on page 24.

Management's Discussion and Analysis

Results of Operations

Revenues
[GRAPH]

Year	1994	1995	1996
Amount ($ in millions)	$8,350	$8,453	$9,274
Change from prior year	6%	1%	10%

Earnings
per Share<F*>
[GRAPH]
[FN]
<F*>from continuing operations

Year	1994	1995	1996
Amount ($ in millions)	$4.06	$4.79	$5.60
Change from prior year	22%	18%	17%

Aircraft
Revenues
[GRAPH]

Year	1994	1995	1996
Amount ($ in millions)	$2,290	$2,519	$2,703
Change from prior year	10%	10%	7%

Operating
Income
[GRAPH]

Year	1994	1995	1996
Amount ($ in millions)	$197	$245	$271
Change from prior year	22%	24%	11%

Textron Inc.
1996 vs. 1995

*Earnings per share from continuing operations in 1996 were $5.60 per share, up 17% from the 1995 amount of $4.79. Income from continuing operations in 1996 of $482 million was up from $416 million for 1995. Revenues increased 10% to $9.3 billion in 1996 from $8.5 billion in 1995. Net income in 1996 was $253 million vs. $479 million in 1995, reflecting the impact of a $229 million loss from discontinued operation in 1996.

*Operating income of Textron's five business segments aggregated $1.1 billion in 1996, up 10% from 1995, as a result of continued improved financial results of its four core business segments - Aircraft, Automotive, Industrial, and Finance.

*The lower interest of the Parent Group - $148 million in 1996 vs. $178 million in 1995 - was due to lower average debt, due in part to the payment of debt with the proceeds from the issuance of preferred securities in February 1996.

*Business segment data for prior years has been reclassified to reflect the transfer of certain businesses to the Aircraft and Industrial segments to better align the overall groupings of businesses with the markets they serve. The Aircraft segment now includes Textron Lycoming and the Industrial segment now includes HR Textron and the metal cutting business of Randall.

1995 vs. 1994
*Earnings per share from continuing operations in 1995 were $4.79 per share, up 18% from the 1994 amount of $4.06. Income from continuing operations in 1995 of $416 million was up from $366 million in 1994. Revenues increased 1% to $8.5 billion in 1995. Excluding the effects of the Textron Lycoming Turbine Engine and Homelite divisions, which were sold in 1994, revenues were up 9%. Net income in 1995 was $479 million vs. $433 million in 1994.

*Operating income of Textron's five business segments aggregated $1.0 billion in 1995, up 9% from 1994. An increase of 15% in the aggregate income of the Aircraft, Industrial, and Finance segments more than offset lower results in the Systems and Components segment. Operating income in the Automotive segment was essentially unchanged.

*Corporate expenses and other - net increased in 1995 by $27 million due in large part to an increase in compensation expense tied directly to changes in the market value of Textron's common stock ($17 million). To mitigate the impact on compensation expense of future increases in stock price, Textron entered into a cash-settlement option program on Textron's common stock in November 1995.

*The lower interest expense of the Parent Group - $178 million in 1995 vs. $192 million in 1994 - reflected a lower level of average borrowing, notwithstanding the incremental borrowing associated with acquisitions in the fourth quarter of 1995, partially offset by an increased cost of borrowing.

Aircraft

1996 vs. 1995
The Aircraft segment's revenues and income increased $184 million (7%) and $26 million (11%), respectively.

*Bell Helicopter's revenues decreased primarily as a result of lower sales of military helicopters to the U.S. government ($136 million) and lower revenues on the V-22 program ($69 million), partially offset by higher domestic and international helicopter sales, including increased deliveries on the Canadian Forces contract ($119 million), and increased military and commercial spares sales ($41 million). Bell's income decreased slightly, as the impact of lower revenues and costs associated with the introduction of new commercial aircraft models was partially offset by additional income on the V-22 program.

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Automotive
Revenues
[GRAPH]

Year	1994	1995	1996
Amount ($ in millions)	$1,511	$1,534	$1,627
Change from prior year	28%	2%	6%

Operating
Income
[GRAPH]

Year	1994	1995	1996
Amount ($ in millions)	$132	$135	$146
Change from prior year	48%	2%	8%

Industrial
Revenues
[GRAPH]

Year	1994	1995	1996
Amount ($ in millions)	$1,539	$1,560	$2,196
Change from prior year	13%	1%	41%

Operating
Income
[GRAPH]

Year	1994	1995	1996
Amount ($ in millions)	$157	$177	$233
Change from prior year	21%	13%	32%

*Cessna's revenues increased primarily as a result of higher sales of business jets, principally the Citation X and Citation VII models, and utility turboprop aircraft. Its income increased as a result of the higher revenues, partially offset by higher product development and selling and administrative expenses due to the introduction and support of new products.

1995 vs. 1994
The Aircraft segment's revenues and income increased $229 million (10%) and $48 million (24%), respectively.

*Bell Helicopter's revenues increased, primarily as a result of higher international aircraft sales ($199 million) and higher revenues under the V-22 engineering and manufacturing development contract ($97 million), partially offset by lower sales to foreign military customers and to the U.S. government ($95 million). Bell's income increased primarily as a result of the higher revenues.

*Cessna's revenues and income increased primarily as a result of higher sales of utility turboprop aircraft. Increased product development expenses, principally related to the Bravo and Excel Citation aircraft ($32 million), were partially offset by reduced JPATS bid and proposal expenses and product support costs ($23 million).

Automotive
1996 vs. 1995
The Automotive segment's revenues increased $93 million (6%) and income increased $11 million (8%). The improved results reflected the increased production of models with Textron content, particularly light trucks at Chrysler, and the benefits of the acquisitions of Valeo Wiper Systems and the remaining 50% of a joint venture in Born, Netherlands.

Excluding the impact of the 1997 acquisition of Kautex, automotive sales are expected to be lower in 1997 than in 1996 as a result of the timing of replacement business and customer launches. The Kautex acquisition will more than offset the impact of these lower sales and will contribute positively to income, albeit at lower margins.

1995 vs. 1994
The Automotive segment's revenues increased $23 million (2%) despite a reduction in North American automotive production, due to higher production of models with Textron content. Income increased $3 million (2%), due to the higher sales, partially offset by start-up costs related to the launch of new products and facilities.

Industrial
1996 vs. 1995
The Industrial segment's revenues increased $636 million (41%) and income increased $56 million (32%). The increases were principally due to higher sales in the fastening systems business ($558 million), reflecting the fourth quarter 1995 acquisitions of Elco Industries and Boesner, and the first half 1996 acquisitions of Textron Industries S.A.S. and Xact Products. In addition, the year's results benefited from higher sales and improved performance at E-Z-GO, and continued strong performance in the contractor tool business, including the contribution from the Klauke acquisition.

1995 vs. 1994
The Industrial segment's revenues increased $21 million (1%) and income increased $20 million (13%). The increases were due principally to

higher sales in the fastening systems business ($162 million), reflecting Avdel's results for the full year in 1995 compared with nine months in 1994, and the acquisition of Elco Industries in October 1995. In addition, sales were higher and performance was better in the turf care equipment and contractor tool businesses. Partially offsetting these increases was the divestiture of the Homelite division in August 1994 ($189 million of sales and $14 million of income). Excluding the impact of Homelite, revenues and income increased 16% and 24%, respectively.

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Systems and Components

Revenues

[GRAPH]

Year	1994	1995	1996
Total	$1,338	$855	$653
Change from prior year	(19%)	(36%)	(24%)

Operating Income

[GRAPH]

Year	1994	1995	1996
Amount ($ in millions)	$88	$65	$57
Change from prior year	(25%)	(26%)	(12%)

Finance Revenues

[GRAPH]

Year	1994	1995	1996
Total	$1,672	$1,985	$2,095
Change from prior year	4%	19%	6%

Operating Income

[GRAPH]

Year	1994	1995	1996
Amount ($ in millions)	$331	$365	$383
Change from prior year	15%	10%	5%

Systems and Components
1996 vs. 1995

The Systems and Components segment's revenues and income decreased $202 million (24%) and $8 million (12%), respectively, due principally to reduced shipments on certain U.S. government and commercial aerospace contracts and the impact of the divestiture of the Textron Aerostructures division in the third quarter of 1996.

1995 vs. 1994
The Systems and Components segment's revenues decreased $483 million (36%) and income decreased $23 million (26%). The decrease in revenues was due to the divestiture of the Lycoming Turbine Engine division ($379 million) and to reduced shipments on certain U.S. government and commercial aerospace contracts. The income decrease was also due to the October 1994 divestiture of Lycoming Turbine Engine ($30 million, the after-tax effect of which was immaterial to net income due to the nontax deductibility of goodwill). These unfavorable factors were partially offset by provisions in 1994 for legal matters and the consolidation of certain manufacturing operations ($22 million).

Finance
1996 vs. 1995
The Finance segment's revenues increased $110 million (6%), while income increased $18 million (5%).

*Avco Financial Services' (AFS) revenues increased $96 million, primarily as a result of an increase in yields on finance receivables (18.52% in 1996 vs. 18.20% in 1995), an increase in earned premiums in both the finance-related and the independent insurance operations and an increase in capital gains, due primarily to a higher volume of sales in the bond investment portfolio. Its income increased $11 million due to those factors, a decrease in the average cost of borrowed funds (6.88% in 1996 vs. 7.32% in 1995) and an increase in investment income due to a higher level of invested assets. This favorable impact was partially offset by an increase in the ratio of net credit losses to average finance receivables (2.82% in 1996 vs. 2.10% in 1995) and the strengthening of the allowance for credit losses (3.01% of average finance receivables at December 31, 1996 vs. 2.82% at December 31, 1995), and an increase in the ratio of insurance losses to earned insurance premiums.

The general proliferation of credit cards and the resulting increase in the level of consumer debt in the U.S. and Canada has continued to burden the consumer finance customer, resulting in higher delinquencies and charge-offs, and has provided the consumer an alternate source of funds, thereby reducing AFS' receivable growth.

*Textron Financial Corporation's (TFC) income increased $7 million on higher revenues of $14 million, due to a higher level of finance receivables
(average receivables were $3.036 billion in 1996 vs. $2.839 billion in 1995)
and higher fee income, partially offset by lower yields (10.03% in 1996 and 10.34% in 1995) predominantly on floating rate receivables, reflecting a decline in the prevailing interest rate environment. The income increase reflected the higher revenues, partially offset by a higher provision for loan losses, principally due to charge-offs of nonperforming equipment loans.

1995 vs. 1994
The Finance segment's revenues increased $313 million (19%), while income increased $34 million (10%).

*AFS' revenues increased $276 million due primarily to (a) a higher level of finance receivables outstanding (average receivables were $6.867 billion in 1995 vs. $5.696 billion in 1994), (b) an increase in earned insurance premiums ($62 million), and (c) an increase in investment income ($11 million), due primarily to higher yields (7.78% in 1995 vs. 7.06% in 1994) and a higher level of invested assets. These higher revenues were partially offset by a decrease in yields on finance receivables (18.20% in 1995 vs. 18.39% in 1994), due primarily to an increase in the level of retail installment contracts outstanding. AFS' income increased $28 million, due primarily to those factors and a decrease in the ratio of operating expenses to revenues (32.25% in 1995 vs. 33.67% in 1994). This favorable impact was partially offset by an increase in the average cost of borrowed funds (7.32% in 1995 vs. 6.63% in 1994) and an increase in the ratio of net credit losses to average finance receivables (2.10% in 1995 vs. 1.99% in 1994). The increase in delinquencies and net credit losses, which began during the latter part of 1995, was due to economic slowdowns in the U.S. and other countries in which AFS operates.

*TFC's income increased $6 million on higher revenues of $37 million primarily due to (a) higher yields on finance receivables (10.34% in 1995 vs. 9.45% in 1994), (b) a higher level of finance receivables outstanding (average receivables were $2.839 billion in 1995 vs. $2.641 billion in 1994), and (c) a lower provision for loan losses ($6 million), reflecting an improvement in the equipment portfolio and stabilization of nonperforming real estate assets. These factors were partially offset by increased interest expense.

Liquidity &
Capital Resources

Financing for Textron is conducted through two borrowing groups: The Textron Parent Company Borrowing Group (Parent Group) and Textron's finance subsidiaries (Finance Group). Each group's debt is supported by its own respective assets and cash flows. The liquidity and capital resources of Textron's operations are best understood by separately considering its independent borrowing groups.

The Parent Group consists of all entities of Textron (primarily manufacturing) other than its finance subsidiaries. The Finance Group consists of Textron's finance subsidiaries - AFS and TFC.

Parent Group
Management believes that the Parent Group will continue to have adequate access to credit markets and that its credit facilities and cash flows from operations--including dividends received from the Finance Group - will continue to be more than sufficient to meet its operating needs and to finance growth. Information about the cash flows of this group is set forth in its statement of cash flows on page 37.

*Cash flows from operating activities in 1996 of $576 million were up from the 1995 level primarily due to increased income from continuing operations.

*The Group's debt decreased by $267 million in 1996, as cash provided by operations, the issuance of preferred securities, and the sale of Textron Aerostructures exceeded cash used for (a) capital expenditures,
(b) repurchases of Textron common stock, (c) financing acquisitions, and
(d) payments of dividends. The Parent Group's ratio of debt to total capital decreased to 29% at year-end 1996, from 34% at year-end 1995.

*Capital expenditures: See the table on page 23 for capital expenditures by business segment for 1996, 1995, and 1994. Such expenditures continue to reflect Textron's growth strategy in its Aircraft, Automotive, and Industrial segments. Including the effect of 1997 acquisitions, aggregate capital expenditures for 1997 are expected to exceed the level of spending in 1996, as Textron invests in new Cessna aircraft models in the Aircraft segment and increased capacity and improved manufacturing productivity in the Industrial and Automotive segments.

*Acquisitions: During the three year period ended December 28, 1996, the Parent Group acquired nine entities for an aggregate of approximately $620 million including the assumption of certain liabilities. The acquisitions were accounted for as purchases and accordingly, the results of operations of each acquired company is included in the statement of income from the date of acquisition. In early 1997, the Parent Group acquired the Kautex Group and Maag Pump Systems for an aggregate of approximately $390 million including the assumption of certain liabilities.

*Dispositions: In September 1996, the Parent Group sold its Aerostructures division for $180 million in cash plus a subordinated note. In 1994, the Parent Group sold its Homelite and Lycoming Turbine Engine divisions; cash proceeds aggregated $495 million.

On April 29, 1996, The Paul Revere Corporation, an 83.3% owned subsidiary, entered into an agreement with Provident Companies, Inc. whereby Provident will acquire all of the outstanding shares of Paul Revere's common stock. The agreement was revised in November 1996. For each of its Paul Revere shares, Textron will receive approximately $20 per share in cash ($750 million) and shares of Provident common stock.

