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

Form 10-Q

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

For the quarterly period ended April 1, 2017

OR

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

For the transition period from _____ to _____.

Commission File Number 1-5480

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ✓ No____

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

Large accelerated filer [✓] Accelerated filer [___] Non-accelerated filer [___]
Smaller reporting company [___] Emerging growth company [___]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [__]

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

As of April 14, 2017, there were 267,689,291 shares of common stock outstanding.

TEXTRON INC.
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For the Quarterly Period Ended April 1, 2017

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TEXTRON INC.
Consolidated Statements of Operations (Unaudited)

	Three Months Ended	
(In millions, except per share amounts)	April 1, 2017	April 2, 2016
Revenues		
Manufacturing revenues	$ 3,075	$ 3,181
Finance revenues	18	20
Total revenues	3,093	3,201
Costs, expenses and other		
Cost of sales	2,584	2,635
Selling and administrative expense	309	308
Interest expense	42	43
Special charges	37	—
Total costs, expenses and other	2,972	2,986
Income from continuing operations before income taxes	121	215
Income tax expense	21	64
Income from continuing operations	100	151
Income (loss) from discontinued operations, net of income taxes	1	(1)
Net income	$ 101	$ 150
Basic earnings per share		
Continuing operations	$ 0.37	$ 0.55
Discontinued operations	—	—
Basic earnings per share	$ 0.37	$ 0.55
Diluted earnings per share		
Continuing operations	$ 0.37	$ 0.55
Discontinued operations	—	—
Diluted earnings per share	$ 0.37	$ 0.55
Dividends per share		
Common stock	$ 0.02	$ 0.02

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended	
(In millions)	April 1, 2017	April 2, 2016
Net income	$ 101	$ 150
Other comprehensive income, net of tax:		
Pension and postretirement benefits adjustments, net of reclassifications	24	21
Foreign currency translation adjustments	22	24
Deferred gains on hedge contracts, net of reclassifications	4	21
Other comprehensive income	50	66
Comprehensive income	$ 151	$ 216

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Balance Sheets (Unaudited)

(Dollars in millions)	April 1, 2017	December 31, 2016
Assets		
Manufacturing group		
Cash and equivalents	$ 858	$ 1,137
Accounts receivable, net	1,198	1,064
Inventories	4,709	4,464
Other current assets	361	388
Total current assets	7,126	7,053
Property, plant and equipment, less accumulated depreciation and amortization of $4,056 and $4,123	2,637	2,581
Goodwill	2,332	2,113
Other assets	2,398	2,331
Total Manufacturing group assets	14,493	14,078
Finance group		
Cash and equivalents	139	161
Finance receivables, net	900	935
Other assets	171	184
Total Finance group assets	1,210	1,280
Total assets	$ 15,703	$ 15,358
Liabilities and shareholders' equity		
Liabilities		
Manufacturing group		
Short-term debt and current portion of long-term debt	$ 462	$ 363
Accounts payable	1,230	1,273
Accrued liabilities	2,331	2,257
Total current liabilities	4,023	3,893
Other liabilities	2,283	2,354
Long-term debt	2,768	2,414
Total Manufacturing group liabilities	9,074	8,661
Finance group		
Other liabilities	162	220
Debt	885	903
Total Finance group liabilities	1,047	1,123
Total liabilities	10,121	9,784
Shareholders' equity		
Common stock	34	34
Capital surplus	1,648	1,599
Treasury stock	(186)	—
Retained earnings	5,641	5,546
Accumulated other comprehensive loss	(1,555)	(1,605)
Total shareholders' equity	5,582	5,574
Total liabilities and shareholders' equity	$ 15,703	$ 15,358
Common shares outstanding *(in thousands)*	267,717	270,287

See Notes to the Consolidated Financial Statements.

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TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited)
For the Three Months Ended April 1, 2017 and April 2, 2016, respectively

(In millions)	Consolidated 2017	2016
Cash flows from operating activities		
Net income	$ 101	$ 150
Less: Income (loss) from discontinued operations	1	(1)
Income from continuing operations	100	151
Adjustments to reconcile income from continuing operations to net cash used in operating activities:		
Non-cash items:		
Depreciation and amortization	106	109
Asset impairments	11	—
Deferred income taxes	13	19
Other, net	28	30
Changes in assets and liabilities:		
Accounts receivable, net	(103)	(143)
Inventories	(122)	(313)
Other assets	(8)	61
Accounts payable	(102)	147
Accrued and other liabilities	(158)	(230)
Income taxes, net	38	17
Pension, net	8	7
Captive finance receivables, net	25	(4)
Other operating activities, net	(5)	(1)
Net cash used in operating activities of continuing operations	(169)	(150)
Net cash used in operating activities of discontinued operations	(25)	—
Net cash used in operating activities	(194)	(150)
Cash flows from investing activities		
Net cash used in acquisitions	(318)	(164)
Capital expenditures	(76)	(88)
Finance receivables repaid	15	17
Other investing activities, net	13	10
Net cash used in investing activities	(366)	(225)
Cash flows from financing activities		
Proceeds from long-term debt	362	362
Increase in short-term debt	100	42
Principal payments on long-term debt and nonrecourse debt	(38)	(46)
Purchases of Textron common stock	(186)	(215)
Dividends paid	(6)	(6)
Other financing activities, net	19	7
Net cash provided by financing activities	251	144
Effect of exchange rate changes on cash and equivalents	8	4
Net decrease in cash and equivalents	(301)	(227)
Cash and equivalents at beginning of period	1,298	1,005
Cash and equivalents at end of period	$ 997	$ 778

See Notes to the Consolidated Financial Statements.

TEXTRON INC.
Consolidated Statements of Cash Flows (Unaudited) (Continued)
For the Three Months Ended April 1, 2017 and April 2, 2016, respectively

	Manufacturing Group		Finance Group	
(In millions)	2017	2016	2017	2016
Cash flows from operating activities				
Net income	$ 95	$ 147	$ 6	$ 3
Less: Income (loss) from discontinued operations	1	(1)	—	—
Income from continuing operations	94	148	6	3
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:				
Non-cash items:				
Depreciation and amortization	103	106	3	3
Asset impairments	11	—	—	—
Deferred income taxes	13	17	—	2
Other, net	28	29	—	1
Changes in assets and liabilities:				
Accounts receivable, net	(103)	(143)	—	—
Inventories	(122)	(313)	—	—
Other assets	(7)	62	(1)	(1)
Accounts payable	(102)	147	—	—
Accrued and other liabilities	(151)	(223)	(7)	(7)
Income taxes, net	90	16	(52)	1
Pension, net	8	7	—	—
Other operating activities, net	(5)	(1)	—	—
Net cash provided by (used in) operating activities of continuing operations	(143)	(148)	(51)	2
Net cash used in operating activities of discontinued operations	(25)	—	—	—
Net cash provided by (used in) operating activities	(168)	(148)	(51)	2
Cash flows from investing activities				
Net cash used in acquisitions	(318)	(164)	—	—
Capital expenditures	(76)	(88)	—	—
Finance receivables repaid	—	—	76	68
Finance receivables originated	—	—	(36)	(55)
Other investing activities, net	1	—	12	10
Net cash provided by (used in) investing activities	(393)	(252)	52	23
Cash flows from financing activities				
Proceeds from long-term debt	347	345	15	17
Increase in short-term debt	100	42	—	—
Principal payments on long-term debt and nonrecourse debt	—	—	(38)	(46)
Purchases of Textron common stock	(186)	(215)	—	—
Dividends paid	(6)	(6)	—	—
Other financing activities, net	19	7	—	—
Net cash provided by (used in) financing activities	274	173	(23)	(29)
Effect of exchange rate changes on cash and equivalents	8	4	—	—
Net decrease in cash and equivalents	(279)	(223)	(22)	(4)
Cash and equivalents at beginning of period	1,137	946	161	59
Cash and equivalents at end of period	$ 858	$ 723	$ 139	$ 55

See Notes to the Consolidated Financial Statements.

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

Note 1. Basis of Presentation

Our Consolidated Financial Statements include the accounts of Textron Inc. (Textron) and its majority-owned subsidiaries. We have prepared these unaudited consolidated financial statements in accordance with accounting principles generally accepted in the U.S. for interim financial information. Accordingly, these interim financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements. The consolidated interim financial statements included in this quarterly report should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016. In the opinion of management, the interim financial statements reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for the fair presentation of our consolidated financial position, results of operations and cash flows for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

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

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

We periodically change our estimates of revenues and costs on certain long-term contracts that are accounted for under the percentage-of-completion method of accounting. These changes in estimates decreased income from continuing operations before income taxes in the first quarter of 2017 by $12 million ($8 million after tax or $0.03 per diluted share) and increased income from continuing operations before income taxes in the first quarter of 2016 by $29 million ($19 million after tax or $0.07 per diluted share). For the first quarter of 2017 and 2016, the gross favorable program profit adjustments totaled $20 million and $34 million, respectively, and the gross unfavorable program profit adjustments totaled $32 million and $5 million, respectively.

The total gross unfavorable program adjustments for the first quarter of 2017 includes a $24 million loss related to the Tactical Armoured Patrol Vehicle (TAPV) program. In the third quarter of 2016, we began initial deliveries under a contract to deliver 500 TAPVs to our Canadian customer. With these deliveries, we expected our production activities to ramp significantly by the beginning of 2017. During the first quarter of 2017, production volume has not ramped up as anticipated due to various production issues, resulting in inefficiencies as well as revised estimates for production costs on the remaining vehicles still to be delivered under this contract. Based on our revised estimate, we recorded a loss on this contract.

New Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* , that outlines a five-step revenue recognition model based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard is effective as of the beginning of 2018 for public companies and may be adopted either retrospectively or on a modified retrospective basis . We expect to apply the standard on a modified retrospective basis, with a cumulative catch-up adjustment recognized at the beginning of 2018. The standard will primarily impact our businesses under long-term production contracts with the U.S. Government as these contracts currently use the units-of-delivery accounting method; under the new standard, these contracts will transition to a model that recognizes revenue over time, principally as costs are incurred, resulting in earlier revenue recognition. In 2016, approximately 25% of our revenues were from contracts with the U.S. Government. Given the complexity of our contracts, we are continuing to assess the potential effect that the standard is expected to have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* , that requires lessees to recognize all leases with a term greater than 12 months on the balance sheet as right-to-use assets and lease liabilities , while lease expenses would continue to be recognized in the statement of operations in a manner similar to current accounting guidance. Under the current accounting guidance, we are not required to recognize assets and liabilities arising from operating leases on the balance sheet. The new standard is effective for our company at the beginning of 2019 and early adoption is permitted. Entities must adopt the standard on a modified retrospective basis whereby it would be applied at the beginning of the earliest comparative year. While we continue to evaluate the impact of the standard on our consolidated financial statements, we expect that it will materially increase our assets and liabilities on our consolidated balance sheet as we recognize the rights and corresponding obligations related to our operating leases .

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*. For most financial assets, such as trade and other receivables, loans and other instruments, this standard changes the current incurred loss model to a forward-looking expected credit loss model, which generally will result in the earlier recognition of allowances for losses. The new standard is effective for our company at the beginning of 2020 with early adoption permitted beginning in 2019. Entities are required to apply the provisions of the standard through a cumulative-effect adjustment to retained earnings as of the effective date. We are currently evaluating the impact of the standard on our consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* . This standard requires companies to present only the service cost component of net periodic benefit costs in operating income in the same line as other employee compensation costs, while the other components of net periodic benefit costs must be excluded from operating income. In addition, only the service cost component will be eligible for capitalization into inventory. This standard is effective for our company at the beginning of 2018. The reclassification of the other components of net periodic benefit cost out of operating income must be applied retrospectively, while the change in the amount companies may capitalize into inventory can be applied prospectively. We are evaluating the impact of this standard and do not expect it to have a material impact on our consolidated financial statements .

Note 2. Business Acquisitions

On March 6, 2017 , we completed the acquisition of Arctic Cat Inc. (Arctic Cat), a publicly-held company (NASDAQ: ACAT), pursuant to a cash tender offer for $18.50 per share, followed by a short-form merger. Arctic Cat manufactures and markets all-terrain vehicles, side-by-sides and snowmobiles, in addition to related parts, garments and accessories. The cash paid for this business, including repayment of debt and net of cash acquired, totaled $316 million. Arctic Cat provides a platform to expand our product portfolio and increase our distribution channel to support growth within our Textron Specialized Vehicles business in the Industrial segment. The operating results of Arctic Cat are included in the Consolidated Statements of Operations since the closing date.

We allocated the consideration paid for this business on a preliminary basis to the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. We expect to finalize the purchase accounting as soon as reasonably possible during the one-year measurement period. Based on the preliminary allocation, $213 million has been allocated to goodwill, related to expected synergies and the value of the assembled workforce, and $75 million to intangible assets, which includes $18 million of indefinite-lived assets related to tradenames. The definite-lived intangible assets are primarily related to customer/dealer relationships and technology, which will be amortized over 8 to 20 years. We determined the value of the intangible assets using the relief-from-royalty and multi-period excess earnings methods, which utilize significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. Under these valuation methods, we are required to make estimates and assumptions about sales, operating margins, growth rates, royalty rates and discount rates based on anticipated cash flows and marketplace data. Approximately $5 million of the goodwill is deductible for tax purposes.

Note 3. Retirement Plans

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

	Pension Benefits		Postretirement Benefits Other Than Pensions	
(In millions)	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Three Months Ended				
Service cost	$ 25	$ 24	$ 1	$ 1
Interest cost	80	85	3	4
Expected return on plan assets	(126)	(123)	—	—
Amortization of prior service cost (credit)	4	4	(2)	(6)
Amortization of net actuarial loss	34	26	—	—
Net periodic benefit cost (credit)	$ 17	$ 16	$ 2	$ (1)

Note 4. Share-Based Compensation

Our share-based compensation plans provide stock options, restricted stock, restricted stock units, stock appreciation rights, performance stock, performance share units and other awards. Compensation expense included in net income for these plans is as follows:

	Three Months Ended			
(In millions)		April 1, 2017		April 2, 2016
Compensation expense	$	20	$	7
Income tax benefit		(7)		(3)
Total net compensation expense included in net income	$	13	$	4

Stock Options
Options to purchase our shares have a maximum term of ten years and generally vest ratably over a three-year period. The stock option compensation cost calculated under the fair value approach is recognized over the vesting period of the stock options. We estimate the fair value of options granted on the date of grant using the Black-Scholes option-pricing model. Expected volatilities are based on implied volatilities from traded options on our common stock, historical volatilities and other factors. The expected term is based on historical option exercise data, which is adjusted to reflect any anticipated changes in expected behavior.

The weighted-average fair value of options granted and the assumptions used in our option-pricing model for such grants are as follows:

	Three Months Ended			
		April 1, 2017		April 2, 2016
Fair value of options at grant date	$	13.80	$	10.33
Dividend yield		0.2%		0.2%
Expected volatility		29.2%		33.6%
Risk-free interest rate		1.9%		1.2%
Expected term (in years)		4.7		4.8

The stock option activity during the first quarter of 2017 is provided below:

(Options in thousands)	Number of Options		Weighted-Average Exercise Price
Outstanding at beginning of period	9,264	$	33.61
Granted	1,536		49.58
Exercised	(850)		(29.08)
Forfeited or expired	(112)		(39.02)
Outstanding at end of period	9,838	$	36.43
Exercisable at end of period	6,518	$	32.88

At April 1, 2017 , our outstanding options had an aggregate intrinsic value of $113 million and a weighted-average remaining contractual life of 6.7 years. Our exercisable options had an aggregate intrinsic value of $96 million and a weighted-average remaining contractual life of 5.5 years at April 1, 2017 . The total intrinsic value of options exercised was $17 million and $1 million during the first quarter of 2017 and 2016, respectively.

Restricted Stock Units
The activity for restricted stock units payable in both stock and cash during the first quarter of 2017 is provided below:

	Units Payable in Stock			Units Payable in Cash		
(Shares/Units in thousands)	Number of Shares		Weighted-Average Grant Date Fair Value	Number of Units		Weighted-Average Grant Date Fair Value
Outstanding at beginning of period, nonvested	797	$	35.94	1,444	$	36.33
Granted	150		49.58	304		49.58
Vested	(214)		(31.28)	(346)		(31.83)
Forfeited	(30)		(35.53)	(40)		(37.18)
Outstanding at end of period, nonvested	703	$	40.26	1,362	$	40.40

The fair value of the restricted stock awards that vested and/or amounts paid under these awards is as follows:

	Three Months Ended	
(In millions)	April 1, 2017	April 2, 2016
Fair value of awards vested	$ 24	$ 17
Cash paid	17	12

Performance Share Units
The a ctivity for our performance share units during the first quarter of 2017 is provided below:

(Units in thousands)	Number of Units	Weighted-Average Grant Date Fair Value
Outstanding at beginning of period, nonvested	535	$ 39 .13
Granted	231	49.58
Forfeited	(19)	(39.18)
Outstanding at end of period, nonvested	747	$ 42.36

Cash paid under these awards totaled $14 million and $13 million during the first quarter of 2017 and 2016, respectively.

Note 5. Earnings Per Share

We calculate basic and diluted earnings per share (EPS) based on net income, which approximates income available to common shareholders for each period. Basic EPS is calculated using the two-class method, which includes the weighted-average number of common shares outstanding during the period and restricted stock units to be paid in stock that are deemed participating securities as they provide nonforfeitable rights to dividends. Diluted EPS considers the dilutive effect of all potential future common stock, including stock options.

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

	Three Months Ended	
(In thousands)	April 1, 2017	April 2, 2016
Basic weighted-average shares outstanding	270,489	271,660
Dilutive effect of stock options	2,341	1,362
Diluted weighted-average shares outstanding	272,830	273,022

Stock options to purchase 2 million and 4 million shares of common stock are excluded from the calculation of diluted weighted-average shares outstanding for the first quarter of 2017 and 2016, respectively, as their effect would have been anti-dilutive.

Note 6. Accounts Receivable and Finance Receivables

Accounts Receivable
Accounts receivable is composed of the following:

(In millions)	April 1, 2017	December 31, 2016
Commercial	$ 941	$ 797
U.S. Government contracts	285	294
	1,226	1,091
Allowance for doubtful accounts	(28)	(27)
Total	$ 1,198	$ 1,064

We have unbillable receivables, primarily on U.S. Government contracts, that arise when the revenues we have appropriately recognized based on performance cannot be billed yet under terms of the contract. Unbillable receivables within accounts receivable totaled $180 million at April 1, 2017 and $178 million at December 31, 2016.

Finance Receivables

Finance receivables are presented in the following table:

(In millions)	April 1, 2017	December 31, 2016
Finance receivables*	$ 940	$ 976
Allowance for losses	(40)	(41)
Total finance receivables, net	$ 900	$ 935

** Includes finance receivables held for sale of $30 million at both April 1, 2017 and December 31, 2016.*

Credit Quality Indicators and Nonaccrual Finance Receivables

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

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

Delinquency

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

Finance receivables categorized based on the credit quality indicators and by the delinquency aging category are summarized as follows:

(Dollars in millions)	April 1, 2017	December 31, 2016
Performing	$ 723	$ 758
Watchlist	103	101
Nonaccrual	84	87
Nonaccrual as a percentage of finance receivables	9.23%	9.20%
Less than 31 days past due	$ 828	$ 857
31-60 days past due	25	49
61-90 days past due	21	18
Over 90 days past due	36	22
60+ days contractual delinquency as a percentage of finance receivables	6.26%	4.23%

Impaired Loans

On a quarterly basis, we evaluate individual finance receivables for impairment in non-homogeneous portfolios and larger balance accounts in homogeneous loan portfolios. A finance receivable is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on our review of the credit quality indicators described above. Impaired finance receivables include both nonaccrual accounts and accounts for which full collection of principal and interest remains probable, but the account's original terms have been, or are expected to be, significantly modified. If the modification specifies an interest rate equal to or greater than a market rate for a finance receivable with comparable risk, the account is not considered impaired in years subsequent to the modification. Interest income recognized on impaired loans was not significant in the first quarter of 2017 or 2016.

