SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1994
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 1-8974

ALLIEDSIGNAL INC.

(Exact name of registrant as specified in its charter)

DELAWARE	22-2640650
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
101 Columbia Road P.O. Box 4000 Morristown, New Jersey	07962-2497
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (201)455-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $1 per share*	New York Stock Exchange Chicago Stock Exchange Pacific Stock Exchange
Money Multiplier Notes due 1996-2000	New York Stock Exchange
9 7/8% Debentures due June 1, 2002	New York Stock Exchange
9.20% Debentures due February 15, 2003	New York Stock Exchange
Zero Coupon Serial Bonds due 1995-2009	New York Stock Exchange
9 1/2% Debentures due June 1, 2016	New York Stock Exchange

* The common stock is also listed for trading on the Amsterdam, Basle, Frankfurt, Geneva, London, Paris, Tokyo and Zurich stock exchanges.

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [ ]

The aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately $9.6 billion at December 31, 1994.

There were 283,131,846 shares of Common Stock outstanding at December 31, 1994.

Documents Incorporated by Reference
Part I and II: Annual Report to Shareowners for the Year Ended December 31, 1994.
Part III: Proxy Statement for Annual Meeting of Shareowners to be held April 24, 1995.

ALLIEDSIGNAL INC.

CROSS REFERENCE SHEET

Form 10-K Item No.	Heading(s) in Annual Report to Shareowners for Year Ended December 31, 1994	Page(s) in Annual Report
1. Business	Note 26. Segment Financial Data	37
	Note 25. Geographic Areas -- Financial Data	37
	Management's Discussion and Analysis	21
3. Legal Proceedings	Note 20. Commitments and Contingencies	34
5. Market for the Registrant's Common Equity and Related Stockholder Matters	Note 27. Unaudited Quarterly Financial Information	38
	Selected Financial Data	39
6. Selected Financial Data	Selected Financial Data	39
7. Management's Discussion and Analysis of Financial Condition and Results of Operations	Management's Discussion and Analysis	19
8. Financial Statements and Supplementary Data	Report of Independent Accountants	38
	Consolidated Statement of Income	26
	Consolidated Statement of Retained Earnings	26
	Consolidated Balance Sheet	27
	Consolidated Statement of Cash Flows	28
	Notes to Financial Statements	29

	Heading(s) in Proxy Statement for Annual Meeting of Shareowners to be held April 24, 1995	Page(s) in Proxy Statement
10. Directors and Executive Officers of the Registrant	Election of Directors; Voting Securities	*
11. Executive Compensation	Election of Directors -- Compensation of Directors; Executive Compensation	*
12. Security Ownership of Certain Beneficial Owners and Management	Voting Securities	*

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* To be included in a definitive Proxy Statement to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 1994.

NOTE: AlliedSignal Inc. is sometimes referred to in this Report as the Registrant and as the Company, and AlliedSignal Inc. and its consolidated subsidiaries are sometimes referred to as the Company as the context may so require.

TABLE OF CONTENTS

	ITEM	PAGE
Part I.	1 Business	4
	2 Properties	14
	3 Legal Proceedings	15
	4 Submission of Matters to a Vote of Security Holders	15
	Executive Officers of the Registrant	15
Part II.	5 Market for the Registrant's Common Equity and Related Stockholder Matters	17
	6 Selected Financial Data	17
	7 Management's Discussion and Analysis of Financial Condition and Results of Operations	17
	8 Financial Statements and Supplementary Data	17
	9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	17
Part III.	10 Directors and Executive Officers of the Registrant	17(a)
	11 Executive Compensation	17(a)
	12 Security Ownership of Certain Beneficial Owners and Management	18(a)
	13 Certain Relationships and Related Transactions	18
Part IV.	14 Exhibits, Financial Statement Schedules and Reports on Form 8-K	18
Signatures		19

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(a) These items are omitted since the Registrant will file with the Securities and Exchange Commission a definitive Proxy Statement pursuant to Regulation 14A involving the election of directors not later than 120 days after December 31, 1994. Certain other information relating to the Executive Officers of the Registrant appears at pages 15 and 16 of this Report.

PART I.

ITEM 1. BUSINESS

AlliedSignal Inc. with its consolidated subsidiaries (sometimes referred to in this Report as the Company) was organized in the State of Delaware in 1985. The Company is the successor to Allied Corporation, which was organized in the State of New York in 1920.

The Company's operations are conducted under three business segments: aerospace, automotive and engineered materials.

The Company's products are used by many major industries, including textiles, construction, plastics, electronics, motor vehicles, chemicals, housing, telecommunications, utilities, packaging, military and commercial aviation and aerospace, and in the space program, and agriculture. The following is a description of the Company's three business segments and their principal products and activities.

AEROSPACE

The Aerospace segment is among the world's largest manufacturers and suppliers of advanced technology products and services for the military, commercial and general aviation, and space markets.

In 1994 the Company substantially completed a restructuring and consolidation of Aerospace's 12 principal product lines into four strategic business units: Aerospace Equipment Systems (Equipment Systems), Commercial Avionics Systems (Avionics Systems), AlliedSignal Engines (Engines) and Government Electronic Systems (Electronic Systems).

The Company serves key military and commercial segments of the aviation, defense and space markets with a broad array of systems, subsystems, components and services. It designs, develops, manufactures, markets and services hundreds of products found on all types of aircraft, from single-engine executive aircraft and wide-bodied 'jumbos' flown by the world's commercial carriers, to trainers, transports, bombers, fighters and helicopters used by the U.S. and other countries for national defense. The Company's global business consists primarily of original-equipment sales and an extensive aftermarket business, including spare parts, maintenance and repair, and retrofitting. Worldwide customers include all of the major airframe and engine manufacturers, including Boeing, McDonnell Douglas, Lockheed, Airbus Industrie (Airbus), British Aerospace, Fokker, Cessna, Fairchild, Dassault, Rockwell International, Pratt & Whitney, General Electric (GE) and Rolls Royce, as well as the world's leading airlines.

Principal products, manufactured for military aircraft, civil air transport and general aviation markets, include primary propulsion, consisting of turboprop, turbofan, turbojet and turboshaft engines, and auxiliary power gas turbine engines; environmental control systems, consisting of air conditioning, cabin pressure and temperature controls; airborne weather avoidance and collision avoidance radar systems; forward-looking wind shear detection systems and wing ice detection systems; aircraft communications -- both voice and data; microwave landing systems; automatic flight control systems; pneumatic control systems; engine and flight instruments; motion sensing and air data systems; navigation and identification equipment, including identification of friend-or-foe systems; cockpit data recorders; ground proximity warning equipment; electric power generating systems; fuel control systems; aircraft wheels and brakes; test systems; electromechanical and hydraulic systems and components; heat transfer equipment and engine oil cooling systems. Other products include electronic cooling systems and infrared radiation suppressors.

The Company also manufactures products for missiles, spacecraft defense command, control communication and intelligence programs and oceanic applications, primarily for defense markets. Products include cryptographic equipment, radar proximity fuzes, space-pointing devices for deep space probes and control systems for spacecraft, gyroscopes for tactical missiles and military aircraft, antisubmarine warfare systems as well as field engineering management and technical support services to the National Aeronautics and Space Administration (NASA) and the U.S. Department of Energy (DOE).

In June 1994 the Company sold a portion of its small aerospace actuation business and all of its general aviation repair and overhaul hangar business, consisting of five airport-based hangar facilities.

In October 1994 the Company completed the purchase of the Lycoming Turbine Engine Division of Textron Inc. for $375 million and the assumption of certain liabilities. The acquisition extended the Company's turbine engine product offerings into the 50- to 115-seat regional aircraft market and in helicopters and other commercial and military applications.