Textron has agreed to provide additional capital to Paul Revere, the amount of which will depend upon a final determination of the required levels of Paul Revere's statutory reserves, subject to certain limits. Textron also agreed to grant certain other concessions to Provident. Proceeds are expected to be used for general corporate purposes including debt reduction, purchases of Textron common stock, and financing acquisitions. The final determination of the required capital contribution to Paul Revere and the share value of Provident stock received by Textron at closing will affect Textron's reported loss from discontinued operation in 1997. The transaction remains subject to the approval of the Commonwealth of Massachusetts Division of Insurance. The transaction is targeted to close early in 1997. For further information, see Note 2 to the consolidated financial statements.

*Share repurchase program: In September 1996, Textron's Board of Directors authorized the repurchase of an additional five million shares of common stock under its share repurchase program. Textron has approximately seven million shares remaining under its share repurchase program.

*Debt and credit facilities: The Parent Group has a $1.5 billion domestic credit facility with 36 banks. At year-end 1996, $889 million of the credit facility was not used or reserved as support for commercial paper or bank borrowings. During 1996, Textron entered into two separate five-year multi- currency credit agreements with 25 banks aggregating $800 million to be used for its foreign operations. At year-end 1996, approximately 65% of total foreign currency borrowings of $267 million under these facilities were denominated in French francs.

In February 1996, a new shelf registration statement became effective, covering, in addition to the remaining unused $211 million of unsecured debt securities previously registered, an aggregate amount of $800 million of (a) debt issuable by Textron and (b) preferred securities issuable by entities formed by Textron on behalf of which Textron would provide certain guarantees. Also in February 1996, a trust sponsored by Textron issued $500 million of such preferred securities, the proceeds of which were invested by the trust in Textron's newly issued 7.92% Junior Subordinated Deferrable Interest Debentures due 2045. The proceeds from the issuance of the debentures were used by Textron for the repayment of long-term borrowings. Textron had $511 million available at year-end 1996 under its shelf registration statement with the Securities and Exchange Commission.

*Interest rate exchange agreements: The difference between the variable rate the Parent Group received and the fixed rate it paid on interest rate exchange agreements increased its reported interest expense by $12 million in 1996, $14 million in 1995, and $27 million in 1994.

Finance Group
Information about the cash flows of this Group is set forth in its statement of cash flows on page 37.

*Dividends: The amount of the net assets of the Finance Group available for cash dividends and other payments to the Parent Group is governed by the terms of lending agreements. The Finance Group paid dividends to the Parent Group of $124 million, $117 million, and $106 million in 1996, 1995, and 1994, respectively.

*Capital resources: AFS and TFC each utilize a broad base of financial sources for their respective liquidity and capital requirements. Cash is provided from both operations and several different sources of borrowings, including unsecured borrowings under bank lines of credit, the issuance of commercial paper and short-term bank debt, and sales of medium- and long-term debt in the U.S. and foreign financial markets. During 1996, the net proceeds from medium- and long-term financing sources, including the issuances described below, totaled $1.2 billion. Debt increased by $402 million in 1996, due principally to receivable growth.

*Debt and credit facilities: During 1996, AFS issued $839 million of unsecured debt securities, including $337 million under its shelf registration statements. At year-end 1996, AFS had $1.0 billion available for unsecured debt securities under its shelf registration statement with the Securities and Exchange Commission and $547 million available for similar securities under its shelf registration statement with the Canadian provincial security exchanges.

TFC has a medium-term note facility for $500 million; $292 million was available at year-end 1996.

By utilizing medium- and long-term fixed rate financing, as well as interest rate exchange agreements, Textron's Finance Group effectively had a combined ratio of variable rate debt to total debt of 51% at year-end 1996.

*Acquisitions: During the three year period ended December 31, 1996, the Finance Group acquired (a) Insurex Canada Inc., (b) Tuckahoe Leasing Inc., and (c) HFC of Australia Ltd. for an aggregate of approximately $50 million.

*Interest rate exchange agreements: The difference between the variable rate the Finance Group received and the fixed rate it paid on interest rate exchange agreements increased its reported interest expense by $19 million in 1996, $13 million in 1995, and $21 million in 1994.

*Investment in real estate: The Finance Group has substantial amounts of finance receivables backed up or secured by real estate, including leveraged leases which were approximately 70% collaterized by real estate. Residential real estate loans are geographically dispersed and loan amounts are limited to a maximum of 85% of the property's appraised market value, although most loans are made at significantly lower loan to value ratios. Commercial real estate loans consist principally of first mortgages on income producing properties and are diversified both geographically and by type of property financed. Nonearning commercial real estate loans were $60 million at year-end 1996 ($72 million at year-end 1995). For further information about finance receivables, see Note 4 to the consolidated financial statements.

Foreclosed real estate: At year-end 1996, real estate classified in other assets aggregated $66 million ($71 million at year-end 1995).

Reserves for nonperforming real estate: While realization of nonperforming real estate assets is subject to uncertainties including prevailing economic conditions and the status of the real estate market, Textron believes that its reserves have been determined on reasonable bases and are adequate. Subsequent evaluations of nonperforming assets, in light of factors then prevailing, including economic conditions, may require increases in the reserves for such assets.

*FAS 125: In June 1996, the Financial Accounting Standards Board issued Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 125). FAS 125, which is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996, is not expected to have a material impact on Textron's results of operations or cash flows.

Other Matters
*Net deferred tax assets: Textron has recognized net deferred tax assets of $327 million at year-end 1996 attributable to temporary differences between the financial reporting basis and income tax basis of certain assets and liabilities. Management believes that such net deferred tax assets will be realized based on Textron's history of earnings and its expectations for the future.

*Interest rate management: Textron uses interest rate exchange agreements to help manage interest rate risk by converting certain variable-rate debt to fixed-rate debt. The agreements do not involve a high degree of complexity or risk and are not used to speculate for profit. For further information about these agreements and the debt and credit facilities of the Parent Group and the Finance Group, see Note 9 and Note 10 to the consolidated financial statements.

*Foreign currency rate management: Textron uses foreign currency forward exchange contracts to manage exposures to changes in currency exchange rates associated with firm commitments for commercial purchase and sale transactions. Those financial instruments generally are used to fix the local currency cost of purchased goods or services or selling prices denominated in currencies other than the functional currency. Exchange rate exposures that result from net investments in foreign affiliates are managed principally by funding certain local currency denominated assets with debt denominated in those same currencies.

*Environmental: Textron is involved in a number of remedial actions under various federal and state laws and regulations relating to the environment which impose liability on companies to clean up, or contribute to the cost of cleaning up, sites on which their hazardous wastes or materials were disposed or released. Expenditures to evaluate and remediate contaminated sites approximated $12 million, $15 million, and $14 million in 1996, 1995, and 1994, respectively. Textron currently projects that expenditures for remediation will range between $10 million and $20 million for each of the years 1997 and 1998.

In October 1996, the Accounting Standards Executive Committee issued Statement of Position, "Environmental Remediation Liabilities" (SOP 96-1). The SOP provides an overview of federal environmental laws, accounting guidance on issues relating to the recognition, measurement, and disclosure of environmental liabilities, and audit guidance. The adoption of SOP 96-1 at the beginning of 1997 will not have a material effect on Textron's liquidity, net income, or financial condition. For further information about environmental matters, see Note 19 to the consolidated financial statements.

*Backlog: Textron's commercial backlog was $3.1 billion and U.S. government backlog was $2.2 billion and $1.7 billion at the end of 1996 and 1995, respectively. Backlog for the Aircraft segment was approximately 73% of Textron's commercial backlog and 71% and 72% of Textron's U.S. government backlog at the end of 1996 and 1995, respectively.

*Foreign military sales: Certain of Textron's products are sold through the Department of Defense's Foreign Military Sales Program. In addition, Textron sells directly to select foreign military organizations, primarily Canada. Sales under these programs totaled approximately 4.7% of Textron's consolidated revenues in 1996 and 5.0% in 1995. Such sales, which include spare parts, are made only after approval of applicable United States Government Agencies.

Report of Management

The consolidated financial statements of Textron Inc. have been prepared by management and have been audited by Textron's independent auditors, Ernst & Young LLP, whose report appears below. Management is responsible for the consolidated financial statements, which have been prepared in conformity with generally accepted accounting principles and include amounts based on management's best estimates and judgments.

Management is also responsible for maintaining internal control systems designed to provide reasonable assurance, at appropriate cost, that assets are safeguarded and that transactions are executed and recorded in accordance with established policies and procedures. Textron's systems are under continuing review and are supported by, among other things, business conduct and other written guidelines, an internal audit function and the selection and training of qualified personnel.

The Board of Directors, through its Audit Committee, oversees management's financial reporting responsibilities. The Audit Committee, comprised of four outside directors, meets regularly with the independent auditors, representatives of management and the internal auditors to discuss and make inquiries into their activities. Both the independent auditors and the internal auditors have free access to the Audit Committee, with and without management representatives in attendance.

/s/ James F. Hardymon

James F. Hardymon
Chairman and Chief Executive Officer

/s/ Lewis B. Campbell

Lewis B. Campbell
President and Chief Operating Officer

/s/ Stephen L. Key

Stephen L. Key
Executive Vice President and Chief Financial Officer
January 23, 1997

Report of Independent Auditors

To the Board of Directors and Shareholders Textron Inc.

We have audited the accompanying consolidated balance sheet of Textron Inc. as of December 28, 1996 and December 30, 1995, and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 28, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Textron Inc. at December 28, 1996 and December 30, 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 28, 1996, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Boston, Massachusetts
January 23, 1997

Statement of Income

For each of the three years in the period ended December 28, 1996

(In millions except per share amounts)	Consolidated 1996	1995	1994
Revenues			
Manufacturing sales	$7,179	$6,468	$6,680
Finance revenues	2,095	1,985	1,672
Total revenues	9,274	8,453	8,352
Costs and expenses			
Cost of sales	5,837	5,294	5,514
Selling and administrative	1,374	1,274	1,212
Interest	731	791	651
Provision for losses on collection of finance receivables	230	169	162
Other	275	235	190
Total costs and expenses	8,447	7,763	7,729
	827	690	623
Pretax income of the Finance Group	-	-	-
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	827	690	623
Income taxes	(322)	(274)	(257)
Distributions on preferred securities of subsidiary trust, net of income taxes	(23)	-	-
Income from continuing operations	482	416	366
Discontinued operation, net of income taxes:			
Income from operations	16	63	67
Estimated loss on disposal	(245)	-	-
	(229)	63	67
Net income	$ 253	$ 479	$ 433
Per common share:			
Income from continuing operations	$ 5.60	$ 4.79	$ 4.06
Discontinued operation	(2.66)	.72	.74
Net income	$ 2.94	$ 5.51	$ 4.80

<F*>"Parent Group" includes all entities of Textron (primarily manufacturing) other than its finance subsidiaries. The Parent Group's investment in Textron's finance subsidiaries is reflected on a one-line basis under the equity method of accounting. "Finance Group" consists of Textron's wholly-owned finance subsidiaries, AFS and TFC. All significant transactions between the Parent Group and the Finance Group have been eliminated from the "Consolidated" column. The principles of consolidation are described in Note 1 to the consolidated financial statements.

The fiscal year-end for the Finance Group is December 31 for all periods presented.

See notes to the consolidated financial statements.

Statement of Income

For each of the three years in the period ended December 28, 1996

(In millions except per share amounts)	Parent Group<F*> 1996	1995	1994	Finance Group 1996	1995	1994
Revenues						
Manufacturing sales	$7,179	$6,468	$6,680	$ -	$ -	$ -
Finance revenues	-	-	-	2,095	1,985	1,672
Total revenues	7,179	6,468	6,680	2,095	1,985	1,672
Costs and expenses						
Cost of sales	5,837	5,294	5,514	-	-	-
Selling and administrative	750	671	682	624	603	530
Interest	148	178	192	583	613	459
Provision for losses on collection of finance receivables	-	-	-	230	169	162
Other	-	-	-	275	235	190
Total costs and expenses	6,735	6,143	6,388	1,712	1,620	1,341
	444	325	292	383	365	331
Pretax income of the Finance Group	383	365	331	-	-	-
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust	827	690	623	383	365	331
Income taxes	(322)	(274)	(257)	(149)	(142)	(128)
Distributions on preferred securities of subsidiary trust, net of income taxes	(23)	-	-	-	-	-
Income from continuing operations	482	416	366	234	223	203
Discontinued operation, net of income taxes:						
Income from operations	16	63	67	-	-	-
Estimated loss on disposal	(245)	-	-	-	-	-
	(229)	63	67	-	-	-
Net income	$ 253	$ 479	$ 433	$ 234	$ 223	$ 203

<F*>"Parent Group" includes all entities of Textron (primarily manufacturing) other than its finance subsidiaries. The Parent Group's investment in Textron's finance subsidiaries is reflected on a one-line basis under the equity method of accounting. "Finance Group" consists of Textron's wholly-owned finance subsidiaries, AFS and TFC. All significant transactions between the Parent Group and the Finance Group have been eliminated from the "Consolidated" column. The principles of consolidation are described in Note 1 to the consolidated financial statements.

The fiscal year-end for the Finance Group is December 31 for all periods presented.

See notes to the consolidated financial statements.

Balance Sheet

As of December 28, 1996 and December 30, 1995	Consolidated	
(Dollars in millions)	1996	1995
ASSETS		
Cash	$ 47	$ 84
Investments	820	778
Receivables - net:		
Finance	9,856	9,362
Commercial and U.S. government	882	777
	10,738	10,139
Inventories	1,192	1,284
Investments in Finance Group	-	-
Investment in discontinued operation	770	1,118
Property, plant, and equipment - net	1,539	1,373
Goodwill - net	1,609	1,491
Other (including net prepaid income taxes)	1,520	1,384
Total Assets	$18,235	$17,651
Liabilities and shareholders' equity		
Liabilities		
Accounts payable	$ 850	$ 684
Accrued postretirement benefits other than pensions	817	919
Other accrued liabilities (including income taxes)	2,556	2,425
Debt	10,346	10,211
Total Liabilities	14,569	14,239
Textron - Obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	483	-
Shareholders' equity		
Capital stock:		
Preferred stock:		
$2.08 Cumulative Convertible Preferred Stock, Series A (liquidation value - $16)	7	8
$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends)	7	7
Common stock (94,456,000 and 93,462,000 shares issued)	12	12
Capital surplus	793	750
Retained earnings	2,969	2,864
Other	7	129
	3,795	3,770
Less cost of treasury shares	612	358
Total shareholders' equity	3,183	3,412
Total liabilities and shareholders' equity	$18,235	$17,651

<F*>"Parent Group" includes all entities of Textron (primarily manufacturing) other than its finance subsidiaries. The Parent Group's investment in Textron's finance subsidiaries is reflected on a one-line basis under the equity method of accounting. "Finance Group" consists of Textron's wholly-owned finance subsidiaries, AFS and TFC. All significant transactions between the Parent Group and the Finance Group have been eliminated from the "Consolidated" column. The principles of consolidation are described in Note 1 to the consolidated financial statements.