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

(In millions)	April 1, 2017	December 31, 2016
Recorded investment:		
Impaired loans with related allowance for losses	$ 49	$ 55
Impaired loans with no related allowance for losses	45	65
Total	$ 94	$ 120
Unpaid principal balance	$ 101	$ 125
Allowance for losses on impaired loans	10	11
Average recorded investment	107	101

A summary of the allowance for losses on finance receivables, based on how the underlying finance receivables are evaluated for impairment, is provided below. The finance receivables reported in this table specifically exclude leveraged leases in accordance with U.S. generally accepted accounting principles.

(In millions)	April 1, 2017	December 31, 2016
Allowance based on collective evaluation	$ 30	$ 30
Allowance based on individual evaluation	10	11
Finance receivables evaluated collectively	719	727
Finance receivables evaluated individually	94	120

Note 7. Inventories

Inventories are composed of the following:

(In millions)	April 1, 2017	December 31, 2016
Finished goods	$ 2,006	$ 1,947
Work in process	2,886	2,742
Raw materials and components	814	724
	5,706	5,413
Progress/milestone payments	(997)	(949)
Total	$ 4,709	$ 4,464

Note 8. Warranty Liability

Changes in our warranty liability are as follows:

	Three Months Ended	
(In millions)	April 1, 2017	April 2, 2016
Beginning of period	$ 138	$ 143
Provision	20	16
Settlements	(21)	(16)
Acquisitions	28	1
Adjustments*	(2)	(6)
End of period	$ 163	$ 138

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

Note 9. Debt

Under our shelf registration statement, on March 6, 2017, we issued $350 million of fixed-rate notes due March 15, 2027 that bear an annual interest rate of 3.65%. The net proceeds of the issuance totaled $347 million, after deducting underwriting discounts, commissions and offering expenses.

Note 10. Derivative Instruments and Fair Value Measurements

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

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

We manufacture and sell our products in a number of countries throughout the world, and, therefore, we are exposed to movements in foreign currency exchange rates. We primarily utilize foreign currency exchange contracts with maturities of no more than three years to manage this volatility. These contracts qualify as cash flow hedges and are intended to offset the effect of exchange rate fluctuations on forecasted sales, inventory purchases and overhead expenses. Net gains and losses recognized in earnings and Accumulated other comprehensive loss on cash flow hedges, including gains and losses related to hedge ineffectiveness, were not significant in the periods presented.

Our foreign currency exchange contracts are measured at fair value using the market method valuation technique. The inputs to this technique utilize current foreign currency exchange forward market rates published by third-party leading financial news and data providers. These are observable data that represent the rates that the financial institution uses for contracts entered into at that date; however, they are not based on actual transactions so they are classified as Level 2. At April 1, 2017 and December 31, 2016, we had foreign currency exchange contracts with notional amounts upon which the contracts were based of $666 million and $665 million, respectively. At April 1, 2017, the fair value amounts of our foreign currency exchange contracts were a $6 million asset and a $12 million liability. At December 31, 2016, the fair value amounts of our foreign currency exchange contracts were a $7 million asset and a $17 million liability.

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

Assets Recorded at Fair Value on a Nonrecurring Basis

During the periods ended April 1, 2017 and December 31, 2016, the Finance group's impaired nonaccrual finance receivables of $39 million and $44 million, respectively, were measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3). Impaired nonaccrual finance receivables represent assets recorded at fair value on a nonrecurring basis since the measurement of required reserves on our impaired finance receivables is significantly dependent on the fair value of the underlying collateral. For impaired nonaccrual finance receivables secured by aviation assets, the fair values of collateral are determined primarily based on the use of industry pricing guides. Fair value measurements recorded on impaired finance receivables were not significant for both the first quarter of 2017 and 2016.

Assets and Liabilities Not Recorded at Fair Value

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

	April 1, 2017		December 31, 2016	
(In millions)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Manufacturing group				
Debt, excluding leases	$ (3,043)	$ (3,173)	$ (2,690)	$ (2,809)
Finance group				
Finance receivables, excluding leases	695	727	729	758
Debt	(885)	(823)	(903)	(831)

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

Note 11. Accumulated Other Comprehensive Loss and Other Comprehensive Income

The components of Accumulated Other Comprehensive Loss are presented below:

(In millions)	Pension and Postretirement Benefits Adjustments	Foreign Currency Translation Adjustments	Deferred Gains (Losses) on Hedge Contracts	Accumulated Other Comprehensive Loss
For the three months ended April 1, 2017				
Beginning of period	$ (1,505)	$ (96)	$ (4)	$ (1,605)
Other comprehensive income before reclassifications	—	22	2	24
Reclassified from Accumulated other comprehensive loss	24	—	2	26
Other comprehensive income	24	22	4	50
End of period	$ (1,481)	$ (74)	$ —	$ (1,555)
For the three months ended April 2, 2016				
Beginning of period	$ (1,327)	$ (47)	$ (24)	$ (1,398)
Other comprehensive income before reclassifications	—	24	16	40
Reclassified from Accumulated other comprehensive loss	21	—	5	26
Other comprehensive income	21	24	21	66
End of period	$ (1,306)	$ (23)	$ (3)	$ (1,332)

The before and after-tax components of other comprehensive income are presented below:

	April 1, 2017			April 2, 2016		
(In millions)	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Three Months Ended						
Pension and postretirement benefits adjustments:						
Amortization of net actuarial loss*	$ 34	$ (12)	$ 22	$ 26	$ (9)	$ 17
Amortization of prior service cost (credit)*	2	—	2	(2)	1	(1)
Unrealized gains	—	—	—	7	(2)	5
Pension and postretirement benefits adjustments, net	36	(12)	24	31	(10)	21
Deferred gains on hedge contracts:						
Current deferrals	3	(1)	2	22	(6)	16
Reclassification adjustments	2	—	2	7	(2)	5
Deferred gains on hedge contracts, net	5	(1)	4	29	(8)	21
Foreign currency translation adjustments	21	1	22	25	(1)	24
Total	$ 62	$ (12)	$ 50	$ 85	$ (19)	$ 66

**These components of other comprehensive income are included in the computation of net periodic pension cost. See Note 11 of our 2016 Annual Report on Form 10-K for additional information.*

Note 12. Special Charges

In the third quarter of 2016, we initiated a plan to restructure and realign our businesses by implementing headcount reductions, facility consolidations and other actions in order to improve overall operating efficiency across Textron. In the first quarter of 2017, w e recorded special charges of $15 million related to this plan. Since the inception of this plan, we have incurred a total of $71 million of severance costs, $48 million of asset impairments and $19 million in contract terminations and other costs. Of these amounts, $63 million was incurred at Textron Systems, $46 million at Textron Aviation, $23 million at Industrial, and $6 million at Bell and Corporate. We expect to incur additional pre-tax charges under this plan in the range of $17 million to $32 million, primarily related to contract termination, severance, facility consolidation and relocation costs, which will principally be in the Industrial, Textron Aviation and Textron Systems segments. We anticipate that these restructuring activities will be substantially completed by the end of the second quarter of 2017. Upon completion, the total headcount reduction under this plan is expected to be approximately 2,000 positions, representing approximately 5% of our workforce.

In connection with the acquisition of Arctic Cat, as discussed in Note 2, we initiated a restructuring plan in the first quarter of 2017 to integrate this business into our Textron Specialized Vehicles business within the Industrial segment to reduce operating redundancies and maximize efficiencies. As a result of this plan, we recorded $19 million of severance costs in the first quarter of 2017, largely related to change-of-control provisions, and we expect to incur an additional $8 million of restructuring costs. In addition, we recorded $3 million of acquisition transaction costs in the first quarter of 2017 that are included in special charges. We estimate that we will incur total special charges of approximately $30 million related to Arctic Cat.

Special charges recorded in the first quarter of 2017 for both of these plans are as follows:

(In millions)	Severance Costs	Asset Impairments	Contract Terminations and Other	Acquisition Transaction Costs	Total Special Charges
Industrial	$ 19	$ —	$ 3	$ 3	$ 25
Textron Aviation	1	10	—	—	11
Textron Systems	—	—	1	—	1
	$ 20	$ 10	$ 4	$ 3	$ 37

An analysis of our restructuring reserve activity for both plans in the first quarter of 2017 is summarized below:

(In millions)	Severance Costs	Contract Terminations and Other	Total
Balance at December 31, 2016	$ 50	$ 13	$ 63
Provision for Arctic Cat plan	19	—	19
Provision for 2016 plan	1	4	5
Cash paid	(33)	(3)	(36)
Balance at April 1, 2017	$ 37	$ 14	$ 51

The total expected cash outlay for both restructuring plans is estimated in the range of $135 million to $150 million, of which $58 million has been paid through the first quarter of 2017 and the remainder is expected to be paid by the end of 2017. Severance costs generally are paid on a lump-sum basis and include outplacement costs, which are paid in accordance with normal payment terms.

Note 13. Income Taxes

Our effective tax rate for the first quarter of 2017 and 2016 was 17.4% and 29.8%, respectively. The effective tax rate for the first quarter of 2017 reflects benefits recognized as a result of audit settlements and the recognition of excess tax benefits related to share-based compensation.

Note 14. Commitments and Contingencies

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

Note 15. Segment Information

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

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

	Three Months Ended	
(In millions)	**April 1, 2017**	**April 2, 2016**
Revenues		
Textron Aviation	$ 970	$ 1,091
Bell	697	814
Textron Systems	416	324
Industrial	992	952
Finance	18	20
Total revenues	$ 3,093	$ 3,201
Segment Profit		
Textron Aviation	$ 36	$ 73
Bell	83	82
Textron Systems	20	29
Industrial	76	91
Finance	4	5
Segment profit	219	280
Corporate expenses and other, net	(27)	(32)
Interest expense, net for Manufacturing group	(34)	(33)
Special charges	(37)	—
Income from continuing operations before income taxes	$ 121	$ 215

Item 2. Manage m ent's Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Results of Operations

	Three Months Ended		
(Dollars in millions)	April 1, 2017	April 2, 2016	% Change
Revenues	$ 3,093	$ 3,201	(3)%
Operating expenses	2,893	2,943	(2)%
Cost of sales	2,584	2,635	(2)%
Selling and administrative expense	309	308	—
Gross margin as a percentage of Manufacturing revenues	16.0%	17.2%	

An analysis of our consolidated operating results is set forth below. A more detailed analysis of our segments' operating results is provided in the Segment Analysis section on pages 19 to 23.