The Company entered into a number of alliances and joint ventures during the year, of which the following were among the most significant. The Company, to be more responsive to its Japanese customers, formed a strategic alliance with Shimadzu Corporation, Kyoto, Japan covering aerospace equipment and controls products in Japan under which the Company designated Shimadzu as its first-preference company for all future manufacturing and business development in Japan. The agreement covers environmental control systems, engine controls and accessories and actuation products. Engines selected Kawasaki Heavy Industries of Kobe, Japan as its partner to manufacture the Company's 131-series auxiliary power units (APU) for the new McDonnell Douglas MD-90 and Boeing 737 aircraft programs. Kawasaki is also developing and building the accessory gearbox for Engines' new RE220 APU. The Company has signed a memorandum of agreement to form a joint venture with TAECO, a Hong Kong-based aerospace company, to start an aircraft maintenance center at TAECO's facility in Xiamen, China. The joint venture will provide repair and overhaul services on all the Company's products used by airline operators in China and the rest of Asia. The Company also signed a letter of intent with China Eastern Airlines to establish a joint venture to provide aircraft wheel and brake repair and overhaul services in Shanghai, China.

The Company is affected by the level of expenditures for defense and space programs and the level of production of commercial and general aviation aircraft. The Company's aerospace products are sold directly to the U.S. government, aircraft manufacturers and commercial airlines, and to dealers and distributors of general aviation products.

Moderate growth in the Company's commercial business for aerospace products is expected, over the long term, to mitigate a reduction in U.S. defense spending. Moreover, aerospace sales are not dependent on any one key defense program or commercial customer. However, contract awards by aircraft manufacturers, some of which are discussed below, can be cancelled or reduced if aircraft orders are cut back. The products and services are sold in competition with those of a large number of other companies, some of which have substantial financial resources and significant technological capabilities. Among those companies that compete with several of the segment's product areas are GE, Honeywell, Rockwell International, Sundstrand and United Technologies.

Sales to the U.S. government, acting through its various departments and agencies and through prime contractors, amounted to $1,886 million for 1994 and $1,911 million for 1993, which amounts include sales to the Department of Defense of $1,300 million in 1994 and $1,391 million in 1993. Approximately 59% and 61% of sales to the U.S. government in 1994 and 1993, respectively, were made under fixed-price contracts in which the Company agrees to perform the contract for a fixed price and retains for itself any benefits of cost savings or must bear the burden of cost overruns.

Government contracts are generally terminable by the government at will. Upon termination, the contractor is normally entitled to reimbursement for allowable costs and to an allowance for profit. However, if the contract is terminated because of the contractor's default, the contractor may not recover all of its costs and may be liable for any excess costs incurred by the government in procuring undelivered items from another source.

The Company, as are other government contractors, is subject to government investigations of business practices and compliance with government procurement regulations. Although such regulations provide that a contractor may be suspended or debarred from government contracts under certain circumstances, and the outcome of pending government investigations cannot be predicted with certainty, management is not presently aware of any such investigation which it expects will have a material adverse effect on the Company.

Orders for certain products sold to general and commercial aviation customers mainly consist of relatively short-term and frequently renewed commitments. Government procurement agencies

generally issue contracts covering relatively long periods of time. Total backlog for products and services for both government and commercial contracts was $4,730 million at December 31, 1994 and $4,773 million at December 31, 1993 of which U.S. and foreign government orders were $1,803 million and $1,861 million for the respective years. The Company anticipates that approximately $2,681 million of the total 1994 backlog will be filled during 1995.

The Aerospace segment's international operations consist primarily of exporting U.S. manufactured products, performance of services, operating aircraft repair and overhaul facilities and licensing activities. The principal manufacturing facility outside of the U.S. is in Canada.

In 1994, as in the prior year, world defense spending continued to decline. Furthermore, most major U.S. and international airlines operated in a difficult economic environment, with the modest turnarounds that began in the second half of 1993 continuing in 1994. While the regional airlines showed some financial strength, growth in the high end corporate aviation market remained slow.

Aerospace was awarded a number of significant contracts in 1994 and had strong success in booking new programs, being awarded approximately 64% of the programs bid.

Aerospace was awarded several significant contracts related to Boeing's new 737-700 program totaling about $3 billion in potential sales over the life of the program. The most significant of these awards included the Company's designation as the sole supplier of APUs for this new family of aircraft; the contract has a sales potential of $2 billion. Equipment Systems won contracts for the environmental control and bleed air systems with a sales potential of $370 million. GE's Aircraft Engines unit awarded contracts to Equipment Systems for the main fuel control and the air turbine start system for its CFM56-7 engine on the new 737 program with a combined sales potential of $260 million. Southwest Airlines awarded a contract with a sales potential of $225 million to Equipment Systems for wheels and brakes on its new Boeing 737-700 fleet. Equipment Systems was also awarded a contract for the engine nose cowl anti-ice valve with a sales potential of $22 million.

The Company has received contracts for the proposed MD-95, McDonnell Douglas' newest twin-engine aircraft for the 100-passenger market. Equipment Systems will supply the environmental control systems and Avionics Systems will provide the communications and navigational systems on a Supplier-Furnished-Equipment basis. The combined sales potential of the two contracts is more than $500 million.

Aero Vodochody of Czechoslovakia selected International Turbine Engines Corp., a joint venture between Engines and the Aero Industry Development Center of the Republic of China (Taiwan), to supply F124-GA-100 engines for its L-159 light attack/advanced trainer aircraft. The sales potential of the contract is $290 million. Aero Vodochody also chose a Rockwell-AlliedSignal team to supply the avionics suite for its L-159 program; Electronic Systems is responsible for supplying and integrating selected avionics subsystems. Lockheed Aircraft Services awarded a contract to Electronic Systems to upgrade the integrated cockpits displays and mission avionics in A-4M SkyHawk tactical fighters sold by the U.S. government to the Republic of Argentina's Air Force.

Engines received an order to supply the Garrett Turbine Compressor Power 180C engine for up to 750 ground carts for the U.S. Air Force (USAF) for the San Antonio Air Logistics Center's Large Aircraft Start System. The contract has a sales potential of $75 million.

Electronic Systems received a contract with a sales potential of $200 million to produce an inertial measurement unit for Northrop's Brilliant Anti-Tank Weapon.

The USAF's Philips Laboratory awarded Equipment Systems a contract to develop a turbopump. This contract has sales potential of about $5 million and is considered strategically significant because it positions Equipment Systems for entry into the turbopump market.

Two important APU maintenance service agreements (MSA) were awarded during the year. Southwest Airlines, for its fleet of 737 aircraft, awarded a contract with a sales potential of $100 million to the Company and Alaska Airlines selected the Company to service its APUs with a sales potential of $7.6 million.

The Australian Civil Aviation Authority awarded a contract for $9 million to Electronic Systems to provide a parallel approach radar monitor (PARM) for Sydney's airport; it will be the third airport in the world and the first outside the U.S. with a PARM.

The Company was also awarded new contracts in general aviation in 1994. Avionics Systems successfully penetrated the safety avionics market by winning a contract from Gulfstream to provide a safety avionics suite for the Gulfstream GV aircraft. The award included a traffic alert and collision avoidance system (TCAS II), ground proximity warning systems and maintenance data acquisition units. Israeli Aircraft Industries selected the Company for three contracts with a combined sales potential exceeding $30 million. The TFE731-40 engine, a turbofan from the Company's new generation of TFE731 engines, was selected as the propulsion system for the Astra SPX aircraft and the Company's APUs and environmental control systems were selected for the Galaxy business jet. Dassault Aviation selected Engines to supply the most powerful of its new family of turbofan engines, the TFE731-60, for Dassault's new Falcon 900EX. Engines received a contract for 69 TPE 331-13 turboprop engines from Jetstream with a sales potential of $220 million. Canadair selected Engines to supply APUs and air turbine start systems for its fleet of Global Express aircraft with a combined sales potential of $50 million.

NASA awarded AlliedSignal Technical Services Corporation (ATSC) the test, evaluation and maintenance contract for its White Sands Test Facility in New Mexico. The initial three-year contract, plus a two-year option, will have a sales potential of $163 million. In an award that secured a strong position for future potential space station work, Equipment Systems received a contract from NASA's Lewis Research Center to develop the first space flight demonstration of a solar dynamic electric power generation system with a sales potential of $15 million. Aerospace was part of four industry teams that will share in $98 million in technology reinvestment project grants from the U.S. government's Advanced Research Projects Agency. Among the projects will be a $42 million award for the development of a radar system to be used in an Autonomous Landing Guidance System and a $43 million award to develop Fly-by-Light Advanced Systems Hardware. ATSC will develop and install the ground system for Taiwan's new satellite program under a contract with a sales potential, including options, of $32 million.