The fiscal year-end for the Finance Group is December 31 for all periods presented.

See notes to the consolidated financial statements.

Balance Sheet

As of December 28, 1996 and December 30, 1995	Parent Group<F*>		Finance Group	
(Dollars in millions)	1996	1995	1996	1995
Assets				
Cash	$ 24	$ 56	$ 23	$ 28
Investments	6	7	814	771
Receivables - net:				
Finance	-	-	9,860	9,370
Commercial and U.S. government	882	777	-	-
	882	777	9,860	9,370
Inventories	1,192	1,284	-	-
Investments in Finance Group	1,600	1,475	-	-
Investment in discontinued operation	770	1,118	-	-
Property, plant, and equipment - net	1,454	1,297	85	76
Goodwill - net	1,466	1,344	143	147
Other (including net prepaid income taxes)	1,263	1,170	484	434
Total assets	$8,657	$8,528	$11,409	$10,826
Liabilities and shareholders' equity				
Liabilities				
Accounts payable	$ 724	$ 576	$ 130	$ 112
Accrued postretirement benefits other than pensions	782	883	35	36
Other accrued liabilities (including income taxes)	1,978	1,883	805	766
Debt	1,507	1,774	8,839	8,437
Total liabilities	4,991	5,116	9,809	9,351
Textron - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	483	-	-	-
Shareholders' equity				
Capital stock:				
Preferred stock:				
$2.08 Cumulative Convertible Preferred Stock, Series A (liquidation value - $16)	7	8	-	-
$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends)	7	7	-	-
Common stock (94,456,000 and 93,462,000 shares issued)	12	12	1	1
Capital surplus	793	750	800	798
Retained earnings	2,969	2,864	787	676
Other	7	129	12	-
	3,795	3,770	1,600	1,475
Less cost of treasury shares	612	358	-	-
Total shareholders' equity	3,183	3,412	1,600	1,475
Total liabilities and shareholders' equity	$8,657	$8,528	$11,409	$10,826

<F*>"Parent Group" includes all entities of Textron (primarily manufacturing) other than its finance subsidiaries. The Parent Group's investment in Textron's finance subsidiaries is reflected on a one-line basis under the equity method of accounting. "Finance Group" consists of Textron's wholly-owned finance subsidiaries, AFS and TFC. All significant transactions between the Parent Group and the Finance Group have been eliminated from the "Consolidated" column. The principles of consolidation are described in Note 1 to the consolidated financial statements.

The fiscal year-end for the Finance Group is December 31 for all periods presented.

See notes to the consolidated financial statements.

Statement of Cash Flows

For each of the three years in the period ended December 28, 1996

(In millions)	Consolidated 1996	1995	1994
Cash flows from operating activities:			
Income from continuing operations	$ 482	$ 416	$ 366
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Undistributed earnings of Finance Group	-	-	-
Depreciation and amortization	387	342	338
Provision for losses on receivables	233	172	169
Deferred income taxes	11	28	53
Changes in assets and liabilities excluding those related to acquisitions and divestitures:			
Increase in commercial and U.S. government receivables	(33)	(40)	(163)
Decrease (increase) in inventories	(33)	(28)	64
Decrease (increase) in other assets	(125)	25	(51)
Increase (decrease) in accounts payable	79	54	86
Increase (decrease) in accrued liabilities	57	(96)	100
Other - net	(82)	35	(28)
Cash provided by operating activities of continuing operations	976	908	934
Cash provided by operating activities of discontinued operation	516	349	314
Net cash provided by operating activities	1,492	1,257	1,248
Cash flows from investing activities:			
Purchases of investments	(293)	(188)	(189)
Proceeds from disposition of investments	204	96	65
Maturities and calls of investments	50	55	56
Finance receivables:			
Originated or purchased	(6,890)	(6,237)	(6,020)
Repaid or sold	6,310	5,731	4,834
Cash used in acquisitions	(224)	(252)	(9)
Proceeds from sales of businesses	180	-	492
Capital expenditures	(343)	(279)	(294)
Other investing activities - net	25	30	2
Cash provided (used) by investing activities of continuing operations	(981)	(1,044)	(1,063)
Cash used by investing activities of discontinued operation	(603)	(420)	(520)
Net cash provided (used) by investing activities	(1,584)	(1,464)	(1,583)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	240	(253)	449
Proceeds from issuance of long-term debt	2,089	2,984	2,078
Principal payments on long-term debt	(2,438)	(2,347)	(2,072)
Issuance of Textron - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	483	-	-
Proceeds from exercise of stock options	42	42	12
Purchases of Textron common stock	(266)	(100)	(166)
Purchases of Textron common stock from Paul Revere	(34)	(22)	(25)
Dividends paid	(148)	(133)	(124)
Dividends paid to Parent Group	-	-	-
Cash provided (used) by financing activities of continuing operations	(32)	171	152
Cash provided by financing activities of discontinued operation	72	86	206
Net cash provided (used) by financing activities	40	257	358
Net increase (decrease) in cash	(52)	50	23
Elimination of cash flow of discontinued operation	15	(15)	-
Cash at beginning of year	84	49	26
Cash at end of year	$ 47	$ 84	$ 49

Supplemental information from continuing operations:

Cash paid during the year for interest	$ 723	$ 765	$ 624
Cash paid during the year for income taxes	278	276	194

<F*>"Parent Group" includes all entities of Textron (primarily manufacturing) other than its finance subsidiaries. The Parent Group's investment in Textron's finance subsidiaries is reflected on a one-line basis under the equity method of accounting. "Finance Group" consists of Textron's wholly-owned finance subsidiaries, AFS and TFC. All significant transactions between the Parent Group and the Finance Group have been eliminated from the "Consolidated" column. The principles of consolidation are described in Note 1 to the consolidated financial statements.

The fiscal year-end for the Finance Group is December 31 for all periods presented.

See notes to the consolidated financial statements.

Statement of Cash Flows

For each of the three years in the period ended December 28, 1996	Parent Group<F*>			Finance Group		
(In millions)	1996	1995	1994	1996	1995	1994
Cash flows from operating activities:						
Income from continuing operations	$ 482	$ 416	$ 366	$ 234	$ 223	$ 203
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:						
Undistributed earnings of Finance Group	(110)	(106)	(97)	-	-	-
Depreciation and amortization	256	221	238	131	121	100
Provision for losses on receivables	3	3	8	230	169	162
Deferred income taxes	5	18	32	6	10	21
Changes in assets and liabilities excluding those related to acquisitions and divestitures:						
Increase in commercial and U.S. government receivables	(33)	(40)	(146)	-	-	-
Decrease (increase) in inventories	(33)	(28)	64	-	-	-
Decrease (increase) in other assets	(123)	49	(87)	(11)	(1)	5
Increase (decrease) in accounts payable	66	58	76	20	(28)	24
Increase (decrease) in accrued liabilities	70	(116)	78	(15)	(9)	37
Other - net	(7)	61	6	(75)	(27)	(56)
Cash provided by operating activities of continuing operations	576	536	538	520	458	496
Cash provided by operating activities of discontinued operation	-	-	-	-	-	-
Net cash provided by operating activities	576	536	538	520	458	496
Cash flows from investing activities:						
Purchases of investments	(5)	(9)	(1)	(288)	(179)	(188)
Proceeds from disposition of investments	6	30	9	198	66	56
Maturities and calls of investments	-	-	-	50	55	56
Finance receivables:						
Originated or purchased	-	-	-	(6,890)	(6,237)	(6,020)
Repaid or sold	-	-	-	6,314	5,762	4,838
Cash used in acquisitions	(216)	(212)	(9)	(8)	(40)	-
Proceeds from sales of businesses	180	-	492	-	-	-
Capital expenditures	(309)	(256)	(272)	(34)	(23)	(22)
Other investing activities - net	28	10	5	(3)	20	(2)
Cash provided (used) by investing activities of continuing operations	(316)	(437)	224	(661)	(576)	(1,282)
Cash used by investing activities of discontinued operation	-	-	-	-	-	-
Net cash provided (used) by investing activities	(316)	(437)	224	(661)	(576)	(1,282)
Cash flows from financing activities:						
Increase (decrease) in short-term debt	(48)	(15)	(36)	288	(238)	485
Proceeds from issuance of long-term debt	905	1,147	612	1,184	1,837	1,467
Principal payments on long-term debt	(1,226)	(982)	(1,027)	(1,212)	(1,365)	(1,045)
Issuance of Textron - obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Textron junior subordinated debt securities	483	-	-	-	-	-
Proceeds from exercise of stock options	42	42	12	-	-	-
Purchases of Textron common stock	(266)	(100)	(166)	-	-	-
Purchases of Textron common stock from Paul Revere	(34)	(22)	(25)	-	-	-
Dividends paid	(148)	(133)	(124)	-	-	-
Dividends paid to Parent Group	-	-	-	(124)	(117)	(106)
Cash provided (used) by financing activities of continuing operations	(292)	(63)	(754)	136	117	801
Cash provided by financing activities of discontinued operation	-	-	-	-	-	-
Net cash provided (used) by financing activities	(292)	(63)	(754)	136	117	801
Net increase (decrease) in cash	(32)	36	8	(5)	(1)	15
Elimination of cash flow of discontinued operation	-	-	-	-	-	-
Cash at beginning of year	56	20	12	28	29	14
Cash at end of year	$ 24	$ 56	$ 20	$ 23	$ 28	$ 29

Supplemental information from continuing operations:

Cash paid during the year for interest	$ 140	$ 161	$ 177	$ 583	$ 604	$ 447
Cash paid during the year for income taxes	142	131	84	136	145	110

<F*>"Parent Group" includes all entities of Textron (primarily manufacturing) other than its finance subsidiaries. The Parent Group's investment in Textron's finance subsidiaries is reflected on a one-line basis under the equity method of accounting. "Finance Group" consists of Textron's wholly-owned finance subsidiaries, AFS and TFC. All significant transactions between the Parent Group and the Finance Group have been eliminated from the "Consolidated" column. The principles of consolidation are described in Note 1 to the consolidated financial statements.

The fiscal year-end for the Finance Group is December 31 for all periods presented.

See notes to the consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For each of the three years in the period ended December 28, 1996	Shares outstanding<F*> (In thousands)			Dollars (In millions)		
	1996	1995	1994	1996	1995	1994
$2.08 Preferred stock						
Beginning balance	267	297	321	$ 8	$ 9	$ 9
Conversion to common stock	(24)	(30)	(24)	(1)	(1)	-
Ending balance	243	267	297	$ 7	$ 8	$ 9
$1.40 Preferred stock						
Beginning balance	118	126	138	$ 7	$ 7	$ 7
Conversion to common stock	(11)	(8)	(12)	-	-	-
Ending balance	107	118	126	$ 7	$ 7	$ 7
Common stock						
Beginning balance	84,935	85,497	88,413	$ 12	$ 12	$ 12
Purchases	(3,193)	(1,734)	(3,346)	-	-	-
Conversion of preferred stock to common stock	71	81	75	-	-	-
Exercise of stock options	923	1,091	349	-	-	-
Other issuances of common stock	73	-	6	-	-	-
Ending balance	82,809	84,935	85,497	$ 12	$ 12	$ 12
Capital surplus						
Beginning balance				$ 750	$ 702	$ 687
Conversion of preferred stock to common stock				1	1	1
Exercise of stock options				48	47	14
Purchases of common stock				(6)	-	-
Ending balance				$ 793	$ 750	$ 702
Retained earnings						
Beginning balance				$2,864	$2,518	$2,209
Net income				253	479	433
Dividends declared:						
Preferred stock				(1)	(1)	(1)
Common stock (per share: $1.76 in 1996; $1.56 in 1995; and $1.40 in 1994)				(147)	(132)	(123)
Ending balance				$2,969	$2,864	$2,518
Treasury stock						
Beginning balance				$ 358	$ 258	$ 92
Purchases of common stock				259	100	166
Issuance of common stock for acquisitions				(5)	-	-
Ending balance				$ 612	$ 358	$ 258
Other						
Beginning balance				$ 129	$ (108)	$ (52)
Currency translation adjustment				35	5	1
Securities valuation adjustment				(155)	216<F**>	(71)
Pension liability adjustment				(2)	3	-
Shares allocated to ESOP participants' accounts				-	13	14
Ending balance				$ 7	$ 129	$ (108)

<F*>Shares issued at the end of 1996, 1995, 1994, and 1993 were as follows (in thousands): $2.08 Preferred - 312; 336; 366; and 390 shares, respectively; $1.40 Preferred - 594; 604; 613; and 625 shares, respectively; Common - 94,456; 93,462; 92,284; and 91,859 shares, respectively.

<F**>Includes net unrealized gains relating to the transfer of all of Paul Revere's debt securities from the held to maturity category to the available for sale category of its investment portfolio ($133 million) partially offset by an adjustment to deferred policy acquisition costs ($73 million).

See notes to consolidated financial statements.

1. Financial Statement Presentation

Summary of Significant Accounting Policies

SIGNIFICANT ACCOUNTING POLICIES APPEAR IN CAPITAL LETTERS AS AN INTEGRAL

PART OF THE NOTES TO THE FINANCIAL STATEMENTS TO WHICH THE POLICIES RELATE.

Principles of consolidation

The consolidated financial statements include the accounts of Textron and all of its majority- and wholly-owned subsidiaries. All significant intercompany transactions are eliminated. Paul Revere is reflected as a discontinued operation for all periods presented.

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

Prior-period data shown in the financial statements and the related notes have been reclassified, as appropriate.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these statements and accompanying notes. Consequently, actual results could differ from such estimates.

2. Acquisitions, Dispositions, and Discontinued Operation

Acquisitions

In early 1997, Textron acquired the Germany-based Kautex Group, a worldwide supplier of blow-molded plastic fuel tanks and other automotive components and systems and Switzerland-based Maag Pump Systems AG and Italy-based Maag Italia S.p.A., manufacturers of gears, gear pumps, and gear systems for an aggregate of approximately $390 million.

In 1996, Textron acquired (a) Xact Products Inc., a U.S. based precision-formed metal parts manufacturer, (b) Valois Industries (which has been re-named Textron Industries, S.A.S.), a France-based manufacturer of engineered fastening systems, (c) Klauke, a German manufacturer of electrical connectors, sleeves, and battery-powered tools for the utility and electrical contracting markets, (d) the UK-based automotive windshield and headlamp washer systems business of Valeo Wiper Systems Ltd., (e) The Bunton Company, a Kentucky-based manufacturer of rotary lawn-care equipment for commercial markets, (f) Insurex Canada Inc., a provider of insurance premium financing,
(g) Tuckahoe Leasing Inc., a Canadian provider of equipment financing, and
(h) the remaining 50% of a joint venture in Born, Netherlands. The aggregate cost of these acquisitions was approximately $370 million.