Revenues
Revenues decreased $108 million, 3%, in the first quarter of 2017, compared with the first quarter of 2016, largely driven by decreases in the Textron Aviation and Bell segments, partially offset by higher revenues at the Textron Systems and Industrial segments. The net revenue decrease included the following factors:

- Lower Textron Aviation revenues of $121 million, primarily due to lower volume and mix of $ 136 million, largely the result of lower military and commercial turboprop volume.
- Lower Bell revenues of $117 million, primarily due to lower other military revenues of $145 million, largely related to the H-1 program reflecting lower aircraft deliveries.
- Higher Textron Systems revenues of $92 million, primarily due to higher volume of $47 million in the Weapons and Sensors product line and $32 million in the Marine and Land Systems product line.
- Higher Industrial revenues of $40 million, primarily due to higher volume of $29 million, largely in the Fuel Systems and Functional Components product line, and the impact from acquired businesses of $29 million, primarily related to the acquisition of Arctic Cat described in the Segment Analysis section below.

Cost of Sales and Selling and Administrative Expense
Manufacturing cost of sales and selling and administrative expense together comprise our operating expenses. Cost of sales decreased $51 million, 2%, in the first quarter of 2017, compared with the first quarter of 2016, largely due to lower net volume as described above, partially offset by an increase from acquired businesses. Gross margin as a percentage of Manufacturing revenues decreased 120 basis points from the first quarter of 2016, primarily due to lower margins at Textron Systems, largely due to the impact of a $24 million unfavorable program adjustment in the first quarter of 2017, as described in the Segment Analysis section. The favorable gross margin impact of improved performance at Bell was offset by the impact of lower volume and mix at Textron Aviation.

S elling and administrative expense was relatively unchanged in the first quarter of 2017, compared with the first quarter of 2016 .

Special Charges
In the third quarter of 2016, we initiated a plan to restructure and realign our businesses by implementing headcount reductions, facility consolidations and other actions in order to improve overall operating efficiency across Textron. In the first quarter of 2017, w e recorded special charges of $15 million related to this plan. Since the inception of this plan, we have incurred a total of $71 million of severance costs, $48 million of asset impairments and $19 million in contract terminations and other costs. Of these amounts, $63 million was incurred at Textron Systems, $46 million at Textron Aviation, $23 million at Industrial, and $6 million at Bell and Corporate. We expect to incur additional pre-tax charges under this plan in the range of $17 million to $32 million, primarily related to contract termination, severance, facility consolidation and relocation costs, which will principally be in the Industrial, Textron Aviation and Textron Systems segments. We anticipate that these restructuring activities will be substantially completed by the end of the second quarter of 2017. Upon completion, the total headcount reduction under this plan is expected to be approximately 2,000 positions, representing approximately 5% of our workforce.

In connection with the acquisition of Arctic Cat, as discussed in the Segment Analysis below, we initiated a restructuring plan in the first quarter of 2017 to integrate this business into our Textron Specialized Vehicles business within the Industrial segment to reduce operating redundancies and maximize efficiencies. As a result of this plan, we recorded $19 million of severance costs in the first quarter of 2017, largely related to change-of-control provisions, and we expect to incur an additional $8 million of restructuring costs. In addition, we recorded $3 million of acquisition transaction costs in the first quarter of 2017 that are included in special charges. We estimate that we will incur total special charges of approximately $30 million related to Arctic Cat.

Special charges recorded in the first quarter of 2017 for both of these plans are as follows:

(In millions)	Severance Costs	Asset Impairments	Contract Terminations and Other	Acquisition Transaction Costs	Total Special Charges
Industrial	$ 19	$ —	$ 3	$ 3	$ 25
Textron Aviation	1	10	—	—	11
Textron Systems	—	—	1	—	1
	$ 20	$ 10	$ 4	$ 3	$ 37

Income Taxes

Our effective tax rate for the first quarter of 2017 and 2016 was 17.4% and 29.8%, respectively. The effective tax rate for the first quarter of 2017 reflects benefits recognized as a result of audit settlements and the recognition of excess tax benefits related to share-based compensation.

Backlog

(In millions)	April 1, 2017	December 31, 2016
Bell	$ 5,652	$ 5,360
Textron Systems	1,728	1,841
Textron Aviation	1,014	1,041
Total backlog	$ 8,394	$ 8,242

Segment Analysis

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

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

Approximately 25% of our 2016 revenues were derived from contracts with the U.S. Government. For our segments that have significant contracts with the U.S. Government, we typically express changes in segment profit related to the government business in terms of volume, changes in program performance or changes in contract mix. Changes in volume that are described in net sales typically drive corresponding changes in our segment profit based on the profit rate for a particular contract. Changes in program performance typically relate to profit recognition associated with revisions to total estimated costs at completion that reflect improved or deteriorated operating performance or award fee rates. Changes in contract mix refers to changes in operating margin due to a change in the relative volume of contracts with higher or lower fee rates such that the overall average margin rate for the segment changes.

Textron Aviation

	Three Months Ended	
(Dollars in millions)	April 1, 2017	April 2, 2016
Revenues	$ 970	$ 1,091
Operating expenses	934	1,018
Segment profit	36	73
Profit margin	3.7%	6.7%

Textron Aviation Revenues and Operating Expenses
The following factors contributed to the change in Textron Aviation's revenues from the prior year quarter:

(In millions)		2017 versus 2016
Volume and mix	$	(136)
Other		15
Total change	$	(121)

Textron Aviation's revenues decreased $121 million, 11%, in the first quarter of 2017, compared with the first quarter of 2016, primarily due to lower volume and mix of $136 million, largely the result of lower military and commercial turboprop volume. We delivered 35 Citation jets, 12 King Air turboprops and 2 Beechcraft T-6 trainers in the first quarter of 2017, compared with 34 Citation jets, 26 King Air turboprops and 11 Beechcraft T-6 trainers in the first quarter of 2016. The portion of the segment's revenues derived from aftermarket sales and services represented 38% of its total revenues in the first quarter of 2017, compared with 35% in the first quarter of 2016.

Textron Aviation's operating expenses decreased $84 million, 8%, in the first quarter of 2017, compared with the first quarter of 2016, largely due to lower net volume as described above.

Textron Aviation Segment Profit
The following factors contributed to the change in Textron Aviation's segment profit from the prior year quarter:

(In millions)		2017 versus 2016
Volume and mix	$	(56)
Pricing, net of inflation		11
Performance and other		8
Total change	$	(37)

Segment profit at Textron Aviation decreased $37 million, in the first quarter of 2017, compared with the first quarter of 2016, primarily as a result of lower net volume and mix as described above.

Bell

	Three Months Ended			
(Dollars in millions)		April 1, 2017		April 2, 2016
Revenues:				
V-22 program	$	295	$	278
Other military		108		253
Commercial		294		283
Total revenues		697		814
Operating expenses		614		732
Segment profit		83		82
Profit margin		11.9%		10.1%

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

Bell Revenues and Operating Expenses
The following factors contributed to the change in Bell's revenues from the prior year quarter:

(In millions)		2017 versus 2016
Volume and mix	$	(119)
Other		2
Total change	$	(117)

Bell's revenues decreased $117 million, 14%, in the first quarter of 2017, compared with the first quarter of 2016, primarily due to the following factors:

- $145 million decrease in other military revenues, primarily reflecting lower H-1 program revenues, as we delivered 3 H-1 aircraft in the first quarter of 2017, compared with 10 H-1 aircraft in the first quarter of 2016.
- $17 million increase in V-22 program revenues, primarily due to higher product support. Bell delivered 6 V-22 aircraft in both the first quarter of 2017 and 2016.
- $11 million increase in commercial revenues, primarily due to a change in mix of commercial aircraft sold during the period. Bell delivered 27 commercial aircraft in the first quarter of 2017, compared with 30 aircraft in the first quarter of 2016.

Bell's operating expenses decreased $118 million, 16%, in the first quarter of 2017, compared with the first quarter of 2016, primarily due to lower net sales volume as described above.

Bell Segment Profit

The following factors contributed to the change in Bell's segment profit from the prior year quarter:

(In millions)	**2017 versus 2016**
Performance and other	$ 26
Volume and mix	(25)
Total change	$ 1

Bell's segment profit was relatively unchanged in the first quarter of 2017, compared with the first quarter of 2016. The favorable performance and other, largely due to lower research, development, selling and administrative costs, was mostly offset by the unfavorable impact from volume and mix as described above.

Textron Systems

	Three Months Ended	
(Dollars in millions)	**April 1, 2017**	**April 2, 2016**
Revenues	$ 416	$ 324
Operating expenses	396	295
Segment profit	20	29
Profit margin	4.8%	9.0%

Textron Systems Revenues and Operating Expenses

The following factors contributed to the change in Textron Systems' revenues from the prior year quarter:

(In millions)	**2017 versus 2016**
Volume	$ 81
Acquisitions	10
Other	1
Total change	$ 92

Revenues at Textron Systems increased $92 million, 28%, in the first quarter of 2017, compared with the first quarter of 2016, primarily due to higher volume of $47 million in the Weapons and Sensors product line and $32 million in the Marine and Land Systems product line.

Textron Systems' operating expenses increased $101 million, 34%, in the first quarter of 2017, compared with the first quarter of 2016, primarily due to higher volume as described above and an unfavorable program adjustment described below.

Textron Systems Segment Profit

The following factors contributed to the change in Textron Systems' segment profit from the prior year quarter:

(In millions)		2017 versus 2016
Performance	$	(21)
Volume and mix		13
Other		(1)
Total change	$	(9)

Textron Systems' segment profit decreased $9 million, 31%, in the first quarter of 2017, compared with the first quarter of 2016, as the higher volume described above was more than offset by an unfavorable program adjustment of $24 million related to the Tactical Armoured Patrol Vehicle (TAPV) program.