The Company was also awarded a number of significant contracts in 1993.

Chalk Airlines purchased Engine's TPE331-14 turboprop to re-engine its fleet of Albatross amphibian aircraft with a sales potential of $24 million. The U.S. Army funded a $73 million contract add-on under which LHTEC, a joint venture with Allison Engines, will continue development of a growth version of its T-800 turboshaft engine which has been selected for use on the RAH-66 Comanche helicopter.

The Company received new military avionics contracts in 1993. Electronic Systems, teamed with Chrysler Technology, was awarded a major contract from the USAF for the update of autopilots and displays for the C-130 and C-141 aircraft. The program has a sales potential to the Company of $500 million. Avionics Systems was awarded a $15 million contract from Lockheed to supply TCAS II for C-130 aircraft. Electronic Systems received an order from McDonnell Douglas Helicopter Company to update the display processor for the AH-64 Longbow Apache helicopter, a program with a sales potential of over $300 million. Electronic Systems received a significant contract from the USAF Special Operations Command for the Multi-mission Advanced Tactical Terminal, a program with a sales potential of $170 million. Electronic Systems led one of four winning teams for the Advanced Research Projects Agency's Small Low-cost Interceptor Device (SLID) program which is expected to develop military land vehicle protection through the use of smart small projectiles. SLID has a sales potential of $110 million. Electronic Systems was also awarded several contracts for its APX-100 Identification Friend-or-Foe transponder from the U.S. Navy, Air National Guard, U.K. Ministry of Defence and Teledyne Ryan with a combined sales potential of over $150 million.

Other key military aircraft equipment awards included wheels and brakes for the F-18E/F (the Navy's first-line fighter) and the integrated environmental control system for the F-22, by Equipment Systems, together with more than $340 million in sales potential. The latter was particularly notable because it began as a procurement for a single component of the environmental control systems, but

Equipment System's strong focus on systems integration turned it into a contract for the complete system.

ATSC was successful in booking several technical services programs. These programs included the NASA White Sands program, with $225 million in sales, the U.S. Marine Corps' Maritime Prepositioning Ship program, with $125 million in sales, and a number of smaller NASA programs with over $130 million in sales potential.

In the commercial and general aviation aircraft market, in addition to the 1994 awards previously mentioned, Equipment Systems was designated as one of two wheel and brake suppliers for Boeing on its new 737-700 transport, a program with $1.3 billion in sales potential. On the new Gulfstream GV aircraft, Engines was awarded a contract to supply the APUs and Equipment Systems received a contract for the environmental control and cabin pressure control systems. Together, the awards have a sales potential of $130 million. Equipment Systems received the engine starting system contract for the BMW/Rolls Royce BR-710 engine, the selected engine for both the Gulfstream GV and the Canadair Global Express aircraft. Furthermore, Equipment Systems received the environmental control system contract for the new Learjet Model 45 general aviation aircraft. Equipment Systems was awarded contracts for aircraft wheels and brakes from Continental Airlines with a sales potential of $170 million and from JAL, Air France and Egyptair with a combined sales potential of $140 million. Engines was awarded an APU long-term maintenance service agreement from a major airline with a sales potential of $135 million.

In the spacecraft market, Lockheed Missile & Space Company awarded Electronic Systems the ring laser gyro and momentum wheel contracts for its IRIDIUM program and a ring laser gyro contract for its Frugal Satellite program. The combined potential sales of these programs is $50 million.

The Company expects that these programs will require only minimal fixed capital spending.

AUTOMOTIVE

The Automotive segment designs, engineers and manufactures systems and components for worldwide vehicle manufacturers and aftermarket customers. The segment's principal business areas are braking systems, engine components, safety restraint systems and the aftermarket. Within each area, the segment offers a wide range of products for passenger cars and light, medium and heavy trucks.

For manufacturers of passenger cars and light trucks, the Company provides disc and drum brakes, power brake boosters and master cylinders, anti-lock braking systems (ABS), friction materials, spark plugs, turbochargers and occupant protection systems (seat belts, air bags and related components).

The Company's primary product offerings for the manufacturers of medium and heavy trucks and off-road vehicles primarily include air and hydraulic brake actuation components, air and hydraulic drum and disc brakes, ABS, compressors, air dryers, friction materials, turbochargers and charge-air intercoolers.

The aftermarket business includes replacement parts for most of the above items as well as air, oil and fuel filters, wire and cable products, and brake sealants and fluids.

Automotive operations are located in the U.S., Australia, Brazil, Canada, China, France, Germany, India, Ireland, Italy, Japan, Malaysia, Mexico, Portugal, South Korea, Spain and the U.K. Distribution and marketing are conducted in these and numerous other countries as well. Internationally, products are marketed under the Bendix, Fram, Autolite, Garrett and Jurid trademarks.

Worldwide passenger car and truck original-equipment sales accounted for approximately 74% in 1994 and 70% in 1993 of the net sales of the Automotive segment with aftermarket sales accounting for the balance. In 1994 and 1993 Automotive operations outside the U.S. accounted for $2,217 and $2,002 million, or 45% and 44%, respectively, of worldwide sales.

In 1994 and 1993 sales of automotive original-equipment systems and components were made to approximately 30 customers of which the Company's five largest automotive manufacturing customers accounted for approximately 62% and 60%, respectively, of such sales. Total worldwide sales (for

original-equipment and aftermarket use) for 1994 and 1993 to the five automotive manufacturers amounted to $2,063 and $1,886 million, including sales to Ford Motor Company (Ford), the segment's largest customer, of $782 and $715 million for the respective years.

In 1994 the Company established two joint ventures in Europe, one with Sogefi S.p.A. and the other with Gilardini, a subsidiary of Fiat, and Sequa. The joint venture with Sogefi S.p.A., a European manufacturer and distributor of automotive filters and other automotive products, is expected to enable both partners to penetrate new markets through a joint distribution network and to reduce costs through consolidation of both warehouses and distribution centers. The joint venture with Gilardini and Sequa -- BAG, S.p.A. -- will manufacture and supply hybrid inflators for driver and passenger-side air bags to be assembled by a Company plant in Italy. These operations will provide the Company with an entry into the European air bag market. In January 1995 the Company and Jidosha Kiki Co. of Japan formed a joint venture to supply brake boosters for vehicles built in Europe by Japanese manufacturers. The venture will be based in Pamplona, Spain.

The Company acquired substantially all of the seat belt business of General Safety, a North American designer and manufacturer of safety restraint systems, in 1994. The acquisition is expected to bolster growth potential for the Company as a leading supplier of vehicle safety restraint systems in North America.

In late December 1994 the Company acquired Ford's spark plug manufacturing plant in Treforest, South Wales. The acquisition enhanced the Company's relationship with Ford as its sole supplier of spark plugs in both North America and Europe and is expected to provide a manufacturing base in Europe for growth in the aftermarket spark plug business.

In February 1995 the Company reached an agreement to acquire the Budd Company's Wheel and Brake Division, whose products include: rotors, hubs, drums and related assemblies for passenger cars and light trucks; steel disk wheels for heavy trucks; and demountable rims and hub and drum assemblies for medium- and heavy-duty trucks. The Wheel and Brake Division had sales of about $250 million in the fiscal year ended September 30, 1994. The Company signed a letter of intent to acquire Fiat Auto Poland S.A.'s braking business, whose products include disc and drum brakes, master cylinders and brake boosters. The manufacturing facility of the business is located in Twargodora, Poland. Sales of about $30 million are expected in 1995.

Construction of a new turbocharger plant in Shanghai, China began in 1994. This facility is expected to enable the Company to serve the rapidly growing diesel engine market in China and provide turbochargers to international markets as opportunities develop. In December 1994, as a temporary measure, the Company began producing turbochargers in a leased facility in China.

The Company continues to invest in the ABS and air bag segments of the automotive industry. New ABS product introductions and major awards on a number of car models continue to provide the Company with the synergies necessary to be a worldwide brake system supplier. The Company's global air bag position is expected to continue to strengthen with the formation in 1994 of the BAG, S.p.A. inflator joint venture and with the establishment of an air bag module assembly operation in Italy. The new air bag assembly operation has received sales awards from European manufacturers.