In 1995, Textron acquired (a) Elco Industries, (b) Friedr. Boesner GmbH, and
(c) the stock of HFC of Australia Ltd. for an aggregate of approximately $300 million.

The acquisitions were accounted for as purchases and accordingly, the results of operations of each acquired company is included in the statement of income from the date of acquisition.

Dispositions

In 1996, Textron sold its Aerostructures division for $180 million in cash plus a subordinated note. No gain or loss resulted from the sale. In 1994, Textron sold its Homelite and Lycoming Turbine Engine divisions for aggregate cash proceeds of $495 million.

Discontinued operation

On April 29, 1996, The Paul Revere Corporation, an 83.3% owned subsidiary, entered into an agreement with Provident Companies, Inc. whereby Provident will acquire all of the outstanding shares of Paul Revere's common stock. For each of its Paul Revere shares, Textron will receive approximately $20 per share in cash ($750 million) and shares of Provident common stock determined in accordance with an exchange ratio based upon closing prices of Provident common stock prior to the closing of the transaction, subject to certain limitations.

In November 1996, the agreement with Provident was revised. Under the revised agreement, Textron agreed to provide additional capital to Paul Revere, the amount of which will depend upon a final determination of the required levels of Paul Revere's statutory reserves, subject to certain limits. Textron also agreed to grant certain other concessions to Provident. The transaction remains subject to the approval of the Commonwealth of Massachusetts Division of Insurance. The transaction is targeted to close early in 1997.

Based on the $531/2 closing price of Provident's stock on February 13, 1997, Textron would receive approximately 5.9 million of Provident shares. Proceeds are expected to be used for general corporate purposes including debt reduction, purchases of Textron common stock, and financing acquisitions. Textron's estimated loss from discontinued operations includes Textron's share of Paul Revere's estimated net loss for the period April 1996 through the expected closing date (approximately $165 million). The final determination of the required capital contribution to Paul Revere and the share value of Provident stock received by Textron at closing will affect Textron's reported loss from discontinued operation in 1997. Paul Revere's revenues for 1996 and 1995 were $1.6 billion and $1.5 billion, respectively.

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3. Investments

SECURITIES CLASSIFIED AS AVAILABLE FOR SALE ARE REPORTED AT ESTIMATED FAIR VALUE. UNREALIZED GAINS AND LOSSES RELATED TO THESE SECURITIES, NET OF APPLICABLE INCOME TAXES, ARE REPORTED AS A SEPARATE COMPONENT OF SHAREHOLDERS' EQUITY. NET REALIZED GAINS OR LOSSES RESULTING FROM SALES OR CALLS OF INVESTMENTS ARE INCLUDED IN REVENUES AND ARE NOT SIGNIFICANT FOR ALL YEARS PRESENTED. THE COST OF SECURITIES SOLD IS DETERMINED PRIMARILY USING THE SPECIFIC IDENTIFICATION METHOD.

The amortized cost and estimated fair value of investments at the end of 1996 and 1995 were as follows:

(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
December 28, 1996				
Securities available for sale:				
Obligations of U.S. and foreign governments and government agencies	$227	$10	$1	$236
Public utility securities	53	1	-	54
Corporate securities	315	4	2	317
Mortgage-backed securities	180	1	1	180
Marketable equity securities	23	2	-	25
	$798	$18	$4	812
Other investments, at cost (estimated fair value: $8)				8
				$820
December 30, 1995				
Securities available for sale:				
Obligations of U.S. and foreign governments and government agencies	$237	$13	$1	$249
Public utility securities	61	2	-	63
Corporate securities	379	16	2	393
Mortgage-backed securities	40	-	-	40
Marketable equity securities	21	3	-	24
	$738	$34	$3	769
Other investments, at cost (estimated fair value: $9)				9
				$778

The amortized cost and estimated fair value of debt securities at the end of 1996, grouped by contractual maturity date, were as follows:

(In millions)	Amortized cost	Estimated fair value
Due in 1997	$146	$146
Due 1998 to 2001	260	266
Due 2002 to 2006	133	137
Due after 2006	56	58
	595	607
Mortgage-backed securities	180	180
	$775	$787

4. Finance Receivables

TEXTRON RECOGNIZES INTEREST INCOME IN REVENUES USING THE INTEREST METHOD. DIRECT LOAN ORIGINATION COSTS AND FEES RECEIVED ARE DEFERRED AND AMORTIZED OVER THE LOANS' CONTRACTUAL LIVES. TEXTRON SUSPENDS ACCRUAL OF INTEREST INCOME FOR ACCOUNTS WHICH ARE CONTRACTUALLY DELINQUENT BY MORE THAN THREE MONTHS (COMMERCIAL) OR THREE PAYMENTS (CONSUMER). ACCRUAL OF INTEREST ON COMMERCIAL LOANS RESUMES AND SUSPENDED INTEREST INCOME IS RECOGNIZED WHEN LOANS BECOME CONTRACTUALLY CURRENT. INTEREST INCOME ON DELINQUENT CONSUMER LOANS IS RECOGNIZED WHEN COLLECTED.

FINANCE RECEIVABLES ARE WRITTEN OFF WHEN THEY ARE DETERMINED TO BE UNCOLLECTIBLE, BUT IN ANY EVENT, ALL CONSUMER RECEIVABLES FOR WHICH AN AMOUNT AGGREGATING A FULL CONTRACTUAL PAYMENT HAS NOT BEEN RECEIVED FOR SIX CONSECUTIVE MONTHS ARE WRITTEN OFF. FINANCE RECEIVABLES, PRIMARILY COMMERCIAL FINANCE RECEIVABLES AND CONSUMER REAL ESTATE LOANS, ARE WRITTEN DOWN TO THE FAIR VALUE OF THE RELATED COLLATERAL (LESS ESTIMATED COSTS TO SELL) WHEN THE COLLATERAL IS REPOSSESSED OR WHEN NO PAYMENT HAS BEEN RECEIVED FOR SIX MONTHS, UNLESS MANAGEMENT DEEMS THE LOANS COLLECTIBLE. FORECLOSED REAL ESTATE LOANS AND REPOSSESSED ASSETS ARE TRANSFERRED FROM FINANCE RECEIVABLES TO OTHER ASSETS AT THE LOWER OF FAIR VALUE (LESS ESTIMATED COSTS TO SELL) OR THE OUTSTANDING LOAN BALANCE.

PROVISIONS FOR LOSSES ON FINANCE RECEIVABLES ARE CHARGED TO INCOME IN AMOUNTS SUFFICIENT TO MAINTAIN THE ALLOWANCE AT A LEVEL CONSIDERED ADEQUATE TO COVER LOSSES IN THE EXISTING RECEIVABLE PORTFOLIO. MANAGEMENT EVALUATES THE ALLOWANCE BY EXAMINING CURRENT DELINQUENCIES, THE CHARACTERISTICS OF THE EXISTING ACCOUNTS, HISTORICAL LOSS EXPERIENCE, THE VALUE OF THE UNDERLYING COLLATERAL, AND GENERAL ECONOMIC CONDITIONS AND TRENDS.

The maximum term of consumer loans and retail installment contracts is ten years, but approximately 90% of the contracts have terms of four years or less. Consumer real estate loans have a maximum term of 15 years. Nonearning consumer loans were $141 million at the end of 1996 ($115 million at the end of 1995).

Commercial installment contracts have initial terms ranging from one to 12 years. Commercial real estate loans have initial terms ranging from three to five years. Finance leases have initial terms up to 12 years. Leveraged leases have initial terms up to approximately 30 years. Floorplan and other receivablesgenerally mature within one year. Nonearning commercial loans were $91 million at the end of 1996 ($99 million at the end of 1995).

The table below displays the contractual maturity of the finance receivables. It does not necessarily reflect future cash collections because of various factors including the refinancing of receivables and repayments prior to maturity. Cash collections from receivables, excluding finance charges, were $6.3 billion and $5.7 billion in 1996 and 1995, respectively. In the same periods, the ratio of cash collections to average net receivables was approximately 65% and 63%, respectively.

(In millions)	Contractual maturities 1997	1998	After 1998	Less finance charges	Finance receivables outstanding 1996	1995
Consumer:						
Consumer loans	$1,880	$1,274	$1,296	$1,244	$ 3,206	$3,021
Real estate loans	683	472	3,728	2,336	2,547	2,513
Retail installment contracts	881	373	385	430	1,209	1,136
Other	146	75	116	46	291	264
	3,590	2,194	5,525	4,056	7,253	6,934
Commercial:						
Installment contracts	383	323	760	255	1,211	1,095
Real estate loans	43	61	300	2	402	426
Finance leases	176	147	358	125	556	523
Leveraged leases	11	9	606	299	327	327
Floorplan and other receivables	483	82	116	8	673	589
	1,096	622	2,140	689	3,169	2,960
	$4,686	$2,816	$7,665	$4,745	10,422	9,894
Less allowance for credit losses					293	270
Less finance-related insurance reserves and claims					273	262
					$ 9,856	$9,362

Textron had both fixed rate and variable rate loan commitments totaling $751 million at year-end 1996. Because interest rates on these commitments are not set until the loans are funded, Textron is not exposed to interest rate changes.

A portion of TFC's business involves financing the sale and lease of Textron products. In 1996, 1995, and 1994, TFC paid Textron $663 million, $461 million, and $595 million, respectively, for receivables and operating lease equipment. Operating agreements with Textron specify that TFC generally has recourse to Textron with respect to these purchases. At year-end 1996, finance receivables and operating lease equipment of $713 million and $86 million, respectively, ($646 million and $77 million, respectively, at year-end 1995) were due from Textron or subject to recourse to Textron.

5. Inventories

INVENTORIES ARE CARRIED AT THE LOWER OF COST OR MARKET.

(In millions)	December 28, 1996	December 30, 1995
Finished goods	$ 364	$ 352
Work in process	769	911
Raw materials	259	217
	1,392	1,480
Less progress payments and customer deposits	200	196
	$1,192	$1,284

Inventories aggregating $848 million at year-end 1996 and $754 million at year-end 1995 were valued by the last-in, first-out (LIFO) method. (Had such LIFO inventories been valued at current costs, their carrying values would have been approximately $143 million and $139 million higher at those respective dates.) The remaining inventories, other than those related to certain long-term contracts, are valued generally by the first-in, first-out method.

Inventories related to long-term contracts, net of progress payments and customer deposits, were $181 million at year-end 1996 and $393 million at year-end 1995. The decrease in long-term contract inventory is primarily attributable to the sale of Textron Aerostructures in 1996.

6. Long-term Contracts

FIXED-PRICE CONTRACT SALES ARE GENERALLY RECORDED AS DELIVERIES ARE MADE. COST REIMBURSEMENT CONTRACT SALES ARE RECORDED AS COSTS ARE INCURRED AND FEES ARE EARNED. CERTAIN CONTRACTS ARE AWARDED WITH FIXED-PRICE INCENTIVE FEES. INCENTIVE FEES ARE CONSIDERED WHEN ESTIMATING REVENUES AND PROFIT RATES, AND ARE RECORDED WHEN THESE AMOUNTS ARE REASONABLY DETERMINED.

LONG-TERM CONTRACT PROFITS ARE BASED ON ESTIMATES OF TOTAL SALES VALUE AND COSTS AT COMPLETION. SUCH ESTIMATES ARE REVIEWED AND REVISED PERIODICALLY THROUGHOUT THE CONTRACT LIFE. REVISIONS TO CONTRACT PROFITS ARE RECORDED WHEN THE REVISIONS ARE MADE. ESTIMATED CONTRACT LOSSES ARE RECORDED WHEN IDENTIFIED.

Long-term contract receivables at year-end 1996 and year-end 1995 totaled $127 million and $175 million, respectively. This includes $56 million and $81 million, respectively, of unbilled costs and accrued profits that had not yet met the contractual billing criteria. An estimated $5 million and $40 million, respectively, of these unbilled amounts are not expected to be collected within one year. Long-term contract receivables do not include significant amounts (a) billed but unpaid due to contractual retainage provisions or (b) subject to collection uncertainty.

7. Property, Plant, and Equipment

TEXTRON DEPRECIATES THE COST OF PROPERTY, PLANT, AND EQUIPMENT BASED ON THE ASSETS' ESTIMATED USEFUL LIVES.

(In millions)	December 28, 1996	December 30, 1995
At cost:		
Land and buildings	$ 753	$ 726
Machinery and equipment	2,450	2,232
	3,203	2,958
Less accumulated depreciation	1,664	1,585

	$1,539	$1,373

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8. Goodwill

TEXTRON AMORTIZES GOODWILL ON THE STRAIGHT-LINE METHOD. GOODWILL RELATED TO MANUFACTURING OPERATIONS IS AMORTIZED OVER 20 TO 40 YEARS AND GOODWILL RELATED TO FINANCE SUBSIDIARIES GENERALLY IS AMORTIZED OVER 25 YEARS.

TEXTRON PERIODICALLY REVIEWS GOODWILL FOR IMPAIRMENT BY COMPARING THE CARRYING AMOUNT TO THE ESTIMATED FUTURE UNDISCOUNTED CASH FLOWS OF THE BUSINESSES ACQUIRED. IF THIS REVIEW INDICATES THAT GOODWILL IS NOT RECOVERABLE, TEXTRON WOULD REDUCE ITS CARRYING AMOUNT TO FAIR VALUE (GENERALLY DETERMINED BASED ON FUTURE DISCOUNTED CASH FLOWS) THROUGH A NONCASH CHARGE TO EARNINGS.

Goodwill at the end of 1996 and 1995 is summarized as follows:

(In millions)	December 28, 1996	December 30, 1995
Goodwill	$2,013	$1,838
Less accumulated amortization	404	347
Goodwill, net	$1,609	$1,491

9. Debt and Credit Facilities

At the end of 1996 and 1995, debt consisted of the following:

(In millions)	December 28, 1996	December 30, 1995
Parent Group:		
Senior:		
Borrowings under or supported by long-term credit facilities<F*>	$ 878	$ 882
Medium-term notes; due 1997 to 2011 (average rate - 9.52%)	291	333
8.75% - 10.04%; due 2001 to 2022	209	254
Other notes (average rate - 7.17%)	100	276
Total senior	1,478	1,745
Subordinated - 8.86% - 8.97%; due 1998 to 1999	29	29
Total Parent Group	1,507	1,774
Finance Group:		
Senior:		
Borrowings under or supported by credit facilities<F**>	3,781	3,424
4.90% - 5.91%; due 1997 to 2000	1,181	896
6.00% - 6.99%; due 1997 to 2002	1,330	1,067
7.00% - 8.87%; due 1997 to 2000	1,595	2,289
9.17% - 10.86%; due 1997 to 1998	29	129
Variable rate notes; due 1997 to 2000 (average rate - 5.83%)	922	597
Total senior	8,838	8,402
Senior subordinated - 10.28%; due 1998	1	35
Total Finance Group	8,839	8,437
Total debt	$10,346	$10,211

<F*> The weighted average interest rates on these borrowings, before the effect of interest rate exchange agreements, were 5.0%, 6.1%, and 6.2% at year-end 1996, 1995, and 1994, respectively. Comparable rates during the years 1996, 1995, and 1994 were 5.0%, 6.1%, and 4.4%, respectively.