In the third quarter of 2016, we began initial deliveries under a contract to deliver 500 TAPVs to our Canadian customer. With these deliveries, we expected our production activities to ramp significantly by the beginning of 2017. During the first quarter of 2017, production volume has not ramped up as anticipated due to various production issues, resulting in inefficiencies as well as revised estimates for production costs on the remaining vehicles still to be delivered under this contract. Based on our revised estimate, we recorded a $24 million loss on this contract in the first quarter of 2017.

Industrial

	Three Months Ended	
(Dollars in millions)	April 1, 2017	April 2, 2016
Revenues:		
Fuel Systems and Functional Components	$ 603	$ 580
Other Industrial	389	372
Total revenues	992	952
Operating expenses	916	861
Segment profit	76	91
Profit margin	7.7%	9.6%

Industrial Revenues and Operating Expenses

The following factors contributed to the change in Industrial's revenues from the prior year quarter:

(In millions)		2017 versus 2016
Volume	$	29
Acquisitions		29
Foreign exchange		(20)
Other		2
Total change	$	40

Industrial segment revenues increased $40 million, 4%, in the first quarter of 2017, compared with the first quarter of 2016, primarily due to higher volume of $29 million and the impact from acquired businesses of $29 million, largely related to the acquisition of Arctic Cat described below. These increases were partially offset by an unfavorable foreign exchange impact of $20 million. The increase in volume was primarily related to the Fuel Systems and Functional Components product line, largely reflecting automotive industry demand in Europe.

On March 6, 2017 , we acquired Arctic Cat, a manufacturer of all-terrain vehicles, side-by-sides and snowmobiles, in addition to related parts, garments and accessories. Arctic Cat provides a platform to expand our product portfolio and increase our distribution channel to support growth within our Textron Specialized Vehicles business. The operating results of Arctic Cat have been included in our financial results only for the period subsequent to the completion of the acquisition. See Note 2 to the Consolidated Financial Statements for additional information regarding this acquisition.

Operating expenses for the Industrial segment increased $55 million, 6%, in the first quarter of 2017, compared with the first quarter of 2016, primarily due to the impact from higher volume as described above and additional operating expenses from acquired businesses.

Industrial Segment Profit

The following factors contributed to the change in Industrial's segment profit from the prior year quarter:

(In millions)	**2017 versus 2016**
Performance and other	$ (9)
Inflation, net of pricing	(4)
Foreign exchange	(2)
Total change	$ (15)

Segment profit for the Industrial segment decreased $15 million, 16%, in the first quarter of 2017, compared with the first quarter of 2016, largely due to unfavorable performance and other of $9 million, which primarily includes the operating results of Arctic Cat as we begin to integrate this business into the Textron Specialized Vehicles business, and an unfavorable impact from inflation, net of pricing of $4 million.

Finance

	Three Months Ended	
(In millions)	**April 1, 2017**	**April 2, 2016**
Revenues	$ 18	$ 20
Segment profit	4	5

Finance segment revenues and profit were largely unchanged in the first quarter of 2017, compared with the first quarter of 2016.

Finance Portfolio Quality

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

(Dollars in millions)	**April 1, 2017**	**December 31, 2016**
Finance receivables*	$ 910	$ 946
Nonaccrual finance receivables	84	87
Ratio of nonaccrual finance receivables to finance receivables	9.23%	9.20%
60+ days contractual delinquency	$ 57	$ 40
60+ days contractual delinquency as a percentage of finance receivables	6.26%	4.23%

** Excludes finance receivables held for sale.*

Liquidity and Capital Resources

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

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

(Dollars in millions)	April 1, 2017	December 31, 2016
Manufacturing group		
Cash and equivalents	$ 858	$ 1,137
Debt	3,230	2,777
Shareholders' equity	5,582	5,574
Capital (debt plus shareholders' equity)	8,812	8,351
Net debt (net of cash and equivalents) to capital	30%	23%
Debt to capital	37%	33%
Finance group		
Cash and equivalents	$ 139	$ 161
Debt	885	903

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

Textron has a senior unsecured revolving credit facility that expires in September 2021 for an aggregate principal amount of $1.0 billion, of which up to $100 million is available for the issuance of letters of credit. At April 1, 2017, there were no amounts borrowed against the facility.

We also maintain an effective shelf registration statement filed with the Securities and Exchange Commission that allows us to issue an unlimited amount of public debt and other securities. In March 2017, we issued $350 million in 3.65% Notes due March 2027 under this registration statement, and in March 2016, we issued $350 million in 4.0% Notes due March 2026.

Manufacturing Group Cash Flows

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

	Three Months Ended	
(In millions)	April 1, 2017	April 2, 2016
Operating activities	$ (143)	$ (148)
Investing activities	(393)	(252)
Financing activities	274	173

The first quarter of our fiscal year typically results in net cash outflow from operating activities. Consistent with prior years, we expect positive cash flows from operating activities for the full year.

Cash flows used in operating activities in the first quarter of 2017 primarily included incentive and deferred compensation payments of $138 million and higher inventory levels of $122 million, largely at Textron Aviation in support of sales growth, partially offset by net tax refunds of $80 million and earnings. In the first quarter of 2016, cash flows used in operating activities primarily related to higher inventory levels of $313 million and incentive and deferred compensation payments of $139 million, partially offset by earnings. The higher inventory levels in the first quarter of 2016 were largely due to increases at Textron Aviation and Textron Systems to support sales growth.

During the first quarter of 2017, investing activities reflected a $316 million aggregate cash payment, including the repayment of debt and net of cash acquired, for the acquisition of Arctic Cat, compared with payments of $164 million for four business acquisitions in the first quarter of 2016. Cash used for investing activities also included capital expenditures of $76 million and $88 million in the first quarter of 2017 and 2016, respectively.

Financing activities in the first quarter of 2017 primarily included proceeds from long-term debt of $347 million and an increase in short-term debt of $100 million, largely from the issuance of commercial paper. These cash inflows were partially offset by $186 million in cash paid to repurchase an aggregate of 3.9 million shares of our outstanding common stock under a 2017 share repurchase authorization. In the first quarter of 2016, financing activities primarily included proceeds from long-term debt of $345 million, partially offset by $215 million in cash paid to repurchase an aggregate of 6.2 million shares of our outstanding common stock under a 2013 share repurchase authorization.

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

	Three Months Ended	
(In millions)	**April 1, 2017**	**April 2, 2016**
Operating activities	$ (51)	$ 2
Investing activities	52	23
Financing activities	(23)	(29)

The Finance group's cash flows used in operating activities for the first quarter of 2017 included net tax payments of $50 million. Cash flows from investing activities primarily included collections on finance receivables totaling $76 million and $68 million in the first quarter of 2017 and 2016, respectively, partially offset by finance receivable originations of $36 million and $55 million, respectively. Cash flows used for financing activities included payments on long-term and nonrecourse debt of $38 million in the first quarter of 2017, compared with $46 million of payments in the first quarter of 2016.

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

	Three Months Ended	
(In millions)	**April 1, 2017**	**April 2, 2016**
Operating activities	$ (169)	$ (150)
Investing activities	(366)	(225)
Financing activities	251	144

Consolidated cash flows used in operating activities in the first quarter of 2017 primarily included incentive and deferred compensation payments of $141 million and higher inventory levels of $122 million, largely at Textron Aviation in support of sales growth, partially offset by net tax refunds of $30 million and earnings. In the first quarter of 2016, cash flows used in operating activities primarily related to higher inventory levels of $313 million and incentive and deferred compensation payments of $142 million, partially offset by earnings.

Investing cash flows reflected a $316 million aggregate cash payment, including the repayment of debt and net of cash acquired, for the acquisition of Arctic Cat in the first quarter of 2017, compared with payments of $164 million for acquisitions in the first quarter of 2016. Cash used for investing activities also included capital expenditures of $76 million and $88 million in the first quarter of 2017 and 2016, respectively.

Total financing cash flows in the first quarter of 2017, primarily included proceeds from long-term debt of $362 million and an increase in short-term debt of $100 million, partially offset by $186 million of share repurchases. Cash flows from financing activities in the first quarter of 2016 primarily included proceeds from long-term debt of $362 million, partially offset by $215 million of share repurchases.

Captive Financing and Other Intercompany Transactions
The Finance group provides financing primarily to purchases of new and pre-owned Textron Aviation aircraft and Bell helicopters manufactured by our Manufacturing group, otherwise known as captive financing. In the Consolidated Statements of Cash Flows, cash received from customers is reflected as operating activities when received from third parties. However, in the cash flow information provided for the separate borrowing groups, cash flows related to captive financing activities are reflected based on the operations of each group. For example, when product is sold by our Manufacturing group to a customer and is financed by the Finance group, the origination of the finance receivable is recorded within investing activities as a cash outflow in the Finance group's statement of cash flows. Meanwhile, in the Manufacturing group's statement of cash flows, the cash received from the Finance group on the customer's behalf is recorded within operating cash flows as a cash inflow. Although cash is transferred

between the two borrowing groups, there is no cash transaction reported in the consolidated cash flows at the time of the original financing. These captive financing activities, along with all significant intercompany transactions, are reclassified or eliminated from the Consolidated Statements of Cash Flows.

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

	Three Months Ended	
(In millions)	**April 1, 2017**	**April 2, 2016**
Reclassification adjustments from investing to operating activities:		
Cash received from customers	$ 61	$ 51
Finance receivable originations for Manufacturing group inventory sales	(36)	(55)
Total reclassification adjustments from investing to operating activities	$ 25	$ (4)

Critical Accounting Estimates

The accounting policies that we believe are most critical to the portrayal of our financial condition and results of operations are disclosed on pages 33 through 35 in our 2016 Annual Report on Form 10-K. The following section provides an update of the year-end disclosure.

Long-Term Contracts

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

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

	Three Months Ended	
(In millions)	**April 1, 2017**	**April 2, 2016**
Gross favorable	$ 20	$ 34
Gross unfavorable	(32)	(5)
Net adjustments	$ (12)	$ 29

Forward-Looking Information

Certain statements in this Quarterly Report on Form 10-Q and other oral and written statements made by us from time to time are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements, which may describe strategies, goals, outlook or other non-historical matters, or project revenues, income, returns or other financial measures, often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "guidance," "project," "target," "potential," "will," "should," "could," "likely" or "may" and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results to differ materially from those expressed or implied by such forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update or revise any forward-looking statements. In addition to those factors described in our 2016 Annual Report on Form 10-K under "Risk Factors," among the factors that could cause actual results to differ materially from past and projected future results are the following:

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no significant change in our exposure to market risk during the fiscal quarter ended April 1, 2017. For discussion of our exposure to market risk, refer to Item 7A. Quantitative and Qualitative Disclosures about Market Risk contained in Textron's 2016 Annual Report on Form 10-K.