The Company initiated facilities rationalization plans in 1991 and 1992 which will significantly reduce the number of worldwide automotive locations through 1995. By the end of 1994, 23 operating plants had been closed. Rationalization and consolidations of sales offices, distribution centers, and research and development facilities will continue throughout 1995.

The segment's operations outside the U.S. are conducted through various foreign companies in which it has interests ranging from minor to complete control. International operations also include the exporting of U.S. manufactured products and licensing activities.

The Automotive segment's products are sold in highly competitive markets to customers who demand performance, quality and competitive prices. Virtually all automotive components are sold in competition with other independent suppliers or with the captive component divisions of the vehicle manufacturers. While the Company's competitive position varies among its products, the Company believes it is a significant factor in each of its major product markets. The major independent competitors in one or more major business areas include: ITT Teves, Lucas Girling, Rockwell-WABCO,

Dana, Autoliv, Cooper Industries, Schwitzer, Midland, Bosch, Kelsey Hayes, KKK, TRW, Purolator, Delco, AM Brake, Raybestos, Takata and Morton.

ENGINEERED MATERIALS

The Engineered Materials segment is composed of five major divisions: Fibers, Fluorine Products, Performance Materials, Plastics and Laminate Systems. Other businesses not included in these divisions are the Paxon joint venture, the Environmental Catalysts joint venture and Carbon Materials.

Fibers. The Company is a leading producer of type 6 nylon and the third largest producer of nylon in the U.S. The Company is also the largest domestic producer of caprolactam, the primary intermediate for type 6 nylon, from which it produces fine and heavy denier nylon yarns and molding compounds and film. These yarns are sold under the trademarks Anso'r', Anso X'r', Anso IV'r', Anso V'r', Worry-Free'r', CrushResister'tm' and Caprolan'r'. In addition, the Company produces heavy denier polyester yarns. The Company primarily sells yarns to the carpet, textile, motor vehicle and industrial markets.

In the carpet yarn markets, both continuous filament and staple nylon yarns are sold to yarn processors and mills for the manufacture of carpeting. Nylon filament and staple are the dominant fiber yarns used in carpet production. The four largest producers, including the Company, have over 90% of domestic capacity. The Company has achieved recognition as a leader in product development and has developed a strong customer base. Brand identity, service to customers and quality are important competitive factors in the market and there is considerable price competition. The Company strengthened its position in Europe through the acquisition of carpet yarn facilities from Akzo NV in the third quarter of 1993.

In the motor vehicle and industrial markets, the Company's primary products are nylon and polyester yarns for use in tire cord, seat belts, hoses, tarpaulins and outdoor furniture. In Europe the Company produces industrial polyester yarn in a $200 million facility in Longlaville, France, which began operations in the fourth quarter of 1993. The Company believes that polyester yarn will become the primary reinforcement for passenger car radial tires in the world in the late 1990s and is exploring development opportunities in the Far East.

The textile fibers markets, where the Company sells Caprolan'r' nylon flat yarns for warp knit and weaving applications, include intimate apparel, sports outerwear, jackets and such recreational products as sleeping bags, back packs and luggage. The industry is highly price competitive.

Fluorine Products. The major fluorine products are hydrofluoric acid (HF), fluorocarbons, sulfur hexafluoride (SF6) and sterilant gases.

The Company is the world's largest producer of HF and an industry leader in the production and sale of products derived from HF, including fluorocarbons, SF6 and uranium hexafluoride (UF6).

Genetron'r' fluorocarbons are sold mainly as refrigerants to original-equipment and replacement manufacturers of air conditioning and refrigeration equipment and as foam blowing agents to rigid foam producers. Genesolv'r' fluorocarbons are sold as solvents in precision cleaning applications such as electronics, optics and aerospace applications. Approximately one-third of the Company's Genetron'r' and Genesolv'r' products are chlorofluorocarbons (CFCs). The Montreal Protocol (Protocol), which is supported by 87 countries, regulates worldwide CFC production and consumption. With few exceptions, the Protocol requires 100% elimination of fully halogenated CFC production by industrialized countries by December 31, 1995. The amended U.S. Clean Air Act also regulates CFCs and similarly requires that most U.S. production of CFCs be phased out by the end of 1995. CFCs produced in the U.S. are also subject to the Ozone Depleting Chemical Tax of the Revenue Reconciliation Act of 1989.

The Company is continuing its efforts to develop environmentally-safer fluorocarbon products as it replaces the current CFC product line. An existing commercial plant in El Segundo, CA was converted in 1991 to manufacture hydrochlorofluorocarbon (HCFC)-141b, a key substitute for CFC-11, a blowing agent in urethane foams, and as a replacement for CFC-113 in critical solvent applications. By 1994 the Company more than tripled the plant's capacity to 60 million pounds per year. The Company has

commercialized key CFC substitute products in various applications, including automotive air conditioning and residential, commercial and industrial refrigeration. In this connection, the Company began manufacturing environmentally-safer alternatives to CFCs at a new $70 million multi-product commercial facility in Geismar, LA targeted primarily at the substitute products HCFC-123, HCFC-124, hydrofluorocarbon (HFC)-125 and HFC-134a. The Company is continuing its research and development efforts in view of the changing regulatory environment in which it operates. The Company does not currently expect that the Protocol or the U.S. Clean Air Act will have a material adverse effect on the Company. However, the Company cannot predict the impact of possible future regulatory issues.

The Company acquired the CFC business of Akzo NV, with facilities in the Netherlands, in April 1994. This acquisition has provided the Company with access to new markets for its fluorocarbon products.

The Company is one of two domestic producers of SF6, a gas primarily used by utilities because of its electrical insulatory properties in circuit breakers, switches, transmission lines and electronic minisubstations.

The Company also produces sterilant gases which primarily consist of blends of ethylene oxide and fluorocarbons that are sold to hospitals, medical device manufacturers and contract sterilizers. The Company holds the patents for selected sterilant gas blends using environmentally-safer fluorocarbons.

Performance Materials. Businesses included are A-C'r' performance additives, performance chemicals, advanced microelectronics materials, amorphous metals, specialty films, nuclear services and the UOP joint venture.

A-C'r' performance additives are low-molecular weight polyethylene polymer additives which primarily serve the textiles, plastics, adhesives and polishes specialty markets worldwide.

The performance chemicals business is the leading supplier of specialty oxime chemicals for use in the agricultural, coatings, photographic, pharmaceutical, adhesives and sealants, and mining industries. The Company has some cost benefits from its captive source of hydroxylamine sulfate.

The advanced microelectronics materials business designs, develops and manufactures materials for semiconductor companies worldwide. The Company is a leader in technology that smoothes integrated circuits under the trademark ACCUGLASS'r'.

The Company manufactures amorphous metals (METGLAS'r' Alloys) that offer significant efficiency gains in electrical distribution transformers over conventional electrical steel which is currently used. Amorphous metals are also a key component in theft deterrent systems used by retail companies.

Major products in the specialty films business include cast nylon (Capran'r'), biaxially oriented nylon film (Biax'r') and fluoropolymer film (Aclar'r'). Specialty film markets include food, pharmaceutical, and other packaging and industrial applications.

The Company's nuclear services business processes uranium ore concentrates into UF6 which is an essential intermediate in the production of fuel elements for nuclear power reactors for domestic and foreign customers. In November 1992 a Company subsidiary entered into a partnership with a General Atomics' affiliate to market UF6 conversion services supplied by the Company's Metropolis, Illinois manufacturing facility. The partnership, ConverDyn, competes for the open world market with four foreign processors that are either government owned or controlled.

UOP is an equally owned joint venture with Union Carbide Corporation which designs and licenses processes, and produces and markets catalysts for the petroleum refining, gas processing, petrochemical and food industries.

Plastics. The Plastics business manufactures and markets engineering resins. The Company is a leading producer of nylon 6 engineering resins (Capron'r') for the automotive, electrical and electronic component, food packaging, lawn care and power tool markets. The Company completed an expansion of the color compounding facility at Sparta, TN.