<F**>The weighted average interest rates on these borrowings, before the effect of interest rate exchange agreements, were 5.5%, 6.3%, and 6.1% at year-end 1996, 1995, and 1994, respectively. Comparable rates during the years 1996, 1995, and 1994 were 5.8%, 6.4%, and 4.7%, respectively.

The following table shows required payments and sinking fund requirements during the next five years on debt outstanding at the end of 1996. The payments schedule excludes amounts that may become payable under credit facilities and revolving credit agreements.

(In millions)	1997	1998	1999	2000	2001
Parent Group	$ 80	$ 25	$ 56	$ 53	$136
Finance Group	1,034	846	1,216	1,342	420
	$1,114	$871	$1,272	$1,395	$556

The Parent Group maintains credit facilities with various banks for both short- and long-term borrowings. The Parent Group has a $1.5 billion domestic credit agreement with 36 banks available on a fully revolving basis until July 1, 2001. At year-end 1996, $889 million of the credit facility was not used or reserved as support for commercial paper or bank borrowings. In 1996, Textron entered into a five-year multi-currency credit agreement with 14 banks for $350 million for its foreign operations; $83 million was available at year-end 1996. Textron entered into a separate five-year multi-currency credit agreement, effective December 30, 1996, with 22 banks for an additional $450 million to be used for its foreign operations.

The Finance Group has lines of credit with various banks aggregating $4.6 billion at year-end 1996, of which $223 million was not used or reserved as support for commercial paper or bank borrowings. Lending agreements limit the Finance Group's net assets available for cash dividends and other payments to the Parent Group to approximately $473 million of the Finance Group's net assets of $1.6 billion at year-end 1996. The Finance Group's loan agreements also contain provisions regarding additional debt, creation of liens or guarantees, and the making of investments.

The Parent Group has agreed to cause TFC to maintain certain minimum levels of financial performance. No payments from the Parent Group were necessary in 1996, 1995, or 1994 for TFC to meet these standards.

10. Derivatives and Foreign Currency Transactions

Interest rate exchange agreements

Textron uses interest rate exchange agreements to help manage interest rate risk by converting certain variable-rate debt to fixed-rate debt. The agreements do not involve a high degree of complexity or risk and are not used to speculate for profit.

TEXTRON'S INTEREST RATE EXCHANGE AGREEMENTS ARE ACCOUNTED FOR ON THE ACCRUAL BASIS. SOME AGREEMENTS ARE DESIGNATED AGAINST SPECIFIC LONG-TERM VARIABLE RATE BORROWINGS, WHILE THE BALANCE IS DESIGNATED AGAINST EXISTING SHORT-TERM VARIABLE-RATE BORROWINGS THROUGH MATURITY AND THEIR ANTICIPATED REPLACEMENTS. TEXTRON CONTINUOUSLY MONITORS VARIABLE-RATE BORROWINGS TO MAINTAIN THE LEVEL OF BORROWING ABOVE THE NOTIONAL AMOUNT OF THE DESIGNATED AGREEMENTS. IF VARIABLE-RATE BORROWINGS WERE TO BECOME LESS THAN THE NOTIONAL AMOUNT OF THE DESIGNATED AGREEMENTS, THE EXCESS WOULD BE MARKED TO MARKET AND THE ASSOCIATED GAIN OR LOSS RECORDED IN INCOME.

PREMIUMS PAID TO TERMINATE THESE AGREEMENTS ARE DEFERRED AND AMORTIZED TO EXPENSE OVER THE AGREEMENTS' ORIGINAL TERMS. IF THE UNDERLYING DEBT IS PAID EARLY, UNAMORTIZED PREMIUMS ARE RECOGNIZED AS AN ADJUSTMENT TO THE GAIN OR LOSS ASSOCIATED WITH THE DEBT'S EXTINGUISHMENT.

During 1996, the Finance Group had $462 million of interest rate exchange agreements go into effect. Interest rate exchange agreements in effect at the end of 1996 and 1995 had weighted average remaining terms of 3.2 years and 3.1 years, respectively, for the Parent Group and 1.2 years and 2.1 years, respectively, for the Finance Group. The agreements, which effectively fix the rate of interest on variable-rate borrowings, are summarized as follows:

Interest rate exchange agreements (Dollars in millions)	December 28, 1996 Notional amount	December 28, 1996 Weighted average interest rate	December 30, 1995 Notional amount	December 30, 1995 Weighted average interest rate
Parent Group	$ 453<F*>	8.53%	$ 602	8.80%
Finance Group	1,443<F**>	7.50	1,338	7.79
	$1,896	7.75	$1,940	8.10

<F*> The Parent Group's interest rate exchange agreements were designated against existing and anticipated short-term variable-rate borrowings. These agreements effectively adjusted the average rate of interest on short-term variable-rate notes to 6.4% from 5.0%. The interest rate exchange agreements in effect at the end of 1996 expire as follows: $22 million (6.2%) in 1997; $100 million (8.4%) in 1998; $25 million (7.4%) in 1999; $250 million (8.6%) in 2000; and $56 million (9.3%) thereafter.

<F**>$300 million of the Finance Group's interest rate exchange agreements were designated against specific long-term variable-rate notes and the balance against existing short-term variable-rate borrowings or their anticipated

replacements. These agreements effectively adjusted the average rate of interest on long-term variable-rate notes to 6.0% from 5.8% and on short-term variable-rate borrowings to 5.9% from 5.4%. The interest rate exchange agreements in effect at the end of 1996 expire as follows: $378 million (8.4%) in 1997; $603 million (7.4%) in 1998; $436 million (6.8%) in 1999; and $26 million (6.8%) in 2000.

Textron had no exposure to loss from nonperformance by the counterparties to its interest rate exchange agreements at the end of 1996 or 1995, and does not anticipate nonperformance by counterparties in the periodic settlements of amounts due. Textron currently minimizes this potential for risk by entering into contracts exclusively with major, financially sound counterparties having no less than a long-term bond rating of "A," by continuously monitoring the counterparties' credit ratings, and by limiting exposure with any one financial institution. The credit risk generally is limited to the amount by which the counterparties' contractual obligations exceed Textron's obligations to the counterparty.

Translation of foreign currencies, foreign exchange transactions and foreign currency exchange contracts

TEXTRON'S INCOME EXCLUDES ADJUSTMENTS RELATED TO THE TRANSLATION OF ITS FOREIGN OPERATIONS' FINANCIAL STATEMENTS. THE ADJUSTMENTS ACCUMULATE IN A SEPARATE COMPONENT OF SHAREHOLDERS' EQUITY UNTIL THE RELATED FOREIGN ENTITY IS SOLD OR SUBSTANTIALLY LIQUIDATED. Foreign exchange gains and losses included in income (primarily related to foreign currency denominated transactions) have not been material.

TEXTRON ENTERS INTO FORWARD EXCHANGE CONTRACTS TO HEDGE THE RISK ASSOCIATED WITH CURRENCY FLUCTUATIONS ON CERTAIN FIRM SALES AND PURCHASE COMMITMENTS DENOMINATED IN FOREIGN CURRENCIES. THE GAINS AND LOSSES RESULTING FROM THE IMPACT OF CURRENCY EXCHANGE RATE MOVEMENTS ON THESE CONTRACTS ARE RECORDED WHEN THE UNDERLYING TRANSACTIONS OCCUR.

Textron had foreign currency forward exchange contracts totaling approximately $124 million and $191 million at the end of 1996 and 1995, respectively. Unrealized losses relating to these contracts aggregated $2 million and $6 million on those dates.

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11. Textron-obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Textron Junior Subordinated Debt Securities

On February 9, 1996, a trust sponsored and wholly-owned by Textron issued preferred securities to the public (for $500 million) and shares of its common securities to Textron (for $15.5 million), the proceeds of which were invested by the trust in $515.5 million aggregate principal amount of Textron's newly issued 7.92% Junior Subordinated Deferrable Interest Debentures, due 2045. The debentures are the sole asset of the trust. The proceeds from the issuance of the debentures were used by Textron for the repayment of long-term borrowings and for general corporate purposes. The amounts due to the trust under the debentures and the related income statement amounts have been eliminated in Textron's consolidated financial statements.

The preferred securities accrue and pay cash distributions quarterly at a rate of 7.92% per annum. Textron has guaranteed, on a subordinated basis, distributions and other payments due on the preferred securities. The guarantee, when taken together with Textron's obligations under the debentures and in the indenture pursuant to which the debentures were issued and Textron's obligations under the Amended and Restated Declaration of Trust governing the trust, provides a full and unconditional guarantee of amounts due on the preferred securities. The preferred securities are mandatorily redeemable upon the maturity of the debentures on March 31, 2045, or earlier to the extent of any redemption by Textron of any debentures. The redemption price in either such case will be $25 per share plus accrued and unpaid distributions to the date fixed for redemption.

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12. Shareholders' Equity

Preferred stock

Textron has authorization for 15,000,000 shares of preferred stock. Each share of $2.08 Preferred Stock ($23.63 approximate stated value) is convertible into 2.2 shares of common stock and can be redeemed by Textron for $50 per share. Each share of $1.40 Preferred Dividend Stock ($11.82 approximate stated value) is convertible into 1.8 shares of common stock and can be redeemed by Textron for $45 per share.

Common stock

Textron has authorization for 250,000,000 shares of 12.5 cent per share par value common stock.

Performance share units and stock options

Textron's 1994 Long-Term Incentive Plan authorizes awards to key employees in two forms: (a) performance share units and (b) options to purchase Textron common stock. The total number of shares of common stock for which options may be granted under the plan is 5,000,000.

TEXTRON ACCOUNTS FOR PERFORMANCE SHARE UNITS AND EMPLOYEE STOCK OPTION GRANTS IN ACCORDANCE WITH APB 25, "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES". UNDER APB 25, BECAUSE THE EXERCISE PRICE OF TEXTRON'S EMPLOYEE STOCK OPTIONS EQUALS THE MARKET PRICE ON THE DATE OF GRANT, NO COMPENSATION EXPENSE IS RECOGNIZED FOR STOCK OPTION AWARDS. COMPENSATION EXPENSE FOR PERFORMANCE SHARE UNITS IS MEASURED BASED ON THE VALUE OF TEXTRON STOCK UNDERLYING THE AWARDS.

Compensation expense under Textron's performance share program was approximately $45 million in 1996, $23 million in 1995, and $4 million in 1994. To mitigate the impact of stock price increases on compensation expense, Textron entered into a cash-settlement option program on Textron's common stock in November 1995. This program generated income of approximately $21 million in 1996.

Pro forma information regarding net income and earnings per share is required by FAS 123, "Accounting for Stock-Based Compensation" and has been determined under the fair value method of that Statement. For the purpose of developing the pro forma information, the fair value of options granted in 1996 and 1995 are estimated at the date of grant using the Black-Scholes option-pricing model. The estimated fair values are amortized to expense over the options' vesting period. Using this methodology, net income would have been reduced by $10 million or $.12 per share in 1996. The pro forma effect on 1995 net income was not material. The 1996 and 1995 pro forma effect on net income is not necessarily representative of the effect in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1995.

The assumptions used to estimate the fair value of option for grants in 1996 and 1995, respectively, are approximately as follows: dividend yield of 2%, expected volatility of 16%; risk-free interest rates of 6% and 5%, and weighted average expected lives of 3.5 years. Under these assumptions, the weighted-average fair value of an option to purchase one share granted in 1996 and 1995, respectively, was approximately $20 and $16.

Stock option transactions during the last three years are summarized as follows:

	1996		1995		1994	
(Shares in thousands)	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares under option at beginning of year	4,558	$52.09	4,696	$44.31	3,997	$42.02
Options granted	1,068	90.73	1,062	72.11	1,124	49.40
Options exercised	(923)	45.78	(1,098)	38.26	(349)	33.40
Options canceled	(58)	58.76	(102)	51.13	(76)	49.22
Shares under option at end of year	4,645	62.15	4,558	52.09	4,696	44.31
Shares exercisable at end of year	3,064	50.51	2,944	45.38	2,957	39.98

Stock options outstanding at the end of 1996 and 1995 are summarized as follows:

Range of Exercise Prices (Shares in thousands)	Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Price
December 28, 1996:					
$21.00 - $63.94	2,646	6.6	$46.48	2,596	$46.30
$68.19 - $79.63	969	9.0	73.89	468	73.86
$80.56 - $92.56	1,030	9.9	91.37	-	-
December 30, 1995:					
$21.00 - $63.94	3,598	7.5	46.28	2,994	45.38
$68.19 - $73.94	960	9.9	73.86	-	-

Reserved shares of common stock

At year-end 1996, 1,755,000 shares of common stock were reserved for the subsequent conversion of preferred stock, including preferred stock held as treasury shares, and 4,645,000 shares were reserved for the exercise of stock options.

Preferred stock purchase rights

Each outstanding share of Textron common stock has attached to it one preferred stock purchase right, which entitles the holder to buy one one-hundredth of a share of Series C Junior Participating Preferred Stock at an exercise price of $250. The rights become exercisable only under certain circumstances related to a person or group acquiring or offering to acquire a substantial block of Textron's common stock. In certain circumstances, holders may acquire Textron stock, or in some cases the stock of an acquiring entity, with a value equal to twice the exercise price. The rights expire in September 2005 but may be redeemed earlier for $.05 per right.

Income per common share

INCOME PER COMMON SHARE IS BASED ON AVERAGE COMMON SHARES OUTSTANDING DURING EACH YEAR ASSUMING FULL CONVERSION OF OUTSTANDING PREFERRED STOCK AND EXERCISE OF STOCK OPTIONS. Average shares were 86,029,000 in 1996; 86,894,000 in 1995; and 90,119,000 in 1994.

13. Leases

Rental expense approximated $106 million, $104 million, and $108 million in 1996, 1995, and 1994, respectively. Future minimum rental commitments for noncancellable operating leases in effect at year-end 1996 approximated $88 million for 1997; $69 million for 1998; $53 million for 1999; $40 million for 2000; $32 million for 2001; and a total of $256 million thereafter.