Item 4. Controls and P rocedures

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of April 1, 2017. The evaluation was performed with the participation of senior management of each business segment and key Corporate functions, under the supervision of our Chairman, President and Chief Executive Officer (CEO) and our Executive Vice President and Chief Financial Officer (CFO). Based on this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were operating and effective as of April 1, 2017.

There were no changes in our internal control over financial reporting during the fiscal quarter ended April 1, 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following provides information about our first quarter 2017 repurchases of equity securities that are registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended:

Period *(shares in thousands)*	**Total Number of Shares Purchased ***	**Average Price Paid per Share (excluding commissions)**	**Total Number of Shares Purchased as part of Publicly Announced Plan ***	**Maximum Number of Shares that may yet be Purchased under the Plan**
January 1, 2017 – February 4, 2017	666	$ 47.85	666	24,334
February 5, 2017 – March 4, 2017	850	47.40	850	23,484
March 5, 2017 – April 1, 2017	2,409	47.32	2,409	21,075
Total	3,925	$ 47.43	3,925	

** These shares were purchased pursuant to a plan authorizing the repurchase of up to 25 million shares of Textron common stock that had been announced on January 25, 2017. This plan has no expiration date.*

Item 5. Other Information

Because this Quarterly Report on Form 10-Q is being filed within four business days from the date of the reportable event, we have elected to make the following disclosure in this Quarterly Report on Form 10-Q instead of in a Current Report on Form 8-K under Item 5.02(e) and Item 5.07.

Item 5.02(e)

On February 22, 2017, the Board of Directors adopted, subject to shareholder approval, the Textron Inc. Short-Term Incentive Plan (the "Short-Term Plan"). On April 26, 2017, Textron held its annual meeting of shareholders at which the shareholders approved the Short-Term Plan. The Short-Term Plan is described under "Approval of the Textron Inc. Short-Term Incentive Plan", and is filed as Appendix A, in the Company's Definitive Proxy Statement on Schedule 14A for the 2017 Annual Meeting of Shareholders, which was filed with the Securities and Exchange Commission on March 3, 2017. The description of the Short-Term Plan is incorporated herein by reference.

Item 5.07

(a) The 2017 Annual Meeting of Shareholders of Textron was held on April 26, 2017.

(b) The results of the voting on the matters submitted to our shareholders are as follows:

1. The following persons were elected to serve as directors until the next annual shareholders' meeting and received the following votes:

	For	Against	Abstain	Broker Non-Vote
Scott C. Donnelly	231,089,503	4,906,838	905,168	17,147,780
Kathleen M. Bader	231,489,807	4,215,792	1,195,910	17,147,780
R. Kerry Clark	230,707,322	4,855,404	1,338,783	17,147,780
James T. Conway	232,264,957	3,448,259	1,188,293	17,147,780
Ivor J. Evans	231,153,231	4,385,865	1,362,413	17,147,780
Lawrence K. Fish	230,469,346	5,142,937	1,289,226	17,147,780
Paul E. Gagné	230,512,009	5,136,176	1,253,324	17,147,780
Ralph D. Heath	232,194,132	3,460,687	1,246,690	17,147,780
Lloyd G. Trotter	231,917,453	3,749,256	1,234,800	17,147,780
James L. Ziemer	231,929,850	3,706,612	1,265,047	17,147,780
Maria T. Zuber	232,031,415	3,657,599	1,212,495	17,147,780

2. The Textron Inc. Short-Term Incentive Plan was approved by the following vote:

For	Against	Abstain	Broker Non-Vote
229,463,480	6,584,433	853,596	17,147,780

3. The advisory (non-binding) resolution to approve the compensation of our named executive officers, as disclosed in our proxy statement, was approved by the following vote:

For	Against	Abstain	Broker Non-Vote
222,668,857	12,996,586	1,236,066	17,147,780

4. The advisory vote on the frequency of shareholder votes on the compensation of executives received the following votes:

One Year	Two Years	Three Years	Abstain	Broker Non-Vote
212,276,632	1,562,738	21,926,970	1,135,169	17,147,780

5. The appointment of Ernst & Young LLP by the Audit Committee as Textron's independent registered public accounting firm for 2017 was ratified by the following vote:

For	Against	Abstain
250,102,312	3,107,892	839,085

6. The shareholder proposal regarding an annual report on lobbying activities was rejected by the following vote:

For	Against	Abstain	Broker Non-Vote
55,318,449	176,211,323	5,371,737	17,147,780

(c) Not applicable.

(d) In light of the results of the vote on the frequency of shareholder votes on the compensation of executives and consistent with the Board's recommendation on this matter, the Board has determined to include a shareholder vote on the compensation of its named executive officers in its proxy materials annually until the next required vote on the frequency of shareholder votes on compensation of executives.

Item 6. Exhibi ts

10.1	Amendment No. 2 to Deferred Income Plan for Non-Employee Directors, as Amended and Restated Effective January 1, 2009, dated March 1, 2017
10.2	Textron Inc. Short-Term Incentive Plan
12.1	Computation of ratio of income to fixed charges of Textron Inc. Manufacturing Group
12.2	Computation of ratio of income to fixed charges of Textron Inc. including all majority-owned subsidiaries
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Textron Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements.

Signatures

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

TEXTRON INC.

Date: April 26, 2017

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

LIST OF EXHIBITS

10.1	Amendment No. 2 to Deferred Income Plan for Non-Employee Directors, as Amended and Restated Effective January 1, 2009, dated March 1, 2017
10.2	Textron Inc. Short-Term Incentive Plan
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Exhibit 10.1

AMENDMENT NO. 2 TO

DEFERRED INCOME PLAN FOR NON-EMPLOYEE DIRECTORS, AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2009

WHEREAS, at its meeting held on December 2, 2015, the Board of Directors (the "Board") of Textron Inc. (the "Company") approved changes to the compensation program for the Board which, among other things, increased the amount of the Board members' annual retainer required to be deferred into the Stock Unit Account of the Deferred Income Plan for Non-Employee Directors (the "Plan") from $100,000 to $120,000, effective as of January 1, 2016;

WHEREAS, the Company wishes to amend the Plan to formally incorporate this change into the terms of the Plan;

NOW, THEREFORE, the Company hereby amends the Plan, effective as of January 1, 2016, as follows:

1. Section 1.04(a) of the Plan is hereby amended to change "$100,000" to "$120,000".

2. Section 2.02 of the Plan is hereby amended to change "$100,000" to "$120,000".

3. Section 2.03 of the Plan is hereby amended to change "$100,000" to "$120,000".

IN WITNESS WHEREOF, Textron Inc. has caused this amendment to be executed by its duly authorized officer.

TEXTRON INC.

Dated: March 1, 2017

By /s/ E. Robert Lupone
E. Robert Lupone
Executive Vice President,
General Counsel and Secretary

Exhibit 10.2

TEXTRON INC. SHORT-TERM INCENTIVE PLAN

SECTION 1. ESTABLISHMENT AND PURPOSE

1.1 Establishment of the Plan. Textron Inc., a Delaware company, hereby establishes a short-term incentive compensation plan to be known as the Textron Inc. Short-Term Incentive Plan. The Plan permits the awarding of cash bonuses to Employees, based on the achievement of performance goals that are pre-established by the Board of Directors of the Company or by the Committee.

The Plan, as adopted by the Board on February 22, 2017, is effective as of January 1, 2017, subject to approval by the shareholders of the Company at the 2017 annual meeting of shareholders.

1.2 Purpose. The purposes of the Plan are to (i) provide greater motivation for certain employees of the Company and its Subsidiaries to attain and maintain the highest standards of performance, (ii) attract and retain employees of outstanding competence, and (iii) direct the energies of employees towards the achievement of specific business goals established for the Company and its Subsidiaries.

The purposes of the Plan shall be carried out by the payment to Participants of short- term incentive cash awards, subject to the terms and conditions of the Plan.

SECTION 2. DEFINITIONS

As used in the Plan, the following terms shall have the meanings set forth below (unless otherwise expressly provided).

"Award Opportunity" means an incentive award that a Participant may earn under the Plan for a Performance Period, subject to achieving performance goals established by the Committee pursuant to Section 5.1. For an individual, the Award Opportunity is typically expressed as a minimum and maximum percentage of the individual's Target Incentive Award that defines a range within which the actual incentive award will fall.

"Base Salary" means, for a Participant, the Participant's regular annualized base salary for the calendar year with respect to which the Performance Period relates, as determined by the Company, before reductions for (i) deferred compensation that is elected by the Participant (whether under a tax-qualified plan or a non-qualified arrangement) and (ii) other benefit elections (*e.g.* , employee contributions for health and other insurance benefits). Base Salary shall not include compensation in excess of the base salary determined by the Company, such as awards under this Plan; bonuses and other incentives; equity awards; contributions or credits by the Company or a Subsidiary to any employee benefit plan; overtime; relocation allowances; severance payments; and other awards. For Executive Officers, Base Salary with respect to an Award

Opportunity shall be determined on or prior to the date the applicable performance goals are established in accordance with Section 9.2.

“Board” means the Board of Directors of the Company.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Committee” means the Organization and Compensation Committee of the Board, provided that the Committee shall consist of three or more individuals, appointed by the Board to administer the Plan, pursuant to Section 3, who are “outside directors” to the extent required by and within the meaning of Section 162(m) of the Code.

“Company” means Textron Inc., a Delaware corporation, and any successor of Textron Inc.

“Employee” means an employee of the Company or a Subsidiary.

“Executive Officer” means a “covered employee” within the meaning of Section 162(m)(3) of the Code or any other executive designated by the Committee for purposes of exempting compensation payable under the Plan from the deduction limitations of Section 162(m) of the Code.

“Final Award” means the actual award earned by a Participant for a Performance Period, as determined by the Committee following the end of such Performance Period.