Laminate Systems. This business unit manufactures circuit board laminates for the electronic and electrical industries. The Company's product line includes copper clad and unclad laminates used in

computer, telecommunication, instrumentation and military applications. Approximately 50% of sales are to the international market, primarily in southeast Asia and throughout Europe. The industry is highly price competitive. The Company, in partnership with Mitsui Mining and Smelting Company, is backward integrated in electro deposited copper foil. The Company completed construction of a new laminates plant in Thailand in the first quarter of 1994 and commercial production commenced in the second quarter.

Other Businesses. Businesses not included in the five major divisions of the Engineered Materials Segment are the Paxon joint venture, Environmental Catalysts joint venture and Carbon Materials.

The Paxon joint venture is equally owned with Exxon Corporation. The joint venture manufactures high-density polyethylene resins used in the production of plastics for household and industrial products.

The Environmental Catalysts business is a major worldwide supplier of catalysts used in catalytic converters for automobiles. In November 1994 the Company and General Motors Corporation (GM) formed a joint venture to produce coated automotive catalytic converter substrates. The Company contributed its environmental catalysts business and GM contributed coating-related technology and a long-term supply contract to the joint venture.

The Carbon Materials business produces binder pitch for electrodes for the aluminum and carbon industries, creosote oils as preservatives for the wood products and carbon black markets, refined naphthalene as a chemical intermediate, and driveway sealer tar and roofing pitch for the construction industry. All of the tar products are distilled from coal tar, a by-product of the steel industry's coking operations.

The principal raw materials used in the Engineered Materials segment are generally readily available and include cumene, natural gas, sulfur, terephthalic acid, ethylene and ethylene glycol, fluorspar, HF, carbon tetrachloride, chloroform, nylon resins, fiberglass, copper foil, platinum, rhodium and coal tar pitch. The Company is producing virtually all of its HF and nylon resin requirements. Important competitors are: Du Pont, GE, Monsanto, Hoechst/Celanese, BASF Fibers, Koppers, U.S.I., Phillips, Soltex, Atochem and Nan Ya.

SEGMENT FINANCIAL DATA

Note 26 (Segment Financial Data) of Notes to Financial Statements in the Company's 1994 Annual Report to shareowners is incorporated herein by reference.

DOMESTIC AND FOREIGN FINANCIAL DATA

Note 25 (Geographic Areas -- Financial Data) of Notes to Financial Statements in the Company's 1994 Annual Report to shareowners is incorporated herein by reference.

FOREIGN ACTIVITIES

The Company's foreign businesses are subject to the usual risks attendant upon investments in foreign countries, including nationalization, expropriation, limitations on repatriation of funds, restrictive action by local governments and changes in foreign currency exchange rates.

The Company's principal foreign manufacturing operations are in Australia, Brazil, Canada, France, Germany, Ireland, Italy, Japan, Mexico, Portugal, South Korea, Spain, Singapore, Taiwan, the Netherlands and the U.K. The Company maintains sales and business offices in these and various other countries, including Austria, Belgium, China, Denmark, Finland, Hong Kong, India, New Zealand, Norway, Sweden and Turkey as well as warehousing, distribution and aircraft repair and overhaul facilities to support foreign operations and export sales. Further information about foreign activities is discussed in the segment narratives.

RAW MATERIALS

Among the principal raw materials used by the Company, in addition to those previously discussed for the Engineered Materials segment, are electronic, optical and mechanical component parts and assemblies, electronic and electromechanical devices, metallic products, magnetic and induction devices, castings, forgings, steel and bar stock, copper, aluminum, platinum and titanium. The Company believes that sources of supply for raw materials and components are generally adequate.

PATENTS AND TRADEMARKS

The Company owns approximately 15,000 patents or pending patent applications and is licensed under other patents covering certain of its products and processes. It believes that, in the aggregate, the rights under such patents and licenses are generally important to its operations, but does not consider that any patent or license or group of them related to a specific process or product is of material importance in relation to the Company's total business.

The Company also has registered trademarks for a number of its products. Some of the more significant trademarks include: AiResearch, Anso, Autolite, Bendix, Bendix/King, Capron, Fram, Garrett, Genetron, Jurid, King and Norplex Oak.

RESEARCH AND DEVELOPMENT

The Company's research activities are directed toward the discovery and development of new products and processes, improvements in existing products and processes, and the development of new uses of existing products.

Research and development expense totaled $318 million in 1994, $313 million in 1993 and $320 million in 1992. Customer-sponsored (principally the U.S. government) research and development activities amounted to an additional $486, $514 and $501 million in 1994, 1993 and 1992.

The Company's Research and Technology organization has research facilities at Morris Township, New Jersey and Des Plaines, Illinois consisting of research and development laboratories where special emphasis is placed upon applied research and upon development of new products and processes. In addition, there are approximately 48 other research laboratories and facilities which provide direct support to the operating segments.

ENVIRONMENT

The Company is subject to various federal, state and local requirements regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. It is the Company's policy to comply with these requirements and the Company believes that, as a general matter, its policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage, and of resulting financial liability, in connection with its business. Some risk of environmental damage is, however, inherent in particular operations and products of the Company, as it is with other companies engaged in similar businesses. (See the description of the Engineered Materials segment, above, for information regarding regulation of CFCs.)

The Company is and has been engaged in the handling, manufacture, use or disposal of many substances which are classified as hazardous or toxic by one or more regulatory agencies. The Company believes that, as a general matter, its handling, manufacture, use and disposal of such substances are in accord with environmental laws and regulations. It is possible, however, that future knowledge or other developments, such as improved capability to detect substances in the environment, increasingly strict environmental laws and standards and enforcement policies thereunder, could bring into question the Company's handling, manufacture, use or disposal of such substances.

Among other environmental requirements, the Company is subject to the federal Superfund law, and similar state laws, under which the Company has been designated as a potentially responsible party which may be liable for cleanup costs associated with various hazardous waste sites, some of which are on the U.S. Environmental Protection Agency's Superfund priority list. Although, under some

court interpretations of these laws, there is a possibility that a responsible party might have to bear more than its proportional share of the cleanup costs if it is unable to obtain appropriate contribution from other responsible parties, the Company has not had to bear significantly more than its proportional share in multi-party situations taken as a whole.

Capital expenditures for environmental control facilities at existing operations were $43 million in 1994. The Company estimates that during each of the years 1995 and 1996 such capital expenditures will be in the $65 to $70 million range. In addition to capital expenditures, the Company has incurred and will continue to incur operating costs in connection with such facilities.

Reference is made to Management's Discussion and Analysis at page 21 of the Company's 1994 Annual Report to shareowners, incorporated herein by reference, for further information regarding environmental matters.

EMPLOYEES

The Company had an aggregate of 87,500 salaried and hourly employees at December 31, 1994. Of the approximately 30,000 unionized employees, 16,300 are employed in the Company's U.S. and Canadian plants and other facilities. Unionized employees are represented by local unions that are either independent or affiliated with the United Auto Workers, the International Association of Machinists, the United Steel Workers of America, the Oil, Chemical and Atomic Workers International Union, the International Brotherhood of Teamsters and many other international unions. Relations between the Company and its employees and their various representatives have been generally satisfactory, although the Company has experienced work stoppages from time to time. Approximately 21% of the Company's U.S. and Canadian unionized employees are covered by labor contracts scheduled to expire in 1995. Major labor negotiations will include locations in all of the segments.

ITEM 2. PROPERTIES

The Company has 383 locations consisting of plants, research laboratories, sales offices and other facilities. The plants are generally located to serve large marketing areas and to provide accessibility to raw materials and labor pools. The properties are generally maintained in good operating condition. Utilization of these plants may vary with government spending and other business conditions; however, no major operating facility is significantly idle. The facilities, together with planned expansions, are expected to meet the Company's needs for the foreseeable future. The Company owns or leases warehouses, railroad cars, barges, automobiles, trucks, airplanes and materials handling and data processing equipment. It also leases space for administrative and sales staffs. The Company's headquarters and administrative complex are located at Morris Township, New Jersey.