14. Research and Development

Textron carries out research and development under both company initiated programs and contracts with others, primarily the U.S. government. Company initiated programs include research and development for commercial products and independent research and development related to government products and services. A significant portion of the cost of independent research and development is recoverable from the U.S. government through overhead cost allowances.

RESEARCH AND DEVELOPMENT COSTS FOR WHICH TEXTRON IS RESPONSIBLE ARE EXPENSED AS INCURRED. THESE COMPANY FUNDED COSTS INCLUDE AMOUNTS FOR COMPANY INITIATED PROGRAMS, THE COST SHARING PORTIONS OF CUSTOMER INITIATED PROGRAMS, AND LOSSES INCURRED ON CUSTOMER INITIATED PROGRAMS. The company funded and customer funded research and development costs for 1996, 1995, and 1994 were as follows:

(In millions)	1996	1995	1994
Company funded	$185	$181	$187
Customer funded	391	475	424
Total research and development	$576	$656	$611

15. Pension Benefits

Textron has defined benefit and defined contribution pension plans which together cover substantially all employees. The costs of the defined contribution plans are funded as accrued and amounted to approximately $49 million, $32 million, and $34 million for 1996, 1995, and 1994, respectively. Of these totals, $31 million, $14 million, and $18 million, respectively, are related to the employee stock ownership plan. Defined benefits under salaried plans are based on salary and years of service. Hourly plans generally provide benefits based on stated amounts for each year of service. Textron's funding policy is consistent with federal law and regulations. Plan assets consist principally of corporate and government bonds and common stocks.

Pension income in 1996, 1995, and 1994 included the following components:

(In millions)	1996	1995	1994

Service cost - benefits earned during the year	$ 70	$ 56	$ 69
Interest cost on projected benefit obligation	208	210	199
Actual return on plan assets	(495)	(747)	(20)
Amortization of unrecognized transition net asset	(17)	(17)	(15)
Net amortization and deferral of actuarial gains (losses)	230	483	(233)
Net pension income	$ (4)	$ (15)	$ -

The following table sets forth the funded status of Textron's pension plans.

(In millions)	December 28, 1996 Assets exceed accumulated benefits	December 28, 1996 Accumulated benefits exceed assets	December 30, 1995 Assets exceed accumulated benefits	December 30, 1995 Accumulated benefits exceed assets
Actuarial present value of:				
Vested benefit obligation	$2,410	$ 197	$2,121	$ 426
Nonvested benefit obligation	67	19	91	35
Accumulated benefit obligation	2,477	216	2,212	461
Additional amounts related to projected pay increases	254	35	243	23
Projected benefit obligation	2,731	251	2,455	484
Plan assets at fair value	3,534	124	3,180	373
Plan assets in excess of (less than) projected benefit obligation	803	(127)	725	(111)
Unrecognized net actuarial (gains) losses	(472)	30	(312)	(26)
Unrecognized prior service cost	93	21	18	58
Unrecognized transition net obligation (net asset)	(120)	5	(132)	(1)
Adjustment required to recognize minimum liability	-	(24)	-	(24)
Net pension asset (liability) recognized on the consolidated balance sheet	$ 304	$ (95)	$ 299	$(104)

Major actuarial assumptions used in accounting for the defined benefit pension plans are shown in the following table. Net pension income is determined using these assumptions as of the end of the prior year. The funded status of the plans is determined using these assumptions as of the end of the current year.

	December 28, 1996	December 30, 1995	December 31, 1994	January 1, 1994
Discount rate	7.50%	7.25%	8.25%	7.25%
Weighted average long-term rate of compensation increase	5.00	5.00	5.00	5.00
Long-term rate of return on plan assets	9.00	9.00	9.00	9.00

16. Postretirement Benefits Other than Pensions

Textron offers health care and life insurance benefits for certain retired employees. Postretirement benefits costs other than pension-related expenses in 1996, 1995, and 1994 included the components shown in the following table. Textron's postretirement benefit plans other than pensions are unfunded.

(In millions)	1996	1995	1994
Service cost - benefits earned during the year	$ 5	$ 5	$ 9
Interest cost on accumulated postretirement benefit obligation	53	58	61
Net amortization	(13)	(14)	(10)
Postretirement benefit costs	$ 45	$ 49	$ 60

The following table sets forth the status of these plans at the end of 1996 and 1995:

(In millions)	December 28, 1996	December 30, 1995
Actuarial present value of benefits attributed to:		
Retirees	$522	$608
Fully eligible active plan participants	66	89
Other active plan participants	85	97
Accumulated postretirement benefit obligation	673	794
Unrecognized net actuarial gains	114	101
Unrecognized prior service cost benefit	30	24
Postretirement benefit liability recognized on the consolidated balance sheet	$817	$919

The discount rates used to determine postretirement benefit costs other than pensions and the status of those plans were the same as those used for Textron's defined benefit pension plans.

The 1996 health care cost trend rate, which is the weighted average annual assumed rate of increase in the per capita cost of covered benefits, was 6.5% for retirees age 65 and over and 9.0% for retirees under age 65. Both rates are assumed to decrease gradually to 5.5% by 2001 and 2003, respectively, and then remain at that level. Increasing the health care cost trend rates by one percentage point in each year would have increased the accumulated postretirement benefit obligation as of year-end 1996 by $61 million and the aggregate of the service and interest cost components of postretirement benefit costs for 1996 by $5 million.

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17. Income Taxes

Textron files a consolidated federal income tax return for all U.S. subsidiaries and separate returns for foreign subsidiaries. TEXTRON RECOGNIZES DEFERRED INCOME TAXES FOR TEMPORARY DIFFERENCES BETWEEN THE FINANCIAL REPORTING BASIS AND INCOME TAX BASIS OF ASSETS AND LIABILITIES BASED ON ENACTED TAX RATES EXPECTED TO BE IN EFFECT WHEN AMOUNTS ARE LIKELY TO BE REALIZED OR SETTLED.

The following table shows income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust:

(In millions)	1996	1995	1994
United States	$528	$476	$446
Foreign	299	214	177
Total	$827	$690	$623

Income tax expense is summarized as follows:

(In millions)	1996	1995	1994
Federal:			
Current	$169	$137	$103
Deferred	11	31	57
State	31	32	32
Foreign	111	74	65
Income tax expense	$322	$274	$257

The following reconciles the federal statutory income tax rate to the effective income tax rate reflected in the consolidated statement of income:

	1996	1995	1994
Federal statutory income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
State income taxes	2.4	2.9	3.3
Goodwill	2.3	2.5	5.9
Other - net	(.8)	(.7)	(2.9)
Effective income tax rate	38.9%	39.7%	41.3%

Textron's net deferred tax asset consisted of gross deferred tax assets and gross deferred tax liabilities of $1,467 million and $1,140 million, respectively, at the end of 1996 and $1,340 million and $1,009 million, respectively, at the end of 1995.

The components of Textron's net deferred tax asset were as follows:

(In millions)	December 28, 1996	December 30, 1995
Finance Group transactions, principally leasing	$(324)	$(324)
Obligation for postretirement benefits other than pensions	321	364
Self insured liabilities	152	162
Fixed assets, principally depreciation	(146)	(142)
Deferred compensation and vacation pay	103	86
Allowance for credit losses	86	85
Other, principally timing of other expense deductions	135	100
	$ 327	$ 331

Deferred income taxes have not been provided for the undistributed earnings of foreign subsidiaries, which approximated $845 million at the end of 1996. Management intends to reinvest those earnings for an indefinite period, except for distributions having an immaterial tax effect. If foreign subsidiaries' earnings were distributed, 1996 taxes, net of foreign tax credits, would be increased by approximately $49 million, primarily because of foreign withholding taxes.

18. Fair Value of Financial Instruments

The estimated fair value amounts shown below were determined from available market information and valuation methodologies. Because considerable judgment is required in interpreting market data, the estimates are not necessarily indicative of the amounts that could be realized in a current market exchange.

	December 28, 1996		December 30, 1995	
(In millions)	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Assets:				
Investments	$ 820	$ 820	$ 778	$ 778
Finance receivables:				
Consumer loans	6,471	6,451	6,475	6,457
Commercial loans	2,227	2,270	2,050	2,087
Liabilities:				
Debt:				
Parent Group:				
Debt	1,507	1,565	1,774	1,873
Interest rate exchange agreements	-	37	-	57
Finance Group:				
Debt	8,839	8,882	8,437	8,557
Interest rate exchange agreements	-	18	-	5
Foreign currency exchange contracts	-	2	-	6

Notes:

(i) Investments -- The estimated fair values of investment securities were based on available quoted market prices, appraisals, prices from independent brokers, or discounted cash flow analyses.

(ii) Finance receivables -- The estimated fair values of fixed-rate consumer loans, real estate loans and commercial installment contracts were based on discounted cash flow analyses. The estimated fair values of variable-rate receivables and fixed-rate retail installment contracts approximated the net carrying value. The estimated fair values of nonperforming loans were based on discounted cash flow analyses using risk-adjusted interest rates or the fair value of the related collateral.

(iii) Debt, interest rate exchange agreements, and foreign currency exchange contracts -- The estimated fair value of fixed-rate debt was determined by independent investment bankers or discounted cash flow analyses. The estimated fair values of variable-rate debt approximated their carrying values. The estimated fair values of interest rate exchange agreements were determined by independent investment bankers and represent the estimated amounts that Textron or its counterparty would be required to pay to assume the other party's obligations under the agreements. The estimated fair values of the foreign currency exchange contracts were determined by Textron's foreign exchange banks.

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19. Contingencies and Environmental Remediation

Contingencies

Lawsuits and other proceedings are pending or threatened against Textron and its subsidiaries. Some allege violations of federal government procurement regulations, involve environmental matters, or are or purport to be class actions. Some seek compensatory, treble or punitive damages in substantial amounts; fines, penalties or restitution; or remediation of contamination. Under federal government procurement regulations, some could result in suspension or debarment of Textron or its subsidiaries from U.S. government contracting for a period of time. On the basis of information presently available, Textron believes that any liability for these suits and proceedings would not have a material effect on Textron's net income or financial condition.

Environmental Remediation

ENVIRONMENTAL LIABILITIES ARE RECORDED BASED ON THE MOST PROBABLE COST IF KNOWN OR ON THE ESTIMATED MINIMUM COST, DETERMINED ON A SITE-BY-SITE BASIS. TEXTRON'S ENVIRONMENTAL LIABILITIES ARE UNDISCOUNTED AND DO NOT TAKE INTO CONSIDERATION POSSIBLE FUTURE INSURANCE PROCEEDS OR SIGNIFICANT AMOUNTS FROM CLAIMS AGAINST OTHER THIRD PARTIES.

Textron's accrued estimated environmental liabilities are based on assumptions which are subject to a number of factors and uncertainties. Circumstances which can affect the accruals' reliability and precision include identification of additional sites, environmental regulations, level of cleanup required, technologies available, number and financial condition of other contributors to remediation, and the time period over which remediation may occur. Textron estimates that its accrued environmental remediation liabilities will likely be paid over the next five to ten years.

20. Geographic and Business Segment Data

Presented below and on page 23 is selected financial information by geographic area and business segment, and a description of the nature of Textron's operations.

Geographic areas (In millions)	Revenues by origin			Income by origin		
	1996	1995	1994	1996	1995	1994
United States	$7,000	$6,841	$7,111	$ 791	$ 773	$ 728
Other North America	1,043	807	690	125	87	85
Western Europe	767	393	318	101	63	46
Asia/Pacific	464	412	231	73	64	46
	$9,274	$8,453	$8,350	1,090	987	905
Corporate expenses and other - net				(115)	(119)	(92)
Interest expense - net				(148)	(178)	(190)
Income from continuing operations before income taxes and distributions on preferred securities of subsidiary trust				$ 827	$ 690	$ 623

Destination of U.S. exports (In millions)	1996	1995	1994
North America	$ 342	$ 280	$ 398
Western Europe	256	306	427
Asia/Pacific	253	235	161
South America	92	110	118
Middle East	55	43	62
Other locations	43	26	30
	$1,041	$1,000	$1,196

Identifiable assets (In millions)	1996	1995	1994
United States	$12,103	$12,080	$11,520
Western Europe	1,662	1,077	949
Asia/Pacific	1,522	1,348	766
Other North America	1,436	1,337	1,262
Corporate, including investment in discontinued operation	1,742	1,932	1,665
Eliminations	(230)	(123)	(59)
	$18,235	$17,651	$16,103

Notes:
(i) Revenues include sales to the U.S. government of $1.0 billion, $1.3 billion, and $1.6 billion in 1996, 1995, and 1994, respectively.

(ii) Revenues between geographic areas, predominantly revenues of U.S. divisions, were approximately 5% in each of the years 1996, 1995, and 1994.

(iii) Assets in foreign locations relate principally to the Finance segment.