“Participant” means an Employee who is participating in the Plan pursuant to Section 4.

“Performance Period” means a time period over which performance goals for an Award Opportunity are measured. The Performance Period shall be the Company’s fiscal year unless the Committee designates a different period.

“Plan” means this Textron Inc. Short-Term Incentive Plan, as in effect and amended from time to time.

“Subsidiary” means (i) a corporation or other entity with respect to which the Company, directly or indirectly, has the power, whether through the ownership of voting securities, by contract or otherwise, to elect at least a majority of the members of such corporation’s board of directors or analogous governing body, or (ii) any other corporation or other entity in which the Company, directly or indirectly, has an equity or similar interest of 50% or more and which the Committee designates as a Subsidiary for purposes of the Plan.

"Target Incentive Award" means the target award to be paid to a Participant when target performance goals are achieved, as established by the Committee. For an individual, the Target Incentive Award is typically expressed as a percentage of the individual's Base Salary.

SECTION 3. ADMINISTRATION

The Plan shall be administered by the Committee. Subject to the limitations set forth in the Plan and the Committee's authority to delegate responsibility, the Committee shall: (i) select from the Employees of the Company and its Subsidiaries, those who shall participate in the Plan, (ii) establish Award Opportunities in such forms and amounts as it shall determine, (iii) establish performance goals with respect to Award Opportunities, (iv) impose such limitations, restrictions, and conditions upon such Award Opportunities as it shall deem appropriate, (v) make final payout determinations with respect to Award Opportunities, (vi) interpret the Plan and adopt, amend, and rescind administrative guidelines and other rules and regulations relating to the Plan, (vii) make any and all factual and legal determinations in connection with the administration and interpretation of the Plan, (viii) correct any defect or omission or reconcile any inconsistency in this Plan or in any Award Opportunity granted hereunder, and (ix) make all other necessary determinations and take all other actions necessary or advisable for the implementation and administration of the Plan. The Committee's determinations on matters within its authority shall be conclusive and binding upon all parties.

Except with respect to the matters that under Section 162(m) of the Code and Treasury Regulation Section 1.162-27(e) are required to be determined or established by the Committee to qualify awards to Executive Officers under the Plan as qualified performance-based compensation, the Committee shall have the power to delegate to any officer or employee of the Company the authority to administer and interpret the procedural aspects of the Plan, subject to the Plan's terms, including adopting and enforcing rules to decide procedural and administrative issues. For the avoidance of doubt, the scope of any such delegation may include the authority to (i) select from the Employees of the Company and its Subsidiaries those who shall participate in the Plan, (ii) establish Award Opportunities in such forms and amounts as it shall determine, (iii) establish performance goals with respect to Award Opportunities, (iv) impose such limitations, restrictions, and conditions upon such Award Opportunities as it shall deem appropriate and (v) make final payout determinations with respect to Award Opportunities; provided that no officer or employee of the Company shall have any authority with respect to an award payable to him or her. All delegations of authority previously made with respect to the Textron Inc. Short-Term Incentive Plan adopted in 2007 shall also apply with respect to this Plan. To the extent of any such delegation, references to the "Committee" herein shall be deemed to refer to the relevant delegate.

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

SECTION 4. ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. An Employee shall be eligible to participate in the Plan for a Performance Period if included in the Plan by the Committee, subject to the limitations of Section 7 herein.

4.2 Participation. Participation in the Plan shall be determined annually by the Committee based upon the criteria set forth in the Plan. Participation in the Plan for a Performance Period shall be limited to those Employees ("Participants") who are selected by the Committee.

4.3 Right to Reduce or End Eligibility. The Committee may elect to reduce the Award Opportunity (as described in Section 5.2 herein) or end it altogether for any single Participant or group of Participants at any time.

SECTION 5. AWARD DETERMINATION

5.1 Performance Goals. Prior to the beginning of each Performance Period, or as soon as practicable thereafter, the Committee shall approve or establish in writing the performance goals for that Performance Period. Performance goals may include financial and/or non-financial goals.

Performance goals and their relative weight may vary by job. After the performance goals are established, the Committee will align the achievement of the performance goals with the Award Opportunities (as described in Section 5.2 herein), such that the level of achievement at the end of the Performance Period as compared to the pre-established performance goals set at the beginning of the Performance Period will determine the amount of the Final Award. The Committee also shall have the authority to exercise subjective discretion in the determination of Final Awards to reduce or increase a calculated award based on the Committee's qualitative assessment of performance, subject to the requirements of Section 9 (Executive Officers).

5.2 Award Opportunities. Each Participant who is eligible for a Performance Period shall have an Award Opportunity for such period. In the event a Participant changes jobs during a calendar year with respect to which a Performance Period relates, the Participant's Award Opportunity shall be subject to adjustment as follows, unless otherwise determined by the Committee:

(i) If the Participant changes jobs or job levels, (a) the Participant's Target Incentive Award (and resulting Award Opportunity) may be adjusted to reflect the amount of time at each job or job level during the applicable calendar year, and (b) the Participant's goals may change as of the effective date of the job change to reflect different performance goals, if applicable. If the Participant's job change results in a higher Target Incentive Award, then the Participant shall be eligible to receive a Final Award on a full-year basis with respect to the higher Target Incentive Award; if the job change results in a lower Target Incentive Award, the Final Award shall be based on the Target Incentive Award for each job, prorated for the proportion of time during the applicable calendar year in each job. In addition, in the event that the job change is to another business (within the Company and its Subsidiaries), the achievement percentage used to calculate the Participant's Final Award (*i.e.* , the percentage of target) shall be whichever achievement percentage (for the first business or the second business) is higher. For the avoidance of doubt, this "higher-of" practice shall not apply if the transfer occurs after the end of the calendar year with respect to which the Performance Period relates.

(ii) Notwithstanding the foregoing, in the case of an Award Opportunity that the Committee has designated as "performance-based compensation" for purposes of Section 162(m) or Section 409A of the Code, an adjustment under this Section 5.2 shall be permitted only to the extent that such adjustment would not cause the Award Opportunity to fail to qualify as "performance-based compensation" for purposes of Section 162(m) or Section 409A, as applicable.

If an Award Opportunity does not relate to a calendar year, the Committee may make adjustments with respect to the applicable time period in a manner consistent with subsections (i) and (ii) above.

5.3 Permitted Changes to Performance Criteria; Automatic Adjustments When Setting Performance Goals. Except as provided below, in connection with establishing Award Opportunities, the Committee shall have sole discretion to provide for objectively determinable adjustments to the performance goals and the Award Opportunities (either up or down) during a Performance Period, without obtaining shareholder approval, if it determines that the occurrence of external changes or other unanticipated business conditions have materially affected the fairness of the goals and have unduly influenced the Company's ability to meet them. These adjustments may include, but are not limited to, those related to (i) charges, costs, benefits, gains or income associated with reorganizations or restructurings of the Company and/or a Subsidiary, discontinued operations, goodwill, other intangible assets, long-lived assets (non-cash), material acquisitions or divestitures (including associated transaction costs), litigation or the resolution of litigation (e.g., attorneys' fees, settlements or judgments) or the resolution of tax audits or currency or commodity fluctuations, or gains and losses that are treated as "unusual or infrequently occurring items" (or any analogous or successor concept) under U.S. Generally Accepted Accounting Principles ("GAAP"); and (ii) the effects of changes in applicable laws or regulations. In addition, performance goals and Award Opportunities will be calculated without regard to any changes in accounting standards that may be required by GAAP after such performance goals or Award Opportunities are established. Further, in the event that a Performance Period originally scheduled as a twelve-month fiscal year period is subsequently reduced to a fiscal year period of less than twelve months, the Committee shall have the right to adjust the performance goals and the Award Opportunities accordingly, at its sole discretion. In the case of an Award Opportunity that the Committee has designated as "performance-based compensation" for purposes of Section 162(m) or Section 409A of the Code, the Committee shall have the right to adjust the performance goals or Award Opportunity as described in this Section 5.3 only to the extent permitted in Section 5.2(ii).

5.4 Final Award Determinations. Following the end of each Performance Period, Final Awards shall be computed for each Participant as determined by the Committee. Each Final Award shall be based upon the (i) Participant's Target Incentive Award and (ii) percent satisfaction of performance goals (as set by the Committee). Final Award amounts may vary above or below the Target Incentive Award, based on the level of achievement of the pre-established performance goals and the Committee's exercise of discretion permitted by the Plan.

5.5 Limitations. The amount payable to a Participant for any fiscal year of the Company shall not exceed U.S. $6,000,000.

5.6 Award Opportunities under Section 409A. The Committee may, in its discretion, establish Award Opportunities that will qualify as "performance-based compensation" under Section 409A of the Code. An Award Opportunity intended to qualify as "performance-based compensation" under Section 409A of the Code shall meet the following requirements:

(i) For any Participant who is eligible to participate in the Plan on the first day of the Performance Period, the Performance Period shall include at least 12 consecutive months;

(ii) Performance goals shall be established no later than 90 days after the beginning of the Performance Period, and at a time when it is not substantially certain that the performance goals will be met. Performance goals may not be adjusted after the first 90 days of the Performance Period, except that, to the extent permitted by the Section 409A rules for performance-based compensation, the Committee makes adjustments it deems necessary to reflect corporate events, such as recapitalizations or mergers, that would otherwise affect the performance goals; and

(iii) No Final Award shall be paid unless the pre-established performance goals are satisfied.

SECTION 6. PAYMENT OF FINAL AWARDS

6.1 Form and Timing of Payment. Final Award payments shall be payable to the Participant, or to his or her estate in the case of death, in a single lump-sum cash payment, after the Committee has determined the Final Award (as described in Section 5.4, above) and certified in writing the extent to which the specified performance goals were achieved, but in no event later than March 15th of the year following the calendar year in which the applicable Performance Period ends. For the avoidance of doubt, if the Performance Period is a calendar year, payment shall be made during the following calendar year, and, if the Performance Period is the Company's fiscal year, payment shall be made during the calendar year immediately following the calendar year to which the applicable Performance Period relates.

6.2 Unsecured Interest. No Participant or any other party claiming an interest in amounts earned under the Plan shall have any interest whatsoever in any specific asset of the Company or of any Subsidiary. To the extent that any party acquires a right to receive payments under the Plan, such right shall be equivalent to that of an unsecured general creditor of the Company.