The principal plants, which are owned in fee unless otherwise indicated, are as follows:

AEROSPACE

Phoenix, AZ (4 plants, 3 fully leased, 1 partially leased)
Prescott, AZ
Tempe, AZ
Tucson, AZ (partially leased)
Sylmar, CA
Torrance, CA (partially leased)
Stratford, CT (owned by the U.S. Government and managed by the Company)
Fort Lauderdale, FL
South Bend, IN
Olathe, KS
Columbia, MD
Towson, MD
Kansas City, MO (owned by the U.S. Government and managed by the Company)
Eatontown, NJ
Teterboro, NJ
Rocky Mount, NC
South Montrose, PA
Redmond, WA (partially leased)
Rexdale, Ont., Canada (partially leased)
Montreal, Que., Canada
Raunheim, Germany

AUTOMOTIVE

Greenville, AL
Torrance, CA
St. Joseph, MI
Fostoria, OH
Greenville, OH
Sumter, SC
Jackson, TN
Maryville, TN
Campinas, Brazil
Angers, France
Beauvais, France
Conde, France
Moulins, France
Thaon-Les-Vosges, France
Crema, Italy
Glinde, Germany
Carlisle, United Kingdom
Skelmersdale, United Kingdom

ENGINEERED MATERIALS

Metropolis, IL
Baton Rouge, LA
Geismar, LA
Moncure, NC
Philadelphia, PA
Pottsville, PA
Columbia, SC
Chesterfield, VA
Hopewell, VA
Longlaville, France

ITEM 3. LEGAL PROCEEDINGS

The first and second paragraphs of Note 20 (Commitments and Contingencies) of Notes to Financial Statements at pages 34 and 35 of the Company's 1994 Annual Report to shareowners are incorporated herein by reference.

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

Not Applicable

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Registrant, listed as follows, are elected annually in April. There are no family relationships among them.

NAME, AGE, DATE FIRST ELECTED AN OFFICER	BUSINESS EXPERIENCE
Lawrence A. Bossidy (a), 59 1991	Chairman of the Board since January 1992. Chief Executive Officer of the Company since July 1991. Vice Chairman and Executive Officer of the General Electric Company (diversified industrial corporation) from 1984 to June 1991.
John W. Barter, 48 1985	Executive Vice President and President, AlliedSignal Automotive since October 1994. Senior Vice President and Chief Financial Officer from July 1988 to September 1994.
Daniel P. Burnham, 48 1991	Executive Vice President and President, AlliedSignal Aerospace since January 1992. Executive Vice President and President-Elect, AlliedSignal Aerospace Company from July 1991 to December 1991. President, AiResearch Group from March 1990 to June 1991.
Frederic M. Poses, 52 1988	Executive Vice President and President, AlliedSignal Engineered Materials since April 1988.
Isaac R. Barpal, 55 1993	Senior Vice President and Chief Technology Officer since August 1993. Vice President -- Science & Technology of Westinghouse Electric Corporation (electric equipment manufacturer) from June 1987 to July 1993.
Peter M. Kreindler, 49 1992	Senior Vice President, General Counsel and Secretary since December 1994. Senior Vice President and General Counsel from March 1992 to November 1994. Senior Vice President and General Counsel-Elect from January 1992 to February 1992. Partner, Arnold & Porter (law firm) from January 1990 to December 1991.
David G. Powell (b), 61 1985	Senior Vice President -- Public Affairs since September 1985.

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(a) Also a director.

(b) Mr. Powell intends to retire on March 31, 1995.

(table continued on next page)

(table continued from previous page)

NAME, AGE, DATE FIRST ELECTED AN OFFICER	BUSINESS EXPERIENCE
Donald J. Redlinger, 50 1991	Senior Vice President -- Human Resources and Communications since February 1995. Senior Vice President -- Human Resources from January 1991 to January 1995. Staff Vice President -- Human Resources from March 1990 to December 1990.
Paul R. Schindler, 53 1993	Senior Vice President -- International since August 1993. Chairman of Imperial Chemical Industries Asia/Pacific (chemical manufacturer) from April 1991 to July 1993. Chairman of Imperial Chemical Industries China from July 1989 to March 1991.
James E. Sierk, 56 1991	Senior Vice President -- Quality and Productivity since January 1991. Vice President -- Quality Office, Development and Manufacturing of Xerox Corporation (business products and systems and financial services) from February 1990 to December 1990.
Hans B. Amell, 43 1993	Vice President -- Marketing since August 1993. Vice President -- International Strategy of The Dun & Bradstreet Corporation (business information, publishing, marketing and television) from April 1991 to July 1993. Vice President -- Corporate Marketing Programs of Unisys Corporation (business information systems, data processing and aerospace products manufacturer) from September 1987 to March 1991.
Edward W. Callahan, 64 1985	Vice President -- Health, Safety and Environmental Sciences since September 1985.
Kenneth W. Cole, 47 1989	Vice President -- Government Relations since January 1989.
G. Peter D'Aloia, 50 1985	Vice President and Controller since February 1994. Vice President and Treasurer from August 1988 to January 1994.
Nancy A. Garvey, 45 1994	Vice President and Treasurer since February 1994. Staff Vice President -- Investor Relations from November 1989 to January 1994.
Richard P. Schroeder, 43 1994	Vice President -- Manufacturing since June 1994. Vice President of Quality, Operations and Supply Management at Asea Brown Boveri Inc. (international electrical engineering company) -- Industrial Group and North American operations from August 1991 to May 1994. Vice President and General Manager Customer Service, Corporate Quality, and Government Compliance of Codex (communications for both voice and data communications systems) a unit of Motorola, Inc. from November 1986 to July 1991.
Raymond C. Stark, 52 1994	Vice President -- Materials Management since June 1994. Staff Vice President -- Materials Management from May 1992 to May 1994. Vice President -- Materials Management of Xerox Corporation from January 1990 to April 1992.

PART II.

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

Market and dividend information for the Registrant's common stock is contained in Note 27 (Unaudited Quarterly Financial Information) of Notes to Financial Statements at page 38 of the Company's 1994 Annual Report to shareowners, and such information is incorporated herein by reference.

The number of record holders of the Registrant's common stock is contained in the statement 'Selected Financial Data' at page 39 of the Company's 1994 Annual Report to shareowners, and such information is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information included under the captions 'For the Year' and 'At Year-End' in the statement 'Selected Financial Data' at page 39 of the Company's 1994 Annual Report to shareowners is incorporated herein by reference.

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

'Management's Discussion and Analysis' on pages 19 through 25 of the Company's 1994 Annual Report to shareowners is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements, together with the report thereon of Price Waterhouse LLP dated February 1, 1995 appearing on pages 26 through 38 of the Company's 1994 Annual Report to shareowners, are incorporated herein by reference. With the exception of the aforementioned information and the information incorporated by reference in Items 1, 3, 5, 6 and 7, the 1994 Annual Report to shareowners is not to be deemed filed as part of this Form 10-K Annual Report.

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

Not Applicable

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information relating to directors of the Registrant, as well as information relating to compliance with Section 16(a) of the Securities Exchange Act of 1934, will be contained in a definitive Proxy Statement involving the election of directors which the Registrant will file with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after December 31, 1994, and such information is incorporated herein by reference. Certain other information relating to Executive Officers of the Registrant appears at pages 15 and 16 of this Form 10-K Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation is contained in the Proxy Statement referred to above in 'Item 10. Directors and Executive Officers of the Registrant,' and such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information relating to security ownership of certain beneficial owners and management is contained in the Proxy Statement referred to above in 'Item 10. Directors and Executive Officers of the Registrant,' and such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not Applicable

PART IV.

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

	PAGE IN ANNUAL REPORT TO SHAREOWNERS
(a)(1.) Index to Consolidated Financial Statements:	
Incorporated by reference to the 1994 Annual Report to shareowners:	
Report of Independent Accountants	38
Consolidated Statement of Income for the years ended December 31, 1994, 1993 and 1992	26
Consolidated Statement of Retained Earnings for the years ended December 31, 1994, 1993 and 1992	26
Consolidated Balance Sheet at December 31, 1994 and 1993	27
Consolidated Statement of Cash Flows for the years ended December 31, 1994, 1993 and 1992	28
Notes to Financial Statements	29

(a)(2.) Consolidated Financial Statement Schedules

The two financial statement schedules applicable to the Company have been omitted because of the absence of the conditions under which they are required.