Nature of operations

Textron is a global multi-industry company with manufacturing and finance operations. See pages 54 and 55 for a description of Textron's principal products. Its principal markets (listed within segments in order of the amount of 1996 revenues) and the major locations of such markets are as follows:

Segment	Principal markets	Major locations
Aircraft	* Commercial and military helicopters * Business jets * General aviation * Overnight express package carriers * Commuter airlines, relief flights, tourism, and freight	* North America * Asia/Pacific * South America * Western Europe
Automotive	* Automotive original equipment manufacturers and their suppliers	* North America * Western Europe

Industrial	* Fastening systems: automotive, electronics, aerospace, other OEMs, distributors, and consumers * Golf and turf-care products: golf courses, resort communities, and commercial and industrial users * Engineered products and components: original equipment manufacturers, distributors, and end-users of a wide variety of products	* North America * Western Europe * Asia/Pacific
Systems and Components	* Commercial aerospace * Defense	* North America * Western Europe
Finance	* Consumer loans * Commercial loans	* North America * Asia/Pacific * Western Europe

Quarterly Data

(Unaudited) (Dollars in millions except per share amounts)	1996 Q4	1996 Q3	1996 Q2	1996 Q1	1995 Q4	1995 Q3	1995 Q2	1995 Q1
Revenues								
Aircraft	$ 762	$ 638	$ 649	$ 654	$ 661	$ 633	$ 660	$ 565
Automotive	428	355	439	405	395	340	386	413
Industrial	561	554	604	477	427	357	390	386
Systems and Components	139	175	175	164	222	228	215	190
Finance	538	526	517	514	524	499	487	475
Total revenues	$ 2,428	$ 2,248	$2,384	$ 2,214	$ 2,229	$ 2,057	$2,138	$ 2,029
Income								
Aircraft	$ 79	$ 69	$ 67	$ 56	$ 67	$ 69	$ 66	$ 43
Automotive	41	27	41	37	39	25	35	36
Industrial	57	58	64	54	44	40	45	48
Systems and Components	11	19	16	11	16	18	18	13
Finance	98	98	95	92	94	96	87	88
Total operating income	286	271	283	250	260	248	251	228
Corporate expenses and other - net	(29)	(28)	(30)	(28)	(32)	(32)	(28)	(27)
Interest expense - net	(37)	(36)	(37)	(38)	(45)	(43)	(46)	(44)
Income taxes	(85)	(81)	(84)	(72)	(73)	(69)	(70)	(62)
Distributions on preferred securities of subsidiary trust, net of income taxes	(7)	(6)	(7)	(3)	-	-	-	-
Income from continuing operations	128	120	125	109	110	104	107	95
Discontinued operation, net of income taxes:								
Income from operations	-	-	-	16	17	18	14	14
Estimated loss on disposal	-	(155)	-	(90)	-	-	-	-
	-	(155)	-	(74)	17	18	14	14
Net income	$ 128	$ (35)	$ 125	$ 35	$ 127	$ 122	$ 121	$ 109
Earnings per common share								
Income from continuing operations	$ 1.50	$ 1.40	$ 1.44	$ 1.26	$ 1.26	$ 1.20	$ 1.23	$ 1.09
Discontinued operation	-	(1.81)	-	(.86)	.19	.21	.17	.16
Net income	$ 1.50	$ (.41)	$ 1.44	$ .40	$ 1.45	$ 1.41	$ 1.40	$ 1.25
Average shares outstanding (in thousands)<F*>	85,130	85,790	86,575	86,680	87,345	86,692	86,679	87,055
Operating income margins								
Aircraft	10.4%	10.8%	10.3%	8.6%	10.1%	10.9%	10.0%	7.6%
Automotive	9.6	7.6	9.3	9.1	9.9	7.4	9.1	8.7
Industrial	10.2	10.5	10.6	11.3	10.3	11.2	11.5	12.4
Systems and Components	7.9	10.9	9.1	6.7	7.2	7.9	8.4	6.8
Finance	18.2	18.6	18.4	17.9	17.9	19.2	17.9	18.5
Operating income margin	11.8	12.1	11.9	11.3	11.7	12.1	11.7	11.2
Common stock information								
Price range: High	$97-3/4	$87-7/8	$ 89	$85-3/4	$77-3/8	$70-1/8	$ 61	$57-1/8
Low	$84-3/4	$ 73	$ 88	$69-1/8	$65-1/2	$57-7/8	$ 56	$48-5/8
Dividends per share	$ .44	$ .44	$ .44	$ .44	$ .39	$ .39	$ .39	$ .39

<F*>Assumes full conversion of outstanding preferred stock and exercise of stock options.

Prior year amounts have been reclassified to conform to the current year's segment presentation.

Selected Financial Information

(Dollars in millions except where otherwise noted and per share amounts)	1996	1995	1994	1993	1992	1991
Revenues						
Aircraft	$ 2,703	$ 2,519	$ 2,290	$ 2,077	$ 1,617	$ 1,352
Automotive	1,627	1,534	1,511	1,178	788	661
Industrial	2,196	1,560	1,539	1,363	1,309	1,275
Systems and Components	653	855	1,338	1,653	1,902	1,922
Finance	2,095	1,985	1,672	1,610	1,622	1,548
Total revenues	$ 9,274	$ 8,453	$ 8,350	$ 7,881	$ 7,238	$ 6,758
Income						
Aircraft	$ 271	$ 245	$ 197	$ 162	$ 136	$ 121
Automotive	146	135	132	89	68	50
Industrial	233	177	157	130	116	99
Systems and Components	57	65	88	117	161	204
Finance	383	365	331	289	250	226
Total operating income	1,090	987	905	787	731	700
Corporate expenses and other - net	(115)	(119)	(92)	(103)	(81)	(89)
Interest expense - net	(148)	(178)	(190)	(214)	(238)	(213)
Income taxes	(322)	(274)	(257)	(171)	(160)	(160)
Distributions on preferred securities of subsidiary trust, net of income taxes	(23)	-	-	-	-	-
Income from continuing operations<F*>	$ 482	$ 416	$ 366	$ 299	$ 252	$ 238
Per share of common stock						
Income from continuing operations<F*>	$ 5.60	$ 4.79	$ 4.06	$ 3.32	$ 2.84	$ 2.71
Dividends declared	$ 1.76	$ 1.56	$ 1.40	$ 1.24	$ 1.12	$ 1.03
Book value at year-end	$ 38.20	$ 39.92	$ 33.45	$ 31.18	$ 28.11	$ 33.65
Common stock price: High	$ 97-3/4	$77-3/8	$60-5/8	$58-7/8	$44-3/4	$39-1/2
Low	$ 69-1/8	$48-5/8	$46-1/2	$40-3/8	$33-3/4	$ 25
Year-end	$ 93-3/8	$67-1/2	$50-3/8	$58-1/4	$44-3/4	$38-1/2
Common shares outstanding (in thousands)<F**> : Average	86,029	86,894	90,119	90,052	88,580	87,563
Year-end	85,158	86,950	87,253	90,499	89,418	88,261
Financial position						
Total assets	$ 18,235	$17,651	$16,103	$15,372	$14,710	$12,283
Debt:						
Parent Group	$ 1,507	$ 1,774	$ 1,582	$ 2,025	$ 2,283	$ 1,820
Finance Group	$ 8,839	$ 8,437	$ 7,760	$ 6,847	$ 6,440	$ 5,664
Preferred securities of subsidiary trust	$ 483	$ -	$ -	$ -	$ -	$ -
Shareholders' equity	$ 3,183	$ 3,412	$ 2,882	$ 2,780	$ 2,488	$ 2,928
Parent Group debt to total capital	29%	34%	35%	42%	48%	45%
Investment data						
Capital expenditures	$ 343	$ 279	$ 294	$ 246	$ 215	$ 152
Depreciation	$ 223	$ 195	$ 206	$ 201	$ 194	$ 177
Research and development	$ 576	$ 656	$ 611	$ 514	$ 430	$ 457
Other data						
Number of employees at year-end	57,000	54,000	50,000	53,000	51,000	49,000
Number of common shareholders at year-end	25,000	26,000	27,000	28,000	30,000	31,000

<F*>Before cumulative effect of changes in accounting principles in 1992.

<F**>Assumes full conversion of outstanding preferred stock and exercise of stock options.

Prior year amounts have been reclassified to conform to the current year's segment presentation.

Aircraft	Bell Helicopter Textron	Webb F. Joiner Chairmand and Chief Executive Officer	Vertical takeoff and landing aircraft and spare parts for the U.S. Government, foreign governments and commercial markets
	The Cessna Aircraft Company	Russell W. Meyer, Jr. Chairman and Chief Executive Officer	Light and mid-size business jets, utility turboprops and single-engine piston aircraft.
	Textron Lycoming	David G. Assard President	Piston aircraft engines and replacement parts for the general aviation market.
Automotive	Textron Automotive Company	John A. Janitz Chairman, President Chief Executive Officer	Automotive interior, exterior and functional components and systems.
	CWC Castings Textron	John L. Kelly President	Gray iron and ductile iron castings, primarily camshafts for automobile and engine manufacturers.
	Kautex Werke Reinold Hagen AG (Germany)	Dr. Wolfgang Theis Chairman	Blow-molded plastic fuel tank system and other automotive components.
	McCord Winn Textron	George F. Daniels President	Automotive seating comfort systems, windshield and headlamp washing systems and electro-mechanical components.
	Micromatic Textron	Michael J. Brennan President	Proprietary machine tools, components and assembly systems for automotive and commercial markets.
	Randall Textron	Jane L. Warner President	Fuel filler assemblies and fuel delivery systems for automotive market.
	Textron Automotive Trim Operations	Sam Licavoli President	Instrument panels, door panels, armrests, airbag doors, center consoles, headliners, exterior trim and lighting components
Industrial	Textron Fastening Systems	Fastening systems, synergistic assemblies, components and installation tools serving the automotive, aerospace, electronics, construction, do-it yourself and transportation markets.	

Avdel Textron	John C. Castle President	Textron Aerospace Fasteners	George A. Andrews President
Camcar Textron	James R. MacGilvray President	Textron Fastening Systems - Germany	Horst Homuth General Manager
Elco Textron	John C. Lutz President and Chief Executive Officer	Textron Industries S.A.S. (France)	John C. Castle President (Acting)

Industrial (continued)	Cone Drive Textron	John G. Melvin President	Double-enveloping worm gear speed reducers, gear motors and gear sets.
	E-Z-GO Textron	L.T. Walden, Jr. President	Electric- and gasoline-powered golf cars and multipurpose utility vehicles.
	Greenlee Textron	Barclay S. Olson President	Products for wire and cable installation and maintenance in residential, commercial and industrial facilities.
	HR Textron	Bradley W. Spahr President	Motion control components and systems for industrial, defense and aerospace markets.
	Jacobsen Textron	Philip J. Tralies President	Professional mowing and turf maintenance equipment.
	Maag Italia Textron S.p.A. (Italy)	Dr. Giovanni P. Agostini President	Traction gears for the railway industry.
	Maag Pump Systems Textron AG (Switzerland)	Dr. Frank Brinken President	Gear pumps and systems used for processing applications in the plastics, chemical and pharmaceutical industries.
	Speidel Textron	William R. Jahnke President	Watch attachments and fashion jewelry products.
Systems and Components	Fuel Systems Textron	Michael Boston President	Fuel systems components for aircraft and industrial gas turbine engines.
	Textron Marine & Land Systems	John J. Kelly President	Air cushion amphibious landing craft, combat vehicles and advanced suspension systems.
	Textron Systems	Richard J. Millman President	Weapon and electronic systems, advanced materials and coatings, and high-tech commercial products.
	Turbine Engine Components Textron	G.L. (Topper) Long President	Air and land-based gas turbine engine components for engine OEMs.
Finance	Avco Financial Services	Warren R. Lyons Chairman	International consumer financing, and credit and property casualty insurance.
	Textron Financial Corporation	Stephen A. Giliotti President	Commercial financing for the purchase of Textron and third-party products.

Board of Directors

James F. Hardymon <F1> Chairman and Chief
Executive Officer
Textron Inc.

Lewis B. Campbell <F1> President and Chief
Operating Officer
Textron Inc.

H. Jesse Arnelle <F4>,<F5> Senior Partner
Arnelle, Hastie, McGee,
Willis & Greene

Teresa Beck
Chief Financial Officer
American Stores Company

R. Stuart Dickson <F1>,<F2> Formerly Chairman
Ruddick Corporation

Paul E. Gagne <F1>,<F2> President and Chief
Executive Officer
Avenor Inc.

John D. Macomber <F3>,<F4> Principal
JDM Investment Group

Dana G. Mead
Chairman and Chief
Executive Officer
Tenneco Inc.

Barbara Scott Preiskel <F3>,<F4> Formerly Senior Vice President
and General Counsel
Motion Picture Association

Brian H. Rowe <F3>,<F5> Retired Chairman
GE Aircraft Engines

Sam F. Segnar <F3>,<F4> Retired Chairman and
Chief Executive Officer
Enron Corporation

Jean Head Sisco <F1>,<F2> Partner
Sisco Associates

John W. Snow <F1>,<F5> Chairman, President and Chief
Executive Officer
CSX Corporation

Martin D. Walker <F1>,<F4> Chairman
M.A. Hanna Company

Thomas B. Wheeler <F2>,<F5> Chairman and Chief Executive
Officer
Massachusetts Mutual Life
Insurance Company

[FN]
Numbers indicate committee
memberships

<F1> Executive Committee: Chairman,
James F. Hardymon

<F2> Audit Committee: Chairman,
Jean Head Sisco

<F3> Nominating and Board Affairs Committee:
Chairman,
Barbara Scott Preiskel

<F4> Organization and Compensation Committee:
Chairman,
Martin D. Walker

<F5> Pension Committee: Chairman,
Thomas B. Wheeler

Management Committee

James F. Hardymon<F*> Chairman and Chief
Executive Officer

Lewis B. Campbell
President and Chief
Operating Officer

Mary L. Howell<F**> Executive Vice President
Government and
International

Wayne W. Juchatz
Executive Vice President and
General Counsel

Stephen L. Key
Executive Vice President and
Chief Financial Officer

William F. Wayland<F**> Executive Vice President
Administration and Chief
Human Resources Officer

Operating Committee

Lewis B. Campbell
President and Chief
Operating Officer

Carol J. Grant
Vice President
Human Resources

Herbert L. Henkel<F*> President
Textron Industrial Products

John A. Janitz
Chairman, President and Chief
Executive Officer
Textron Automotive Company

Webb F. Joiner<F***> Chairman and Chief
Executive Officer
Bell Helicopter Textron

Warren R. Lyons<F**> Chairman
Avco Financial Services

Russell W. Meyer, Jr.<F***> Chairman and Chief
Executive Officer
Cessna Aircraft Company

Gero K.H. Meyersiek
Vice President International

Terry D. Stinson<F*> President and Chief
Operating Officer
Bell Helicopter Textron

Richard L. Yates<F**> Vice President and Controller

Corporate Staff Officers

Frederick K. Butler<F**> Vice President and Secretary

Peter B.S. Ellis
Vice President Strategic
Planning

Douglas A. Fahlbeck<F**> Vice President Mergers and
Acquisitions

Arnold M. Friedman<F***> Vice President and Deputy
General Counsel

William B. Gauld
Vice President Corporate
Information Management
and Chief Information
Officer

Gregory E. Hudson<F**> Vice President Taxes

William P. Janovitz<F**> Vice President
Financial Management

Mary F. Lovejoy
Vice President
Communications and
Investor Relations

John W. Mayers, Jr.<F**> Vice President Risk
Management and
Insurance

Frank W. McNally<F*> Vice President Employee
Relations and Benefits

Freda M. Peters
Vice President
Executive Development and
Human Resource
Policy and Compliance

Daniel L. Shaffer<F**> Vice President Audit and
Business Ethics

Richard F. Smith<F**> Vice President Government

Affairs

Richard A. Watson<F***> Senior Vice President and Treasurer

John F. Zugschwert<F*> Vice President Government Marketing

[FN]
Service with Textron and its subsidiaries/divisions:

<F*>5-9 years

<F**>10-19 years

<F***>20 years and over

International Advisory Council

Richard R. Burt
Chairman
IEP Advisors Inc.
USA

Lewis B. Campbell
President and COO
Textron Inc.
USA

Cheng Wai Keung
Chairman and Managing Director
Wing Tai Holdings Limited
Singapore

Jean Gandois
President
National Council of French Employers
France

David A. Gledhill
Former Chairman
Swire Group
Hong Kong

Carl H. Hahn
Former Chairman of Board of Management
Volkswagen AG
Germany

James F. Hardymon
Chairman and CEO
Textron Inc.
USA

Mary L. Howell
Executive Vice President
Government and International
Textron Inc.
USA

Jeffrey Koo
Chairman and CEO
Chinatrust Commercial Bank
Taiwan

Gero K.H. Meyersiek
Vice President International
Textron Inc.
USA

Marcilio Marques Moreira
Former Finance Minister
Brazil

Andrzej Olechowski
Chairman
Central Europe Trust
Poland

Sir Charles Powell
Director
Jardines Matheson
Holdings Ltd.
United Kingdom

Ratan N. Tata
Chairman
Tata Industries Limited
India

Horst Teltschik
Member of the Board
of Management
BMW AG
Germany

Shareholder Information

Corporate Headquarters

Textron Inc.
40 Westminster Street
Providence, Rhode Island 02903
(401) 421-2800

Annual Meeting

Textron's annual meeting of shareholders will be held on Wednesday, April 23, 1997 at 10:30 a.m. at The Worthington Hotel, Ft. Worth, Texas.