SECTION 7. TERMINATION OF ELIGIBILITY OR EMPLOYMENT

7.1 Termination of Eligibility. In the event a Participant ceases to be eligible to participate in the Plan during a Performance Period but remains employed by the Company or a Subsidiary through the end of the calendar year to which the applicable Performance Period relates, the Final Award determined in accordance with Section 5.4 herein shall be reduced proportionately to reflect the period of participation prior to such cessation of eligibility only. The Final Award thus determined shall be payable in a lump sum at the time prescribed by Section 6.1, above.

7.2 Termination of Employment. In the event a Participant's employment is terminated for any reason prior to the end of the calendar year to which the applicable Performance Period relates, all of the Participant's rights to a Final Award for the Performance Period then in progress shall be forfeited. However, the Committee, in its sole discretion, may pay a partial award for the portion of that Performance Period that the Participant was employed by the Company, computed as determined by the Committee and paid in a lump sum no later than the deadline prescribed by Section 6.1, above.

7.3 Unless the Committee determines otherwise, a Participant who has earned a Final Award with respect to a completed Performance Period but terminates employment or otherwise ceases eligibility before the date that the Final Award is to be paid (and after the end of the calendar year to which the Performance Period relates) shall remain eligible to receive such Final Award. Payment shall be made at the time prescribed by Section 6.1, above.

SECTION 8. RIGHTS OF PARTICIPANTS

8.1 Employment. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

8.2 Nontransferability. No right or interest of any Participant in the Plan shall be assignable or transferable, or subject to any lien, directly, by operation of law, or otherwise, including, but not limited to, execution, levy, garnishment, attachment, pledge, and bankruptcy.

SECTION 9. EXECUTIVE OFFICERS

9.1 Applicability. The provisions of this Section 9 shall apply only to Executive Officers and are intended to apply additional terms, conditions and limitations required for amounts payable hereunder to Executive Officers to qualify as performance-based compensation exempt from Section 162(m) of the Code. In the event of any inconsistencies between this Section 9 and the other Plan provisions, the provisions of this Section 9 shall control with respect to Executive Officers.

9.2 Performance Goals and Award Opportunities. With respect to Executive Officers, objective written performance goals and Award Opportunities for a Performance Period shall be established by the Committee (and the Committee only, with no delegation) (i) while the attainment of the performance goals for the Performance Period is substantially uncertain and (ii) no more than 90 days after the commencement of the Performance Period (or a number of days equal to 25% of the Performance Period, if less than twelve months). The performance goals applicable to the Executive Officers shall be tied to one or more of the performance criteria listed below. The Committee may select one or more of the performance criteria specified for each Performance Period and the criteria selected need not be the same for each Executive Officer in a given period. Performance goals will consist of specified levels of one or more of the following performance criteria as the Committee deems appropriate: operating cash flows from continuing operations, operating working capital, free cash flow, cash efficiency, revenues, segment profit, corporate expenses, special charges, gain (loss) on sale of business, income from continuing operations, net income, EBITDA—earnings before interest, taxes, depreciation and amortization, EBIT—earnings before interest and taxes, EPS—earnings per share, as adjusted EPS, ROA—return on assets, ROS—return on sales, ROE—return on equity, ROIC—return on invested capital, WACC—weighted average cost of capital, total shareholder return, stock price appreciation, growth in managed assets, organic growth, cost performance, net cost reductions, inventory turns, selling and administrative expense as a percentage of sales, days sales outstanding, ratio of income to fixed charges, segment profit margins, total profit margin, EVA—economic value added, intrinsic value, effective income tax rate, and workforce diversity. In each case, performance goals shall be determined in accordance with GAAP (subject to modifications approved by the Committee) and shall be consistently applied on a segment, business unit, operating unit, divisional, subsidiary or consolidated basis or any combination thereof. Performance goals may be described in terms of objectives that are related to the individual Participant or objectives that are Company-wide or related to a Subsidiary, division, department, region, function, operating unit, business unit or segment and may be measured on an absolute or cumulative basis or on the basis of percentage of improvement over time, and may be measured in terms of Company performance (or performance of the applicable Subsidiary, division, department, region, function, operating unit, business unit or segment) or measured relative to selected peer companies or a market index. In addition, for awards not intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee may establish performance goals based on other criteria as it deems appropriate. Notwithstanding the above, for any award or portion of an award designated to be "performance-based compensation" under Section 162(m) of the Code, the Committee does not retain any right to increase any amount otherwise determined under the provisions of the Plan.

9.3 Certification of Achievement of Performance Goals. Following the end of the Performance Period and prior to payment, the Committee shall review and certify in writing the extent to which the performance goals and any other material terms were satisfied. For the avoidance of doubt, approved minutes of the Committee meeting in which the certification is made are treated as a written certification. Final Awards shall be computed for each Executive Officer based on (i) the Participant's Target Incentive Award and (ii) percent satisfaction of performance goals (as certified by the Committee). Final Award amounts may vary above or below the Target Incentive Award based on the level of achievement of the pre-established performance goals and the Committee's exercise of negative discretion permitted by the Plan.

9.4 Non-adjustment of Performance Goals. Once established, performance goals shall not be changed during the Performance Period except as provided in Section 5.3 hereof.

9.5 Discretionary Adjustments. The Committee retains the discretion to eliminate or decrease the amount of the Final Award otherwise payable to a Participant. For any Final Award or portion of a Final Award designated to be "performance-based compensation" under Section 162(m) of the Code, the Committee shall not retain any right to increase any amount otherwise determined under the provisions of the Plan.

SECTION 10. CLAWBACK PROVISION

10.1 The Committee shall, in all appropriate circumstances, require reimbursement of any Final Award payment to an executive officer made hereunder, where: (i) the payment was predicated upon achieving certain financial results that were subsequently the subject of a substantial restatement of Company financial statements filed with the Securities and Exchange Commission; (ii) the Committee determines the executive officer engaged in intentional misconduct that caused or substantially caused the need for the substantial restatement; and (iii) a lower payment would have been made to the executive officer based upon the restated financial results. In each such instance, the Company will, to the extent practicable, seek to recover from the individual executive officer the amount by which the individual executive officer's incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results. For purposes of this provision, the term "executive officer" means any officer who has been designated an executive officer by the Board. In addition, all awards under the Plan are subject to all other clawback procedures of the Company, as in effect and as amended from time to time.

SECTION 11. AMENDMENT AND MODIFICATION

11.1 Amendment by Board. Subject to applicable laws, rules, and regulations, the Board, in its sole discretion, without notice, at any time and from time to time, may modify or amend, in whole or in part, any or all of the provisions of the Plan, or may suspend or terminate the Plan entirely, by written resolution or other formal action reflected in writing.

11.2 Delegation of Amendment Authority. To the extent permitted by applicable law, the Board may make a non-exclusive written delegation of the authority to amend the Plan to a committee of the Board or to one or more officers of the Company. In addition, to the extent permitted by applicable law, the Board may authorize a committee of the Board to make a further delegation of the authority to amend the Plan, provided that no such delegate may amend the Plan in a manner which increases the authority of the Committee's delegates under the Plan.

SECTION 12. MISCELLANEOUS

12.1 Jurisdiction, Venue and Governing Law. Except as to matters of federal law, the Plan, and all agreements hereunder, shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to any conflict of law provisions that might otherwise point to a different jurisdiction. Any dispute, controversy or claim arising out of or relating to the Plan or any award under the Plan shall be brought only in a court of competent jurisdiction in the State of Rhode Island, and no other court, agency or tribunal shall have jurisdiction to resolve any such dispute, controversy or claim.

12.2 Withholding Taxes. The Company and its Subsidiaries shall have the right to deduct from all payments under the Plan any federal, state, local and/or foreign income, employment or other applicable payroll taxes that the payer determines are required by law to be withheld with respect to such payments.

12.3 Construction. Except where otherwise indicated by the context, (i) any masculine term used herein also shall include the feminine, (ii) the plural shall include the singular, and the singular shall include the plural, and (iii) the word “include” means “including but not limited to.”

12.4 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

12.5 Costs of the Plan. All costs of implementing and administering the Plan shall be borne by the Company.

12.6 Successors. All obligations of the Company and its Subsidiaries under the Plan shall be binding upon and inure to the benefit of any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, amalgamation, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

12.7 Compliance With Code Section 409A **.** The Plan is intended, and shall be interpreted, to provide compensation that is exempt from or compliant with the requirements of Code Section 409A. The Company does not warrant that the Plan will comply with Code Section 409A with respect to any Participant or with respect to any payment, however. In no event shall the Company; any affiliate of the Company; any director, officer, or employee of the Company or an affiliate; or any member of the Committee be liable for any additional tax, interest, or penalty incurred by a Participant as a result of the Plan’s failure to satisfy the requirements of Code Section 409A, or as a result of the Plan’s failure to satisfy any other requirements of applicable tax laws.

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

	Three Months Ended April 1, 2017
Fixed charges:	
Interest expense*	$ 34
Estimated interest portion of rents	11
Total fixed charges	$ 45
Income:	
Income from continuing operations before income taxes	$ 121
Fixed charges	45
Eliminate pretax income of Finance group	(4)
Adjusted income	$ 162
Ratio of income to fixed charges	3.60

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

EXHIBIT 12.2

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

	Three Months Ended April 1, 2017
Fixed charges:	
Interest expense*	$ 42
Estimated interest portion of rents	11
Total fixed charges	$ 53
Income:	
Income from continuing operations before income taxes	$ 121
Fixed charges	53
Adjusted income	$ 174
Ratio of income to fixed charges	3.28

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

Exhibit 31.1

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: April 26, 2017

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

Exhibit 31.2

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: April 26, 2017

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

Exhibit 32.1

TEXTRON INC.

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

In connection with the Quarterly Report of Textron Inc. (the “Company”) on Form 10-Q for the period ended April 1, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott C. Donnelly, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: April 26, 2017

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

Exhibit 32.2

TEXTRON INC.

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

In connection with the Quarterly Report of Textron Inc. (the “Company”) on Form 10-Q for the period ended April 1 , 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Frank T. Connor, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: April 26, 2017

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