(a)(3.) Exhibits

See the Exhibit Index to this Form 10-K Annual Report. The following exhibits listed on the Exhibit Index are filed with this Form 10-K Annual Report:

EXHIBIT NO.	DESCRIPTION
13	Pages 19 through 39 (except for the data included under the captions 'Financial Statistics' on page 39) of the Company's 1994 Annual Report to shareowners
21	Subsidiaries of the Registrant
23	Consent of Independent Accountants
24	Powers of Attorney
27	Financial Data Schedule

The exhibits identified in the Exhibit Index with an asterisk(*) are management contracts or compensatory plans or arrangements.

(b) Reports on Form 8-K

No reports on Form 8-K were filed for the three months ended December 31, 1994.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

AlliedSignal Inc.

March 2, 1995

By: G. PETER D'ALOIA

G. Peter D'Aloia
Vice President and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

NAME	NAME
* Lawrence A. Bossidy, Chairman of the Board and Chief Executive Officer and Director	* Russell E. Palmer, Director
* Hans W. Becherer, Director	* Ivan G. Seidenberg, Director
* Eugene E. Covert, Director	* Andrew C. Sigler, Director
* Ann M. Fudge, Director	* John R. Stafford, Director
* William R. Haselton, Director	* Thomas P. Stafford, Director
* Paul X. Kelley, Director	* Delbert C. Staley, Director
* Robert P. Luciano, Director	* Robert C. Winters, Director
G. PETER D'ALOIA G. Peter D'Aloia**, Vice President and Controller	NANCY A. GARVEY Nancy A. Garvey**, Vice President and Treasurer

*By: NANCY A. GARVEY

(Nancy A. Garvey,
Attorney-in-fact)

** These individuals together perform the functions of principal financial officer.

March 2, 1995

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3(i)	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 99.1 to the Company's Form 10-Q for the quarter ended March 31, 1993)
3(ii)	By-laws of the Company, as amended (incorporated by reference to Exhibit 99.2 to the Company's Form 10-Q for the quarter ended March 31, 1993)
4	The Company is a party to several long-term debt instruments under which, in each case, the total amount of securities authorized does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, the Company agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
9	Omitted (Inapplicable)
10.1	Master Support Agreement, dated as of February 26, 1986 as amended and restated as of January 27, 1987, as further amended as of July 1, 1987 and as again amended and restated as of December 7, 1988, by and among the Company, Wheelabrator Technologies Inc., certain subsidiaries of Wheelabrator Technologies Inc., The Henley Group, Inc. and Henley Newco Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-K for the year ended December 31, 1988)
10.2*	Deferred Compensation Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit 10.2 to the Company's Form 10-K for the year ended December 31, 1993)
10.3*	Retirement Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit 19.2 to the Company's Form 10-Q for the quarter ended June 30, 1990)
10.4*	Stock Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit C to the Company's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934)
10.5*	1985 Stock Plan for Employees of Allied-Signal Inc. and its Subsidiaries, as amended (incorporated by reference to Exhibit 19.3 to the Company's Form 10-Q for the quarter ended September 30, 1991)
10.6*	AlliedSignal Inc. Incentive Compensation Plan for Executive Employees, as amended (incorporated by reference to Exhibit B to the Company's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934)
10.7*	Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of AlliedSignal Inc. and its Subsidiaries, as amended (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 1993)
10.8*	1982 Stock Option Plan for Executive Employees of Allied Corporation and its Subsidiaries, as amended (incorporated by reference to Exhibit 19.4 to the Company's Form 10-Q for the quarter ended September 30, 1991)
10.9*	AlliedSignal Inc. Severance Plan for Senior Executives, as amended (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 1994)
10.10*	Salary Deferral Plan for Selected Employees of AlliedSignal Inc. and its Affiliates (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended March 31, 1994)

EXHIBIT NO.	DESCRIPTION
10.11*	1993 Stock Plan for Employees of AlliedSignal Inc. and its Affiliates (incorporated by reference to Exhibit A to the Company's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934)
10.12*	Amended and restated Agreement dated May 6, 1994 between the Company and Lawrence A. Bossidy (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended June 30, 1994)
10.13	Revolving Credit Agreement, dated as of July 7, 1993, among the Company, certain banks, Citibank, N.A., as Administrative Agent for the banks, and ABN AMRO Bank N.V. and Morgan Guaranty Trust Company of New York, as Co-Agents (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended June 30, 1993)
10.14	Letter Amendment, dated as of July 5, 1994, to the Revolving Credit Agreement, dated as of July 7, 1993, among the Company, certain banks, Citibank, N.A., as Administrative Agent for the banks, and ABN AMRO Bank N.V. and Morgan Guaranty Trust Company of New York, as Co-Agents (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 1994)
10.15	364-Day Credit Agreement, dated as of July 7, 1993, among the Company, certain banks, Citibank, N.A., as Administrative Agent for the banks, and ABN AMRO Bank N.V. and Morgan Guaranty Trust Company of New York, as Co-Agents (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended June 30, 1993)
10.16	Letter Amendment, dated as of July 5, 1994, to the 364-Day Credit Agreement, dated as of July 7, 1993, among the Company, certain banks, Citibank, N.A., as Administrative Agent for the banks, and ABN AMRO Bank N.V. and Morgan Guaranty Trust Company of New York, as Co-Agents (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended June 30, 1994)
11	Omitted (Inapplicable)
12	Omitted (Inapplicable)
13	Pages 19 through 39 (except for the data included under the captions 'Financial Statistics' on page 39) of the Company's 1994 Annual Report to shareowners (filed herewith)
16	Omitted (Inapplicable)
18	Omitted (Inapplicable)
21	Subsidiaries of the Registrant (filed herewith)
22	Omitted (Inapplicable)
23	Consent of Independent Accountants (filed herewith)
24	Powers of Attorney (filed herewith)
27	Financial Data Schedule (filed herewith)
28	Omitted (Inapplicable)
99	Omitted (Inapplicable)

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The Exhibits identified above with an asterisk(*) are management contracts or compensatory plans or arrangements.

STATEMENT OF DIFFERENCES

The registered trademark symbol shall be expressed as 'r'
The trademark symbol shall be expressed as 'tm'

Subscript numerics in chemistry notation shall be expressed as baseline numerics, e.g., sulfur hexafluoride would be expressed as SF6.

MANAGEMENT'S DISCUSSION AND ANALYSIS
AlliedSignal Inc.

1994 COMPARED WITH 1993

IN 1994 THE COMPANY DEVELOPED NEW INITIATIVES TO IMPROVE EFFICIENCY AND ELIMINATE WASTE, SHARPEN ITS FOCUS ON CUSTOMER SATISFACTION AND TARGET FOREIGN GROWTH OPPORTUNITIES. PRODUCTIVITY PROGRAMS STARTED SINCE 1991 CONTINUED TO ENHANCE AND GROW THE BUSINESS. One new initiative -- Operational Excellence -- will enhance productivity programs by redesigning the Company's basic processes to remove variations and improve manufacturing yields as well as by implementing measurement tools to monitor our progress. Scrap and rework will be reduced from the design phase to the customer's acceptance of our products. Another initiative -- Customer Partnerships -- involves customers in designing the Company's products. This program strengthens customer relationships, while reducing cycle times in engineering, manufacturing and product support. The Company will start training employees in 1995 in Total Quality Leadership Phase II to provide natural work teams with analytical tools for achieving process improvements. Previous actions -- forming commodity purchasing teams, partnering with suppliers, sharing common services throughout the Company, cycle time reductions and rationalizing the organization -- continued to move ahead and generated significant savings. Mainly as a result of these actions, the Company had significantly higher operating margins in 1994.

DURING 1994 THE COMPANY LAID THE FOUNDATION FOR GROWTH IN 1995 AND BEYOND:

* Aerospace acquired Textron's Lycoming Turbine Engine Division (Lycoming Engine) in October 1994 for $375 million in cash and the assumption of certain liabilities. Lycoming Engine is expected to have 1995 sales of approximately $450 million. This acquisition extends the Engines group's product offerings in the robust regional aircraft market as well as into helicopter and other commercial and military applications for turbine engines. To reduce costs and improve competitiveness in its core product lines, Aerospace consolidated 12 businesses into four integrated units and merged its sales and service organizations into a single group. During the year Aerospace introduced new high-technology products to enhance flight safety and also agreed to form a number of strategic alliances in Japan and China to better position itself as a global supplier and to secure a share of the fast-growing markets in the Asian-Pacific region. The Company had a strong bidding success rate during the year; it was awarded 64% of new programs bid.