Transfer Agent, Registrar and Dividend Paying Agent

For shareholder services such as change of address, lost certificates or dividend checks, change in registered ownership, preferred stock conversion services or the Dividend Reinvestment Plan, write or call:

First Chicago Trust Company of New York
P.O. Box 2500
Jersey City, New Jersey 07303-2500
1-800-519-3111

Dividend Reinvestment Plan

Textron's Dividend Reinvestment Plan offers shareholders of common stock a convenient way to purchase additional shares of Textron common stock without paying brokerage, commission or other service fees. More information and an authorization form may be obtained by writing or calling First Chicago Trust Company of New York. (Please see First Chicago's address and telephone number above.)

Stock Exchange Information (Symbol: TXT)

Textron common stock is listed on the New York, Chicago and Pacific Stock Exchanges.

Textron's preferred stocks ($2.08 and $1.40) are traded only on the New York Stock Exchange.

Investor Relations/Public Relations

Textron Inc.
Communications and Investor Relations Department 40 Westminster Street
Providence, Rhode Island 02903

Investors and security analysts should call: (401) 457-2353 Members of the news media should call: (401) 457-2354

For more information regarding Textron and its divisions, visit our worldwide web site on the internet at http://www.textron.com

Company Publications and General Information

To receive a copy, without charge, of Textron's reports on Form 10-K and 10-Q, proxy statement, Annual Report and the most recent company news and earnings press releases, please call 1-888-TXT-LINE or direct written correspondence to Textron. (Please see Textron's Communications and Investor

Relations Department address above.)

March 14, 1997

Exhibit 21

TEXTRON INC. - Significant Subsidiaries
(as of March 14, 1997)

Set forth below are the names of certain subsidiaries of Textron Inc. Other subsidiaries, which considered in the aggregate, do not constitute a significant subsidiary, are omitted from such list.

Name	Place of Incorporation
Avco Corporation	Delaware
ARS Two Inc.	Delaware
Avco Community Developers, Inc.	California
Textron Pacific Limited	Australia
Textron Systems Corporation	Delaware
Turbine Engine Components Textron Inc.	Delaware
Avco Financial Services, Inc.	Delaware
Avdel Cherry Textron Inc.	New York
Bell Helicopter Services Inc.	Delaware
Bell Helicopter Asia (Pte) Ltd.	Singapore
Bell Helicopter Textron Inc.	Delaware
Cadillac Gage Textron Inc.	Michigan
The Cessna Aircraft Company	Kansas
Cone Drive Operations Inc.	Delaware
Elco Textron Inc.	Delaware
Fuel Systems Textron Inc.	Delaware
Greenlee Textron Inc.	Delaware
HR Textron Inc.	Delaware
Maag Pump Systems of America, Inc.	North Carolina
McCord Corporation	Michigan
Textron Automotive Interiors Inc.	Delaware
Davidson Overseas Investment Inc.	Delaware
Textron Automotive B.V.	Netherlands
Textron Automotive Functional Components Inc. - McCord Winn Division	Massachusetts
Micromatic Operations Inc.	Delaware
Micro-Precision Operations Inc.	Delaware
The Paul Revere Corporation (83%,)	Massachusetts
The Paul Revere Life Insurance Company	Massachusetts

The Paul Revere Protective Life Insurance Delaware Company
The Paul Revere Variable Annuity Insurance Massachusetts

Company	
The Paul Revere Equity Sales Company	Massachusetts
The Paul Revere Investment Management Company	Massachusetts
Textron Atlantic Inc.	Delaware
Avdel plc	United Kingdom
Bell Helicopter Supply Center B.V.	Netherlands
Camcar Textron (Malaysia) Sdn. Bhd.	Malaysia
Jacobsen E-Z-GO Textron B.V.	Netherlands
Jacobsen E-Z-GO Textron A.G.	Switzerland
Jacobsen E-Z-GO Textron A/S	Denmark
Jacobsen E-Z-GO Textron S.R.L.	Italy
Klauke Handelsges, m.b.H.	Austria
Maag Pump Systems AG	Switzerland
Maag Pump Systems PTE Ltd.	Singapore
Marly ORAG S.A.	France

Name	Place of Incorporation
Textron Atlantic Inc. (continued)	Delaware
Textron Atlantic Belgium S.A.	Belgium
Textron Atlantic France Inc.	Delaware
Textron Atlantic Holding GmbH	Germany
Gustav Klauke GmbH	Germany
Gustav Klauke France SARL	France
Jacobsen E-Z-GO Textron GmbH Rasenpflegesysteme	Germany
Maag Pump Systems GmbH	Germany
Textron Automotive GmbH	Germany
Kautex Werke Reinold Hagen A.G.	Germany
Kautex Benelux N.V.	Belgium
Kautex Iberica S.A.	Spain
Textron Verbindungstechnik GmbH	Germany
Textron Verbindungstechnik OHG	Germany
Textron France Inc.	Delaware
Textron France S.N.C.	France
Textron France S.A.	France
Textron Industries S.A.S.	France
Textron Italia SpA	Italy
Maag Italia SpA	Italy
Textron Limited	United Kingdom
Textron Automotive Company Inc.	Delaware
Textron Automotive Exteriors Inc.	Delaware
Textron Automotive Management Services Inc.	Delaware
Textron FSC Inc.	Barbados
Textron Financial Corporation	Delaware
Cessna Finance Corporation	Kansas
Textron International Inc.	Delaware
Textron Properties Inc.	Delaware
Textron Canada Limited	Canada
Kautex Corporation	Ontario
Textron Realty Corporation	Delaware
Textron Realty Operations (Wheatfield) Inc.	Delaware
Textron S.A. de C.V.	Mexico
Textron Automotive Company de Mexico, S.A. de C.V.	Mexico

Textron Automotive Management Services Company Mexico de Mexico, S.A. de C.V.
Turbine Engine Components Textron (Cleveland Delaware Operations) Inc.
Turbine Engine Components Textron (Newington Connecticut Operations) Inc.
Turbine Engine Components Textron (Santa Fe Springs California Operations) Inc.

Wolverine Metal Specialties Inc.	Michigan
Xact Textron Inc.	Delaware

Notes:
A list of the principal subsidiaries of Avco Financial Services, Inc. is attached hereto as Exhibit 1.

Remaining 17% of share capital is publicly traded on The New York Stock Exchange.

85% of the capital stock of Textron France S.N.C. is held by Textron France Inc. and the remaining 15% by Textron Atlantic France Inc.

85% of the capital stock of Textron Italia SpA is held by Textron Atlantic Inc. and the remaining 15% by Textron International Inc.

64.5% of the capital stock of Textron Canada Limited is held by Textron Properties Inc. and the remaining 35.5% by Textron

Inc.

Exhibit 1

Set forth below are the principal subsidiaries of Avco Financial Services, Inc.:

Name	Jurisdiction
AFS Corporation	Delaware
Avco DC Corporation	Delaware
Avco Enterprises, Inc.	California
Avco Financial Services Canada Limited	Ontario
Avco Financial Services International, Inc.	Nebraska
Avco Financial Services Ltd.	Australian Capital Territory
Avco Financial Services Limited	New Zealand
Avco Group Limited	United Kingdom
Avco National Bank	California
Balboa Insurance Company	California
Balboa Life Insurance Company	California
Family Insurance Corporation	Wisconsin
Meritplan Insurance Company	California
Newport Insurance Company	Arizona

Owned by Avco Financial Services International, Inc. Owned by AFS Corporation and Avco DC Corporation Owned by Avco Financial Services, Inc. Owned by Avco Enterprises, Inc., a wholly-owned subsidiary of Avco Financial Services, Inc.
Owned by Balboa Insurance Company

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Textron Inc. of our report dated January 23, 1997, included in the 1996 Annual Report to Shareholders of Textron Inc.

Our audits also included the financial statement schedules of Textron Inc. listed in the accompanying Index to Financial Statements and Financial Statement Schedules. These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements (Form S-3 No. 33-46501, Form S-3 No. 33- 63227, Form S-8 No. 2-78073, Form S-8 No. 2-95413, Form S-8 No. 33-00668, Form S-8 No. 33-19402, Form S-8 No. 33-37139, Form S-8 No. 33-38094, Form S-8 No. 33-57025, Form S-8 No. 33-63741 and Form S-8 No. 33-07121) of Textron Inc. and in the related Prospectuses and Prospectus Supplements of our report dated January 23, 1997, with respect to the consolidated financial statements and schedules of Textron Inc. included or incorporated by reference in this Annual Report (Form 10-K) for the year ended December 28, 1996.

/s/ERNST & YOUNG
Boston, Massachusetts
March 13, 1997

POWER OF ATTORNEY

The undersigned, Textron Inc. ("Textron") a Delaware corporation, and the undersigned directors and officers of Textron, do hereby constitute and appoint Wayne W. Juchatz, Arnold
M. Friedman, Michael D. Cahn, W. Robert Kemp and Ann T. Willaman, and each of them, with full powers of substitution, their true and lawful attorneys and agents to do or cause to be done any and all acts and things and to execute and deliver any and all instruments and documents which said attorneys and agents, or any of them, may deem necessary or advisable in order to enable Textron to comply with the Securities and Exchange Act of 1934, as amended, and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing of Textron's Annual Report on Form 10-K for the fiscal year ended December 28, 1996, including specifically, but without limitation, power and authority to sign the names of the undersigned directors and officers in the capacities indicated below and to sign the names of such officers on behalf of Textron to such Annual Report filed with the Securities and Exchange Commission, to any and all amendments to such Annual Report, to any instruments or documents or other writings in which the original or copies thereof are to be filed as a part of or in connection with such Annual Report or amendments thereto, and to file or cause to be filed the same with the Securities and Exchange Commission; and each of the undersigned hereby ratifies and confirms all that such attorneys and agents, and each of them, shall do or cause to be done hereunder and such attorneys and agents, and each of them, shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, Textron has caused this Power of Attorney to be executed and delivered in its name and on its behalf by the undersigned duly authorized officer and its corporate seal affixed, and each of the undersigned has signed his or her name thereto, on this 26th day of February, 1997.

TEXTRON INC.

By: /s/James F. Hardymon
James F. Hardymon
Chairman and Chief
Executive Officer

ATTEST:

/s/Frederick K. Butler
Frederick K. Butler
Vice President and Secretary

/s/James F. Hardymon *James F. Hardymon* *Chairman and Chief* *Executive Officer, Director* *(principal executive officer)*	*/s/Barbara Scott Preiskel* *Barbara Scott Preiskel* *Director*
/s/Lewis B. Campbell *Lewis B. Campbell* *President and Chief Operating* *Officer, Director*	*/s/Brian H. Rowe* *Brian H. Rowe* *Director*
/s/H. Jesse Arnell *H. Jesse Arnelle* *Director*	*/s/Sam F. Segnar* *Sam F. Segnar* *Director*
/s/Teresa Beck *Teresa Beck* *Director*	*/s/Jean Head Sisco* *Jean Head Sisco* *Director*
/s/R. Stuart Dickson *R. Stuart Dickson* *Director*	*/s/John W. Snow* *John W. Snow* *Director*
/s/Paul E. Gagne *Paul E. Gagne* *Director*	*/s/Martine D. Walker* *Martin D. Walker* *Director*
/s/John D. Macomber *John D. Macomber* *Director*	*/s/Thomas B. Wheeler* *Thomas B. Wheeler* *Director*
/s/Dana G. Mead *Dana G. Mead* *Director*	*/s/Stephen L. Key* *Stephen L. Key* *Executive Vice President* *and Chief Financial Officer* *(principal financial officer)*
	/s/Richard L. Yates *Richard L. Yates*

Vice President and Controller
(principal accounting officer)

Exhibit 24.2

TEXTRON INC.

Assistant Secretary's Certificate

I, ANN T. WILLAMAN, a duly elected Assistant Secretary of TEXTRON INC., a Delaware corporation (hereinafter, the "Corporation"), DO HEREBY CERTIFY that set forth below is a true and correct copy of a resolution passed at a meeting of the Corporation's Board of Directors held on February 28, 1997, at which a quorum was present and voted throughout:

RESOLVED, that the officers of the Corporation be, and they hereby are, authorized in the name and on behalf of the Corporation to execute and deliver a power of attorney appointing Wayne W. Juchatz, Arnold M. Friedman, Michael D. Cahn and Ann T. Willaman, or any of them, to act as attorneys-in-fact for the Corporation for the purpose of executing and filing the Corporation's Annual Report on Form 10-K for its fiscal year ended December 28, 1996, and any and all amendments thereto.

I DO HEREBY FURTHER CERTIFY that the foregoing resolution has been neither amended nor modified, and remains in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Corporate seal of TEXTRON INC. to be affixed as of the 14th day of March, 1997.

/s/Ann T. Willaman
Ann T. Willaman
CORPORATE SEAL *Assistant Secretary*

ARTICLE 5

This schedule contains summary financial information extracted from Textron Inc.'s Consolidated Balance Sheet as of December 28, 1996 and Consolidated Statement of Income for the year ended December 28, 1996 and is qualified in its entirety by reference to such financial statements.

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 28 1996
PERIOD END	DEC 28 1996
CASH	47
SECURITIES	0
RECEIVABLES	11,304
ALLOWANCES	293
INVENTORY	1,192
CURRENT ASSETS	0
PP&E	3,203
DEPRECIATION	1,664
TOTAL ASSETS	18,235
CURRENT LIABILITIES	0
BONDS	10,346
COMMON	12
PREFERRED MANDATORY	0
PREFERRED	14
OTHER SE	3,157
TOTAL LIABILITY AND EQUITY	18,235
SALES	7,179
TOTAL REVENUES	9,274
CGS	5,837
TOTAL COSTS	6,112
OTHER EXPENSES	0
LOSS PROVISION	230
INTEREST EXPENSE	731
INCOME PRETAX	827
INCOME TAX	322
INCOME CONTINUING	482
DISCONTINUED	(229)
EXTRAORDINARY	0
CHANGES	0
NET INCOME	253
EPS PRIMARY	2.94
EPS DILUTED	2.94

End of Filing