* Globalization is also a key factor in Automotive's growth strategy. The Company acquired Ford Motor Company's spark plug plant in the U.K., which had 1993 sales of about $20 million, and a seat belt manufacturer in Italy, owned by the Fiat Group, which had annual sales of approximately $34 million. Automotive began construction of a $27 million turbocharger plant in Shanghai, China and has entered into joint venture agreements to produce air bag inflators in Italy, to distribute aftermarket products throughout Europe and to supply brake boosters from Spain for vehicles built in Europe by Japanese manufacturers. In November 1994 the Company acquired the seat belt business of General Safety Corporation, a supplier to General Motors Corporation and Ford. General Safety had 1994 sales of about $95 million.

* Engineered Materials began manufacturing environmentally-safer alternatives to chlorofluorocarbons (CFCs) at a new $70 million facility in Geismar, Louisiana and acquired the small CFC business of Akzo N.V. in the Netherlands. A joint venture agreement with General Motors to produce coated automotive catalytic converter substrates was signed in November 1994. The venture strengthens the technology and manufacturing capacity of both companies.

THE BOARD OF DIRECTORS VOTED TO INCREASE THE REGULAR QUARTERLY DIVIDEND ON THE COMMON STOCK BY 16%, FROM $0.1675 TO $0.195 PER SHARE. The dividend increase will be effective in the first quarter of 1995. The Company had previously increased its regular quarterly dividend by 16% in the second quarter of 1994.

RESULTS OF OPERATIONS. The Company's sales and earnings expanded to record levels in 1994. The Company grew through new product introductions and niche acquisitions and by gaining market share in an expanding worldwide economy. Internal restructuring and productivity improvements drove earnings significantly higher.

NET SALES in 1994 were $12,817 million, an increase of 8% over last year. Of the $990 million increase, $880 million was the result of strong volume gains by the Automotive and Engineered Materials segments and $442 million from the consolidation of recent acquisitions, offset in part by a $163 million reduction for disposed businesses, $131 million due to lower prices, mainly in the Automotive segment, and $38 million, due to unfavorable foreign exchange fluctuations.

INCOME FROM OPERATIONS of $1,152 million in 1994 improved by $198 million, or 21%. Excluding the nonrecurring items in 1993 (see Note 3 of Notes to Financial Statements for information), income from operations improved by $214 million, or 23%. Aerospace's income increased 12%; Automotive was 17% higher and Engineered Materials had a 30% gain. Profit margins increased from 7.9% in 1993 to 9.0% in 1994 and productivity (the constant dollar basis relationship of sales to costs) increased by 6.2% over last year reflecting business consolidations, cycle time reductions, materials management initiatives and unit sales increases. See the detailed discussion of net income below for information by industry segment.

OTHER INCOME (EXPENSE), a $27 million loss, compares with a loss of $9 million in 1993 reflecting higher minority interest as a result of the formation in late 1993 of a venture with a subsidiary of Knorr-Bremse AG (Knorr-Bremse) in the U.S. and reduced interest income from investments in short-term securities. Reduced foreign exchange costs on forward contracts had a favorable impact.

INTEREST AND OTHER FINANCIAL CHARGES of $143 million decreased by $14 million, or 9%, from 1993 because of refunding a number of debt issues at lower interest rates and a reduced level of outstanding debt. Higher interest rates on floating rate borrowings partially offset such savings.

THE EFFECTIVE TAX RATE in 1994 was 31.7% compared with 27.9% in 1993. The 3.8 percentage point increase in 1994 was due to a higher level of earnings subject to the U.S. statutory rate, additional non-deductible expenses in 1994 and the absence of the favorable impact of a rate increase on the 1993 beginning-of-the-year deferred tax balances as a result of the 1993 Tax Act. See Note 7 of Notes to Financial Statements for further information.

INCOME BEFORE THE CUMULATIVE EFFECT OF A CHANGE IN AN ACCOUNTING PRINCIPLE of $759 million, or $2.68 a share, in 1994 increased by $103 million, or $0.37 a share, compared with $656 million, or $2.31 a share, last year.

NET INCOME in 1994 was $759 million, or $2.68 a share, compared with $411 million, or $1.45 a share, for 1993. However, 1993 was impacted by the cumulative effect of adopting an accounting change of $245 million, or $0.86 a share. The higher income in 1994 was the result of a strong operating performance by all segments.

A DISCUSSION OF THE OPERATIONS OF THE BUSINESS SEGMENTS, before the cumulative impact of an accounting change on net income, follows. Adjusted net income excludes the impact of the 1993 nonrecurring items. (Dollars in millions)

AEROSPACE	NET SALES	NET INCOME	ADJUSTED NET INCOME
1994	$ 4,623	$ 260	$ 260
1993	4,530	224	228
Increase	$ 93	$ 36	$ 32

Aerospace's sales increased 2% over last year. The acquisitions of the Lycoming Engine and Sundstrand Data Control operations and contract settlements with the U.S. Air Force contributed significantly to the higher sales. The regional airline market continued to grow, but a reduction in military spending and weakness in the commercial aircraft market continued to restrict sales. The Engines group had lower sales of spares and repair and overhaul services to the aftermarket. Government Electronic Systems had lower sales of avionics equipment to the military. Equipment Systems had reduced commercial and military sales, but sales from aircraft landing systems' repair and overhaul operations were higher, in part reflecting new business. Commercial Avionics Systems had lower sales mainly of traffic alert and collision avoidance systems (TCAS II), reflecting the completion of the airline industry retrofit program. Sales were reduced by the mid-year 1994 dispositions of the actuation and hangar businesses.

[GRAPHIC REPRESENTATION of Net Sales* (dollars in billions), expressed numerically below.]

1992	1993	1994
12.0	11.8	12.8

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* Baseline is $10 billion.

[GRAPHIC REPRESENTATION of Capital Expenditures/R&D (dollars in millions), expressed numerically below.]

	1992	1993	1994
Capital expenditures..................................	691	718	639
Company-funded R&D....................................	320	313	318
Total..	1,011	1,031	957

Overall, the Company's 1994 sales to the Department of Defense (DOD), as a prime contractor and subcontractor, declined by 7% compared to 1993 because of reduced defense spending. Sales to the commercial and foreign government markets

increased by 5%, while sales to the National Aeronautics and Space Administration (NASA) and other U.S. government agencies increased by 13% in 1994. Sales to the DOD accounted for 28% of Aerospace's total sales, a decrease of 3 percentage points compared with 1993.

Although sales were up only slightly, Aerospace's net income increased by 14% compared with last year's adjusted net income. Cost savings from business consolidations, materials management and other productivity programs, especially in the Engines group, contributed to significantly higher income. The Engines group also had lower engineering expense on certain major programs that were winding down. Government Electronic Systems had favorable contract settlements and Equipment Systems had higher income from commercial aftermarket sales of aircraft landing systems. The benefits from the productivity programs offset the continued contraction of military spending and softness in the commercial aircraft market.

The U.S. defense budget is expected to continue to decline for a number of years. A number of the Company's military and space programs may be stretched out, curtailed or canceled. However, the Company does not expect that its sales will decline as rapidly as the defense budget because of its strong competitive position on various programs. The Company's ability to successfully retain and compete for such business is highly dependent on its technical excellence, management proficiency, strategic alliances and cost-effective performance.

The Company believes that the cyclical downturn for the commercial aircraft industry will reach bottom in 1995 and may show a small improvement in 1996. Regional airline traffic grew significantly and new regional aircraft orders were higher in 1994. Aftermarket shipments to the major airlines were slightly lower than last year, in part because the airlines have continued to reduce excess inventories.

The Company continues to receive significant contracts from the commercial aviation industry, DOD and NASA and earnings are expected to remain strong.

At December 31, 1994 and 1993 the Company had firm orders for its aerospace products from the U.S. and foreign governments of $1,803 and $1,861 million, respectively. Total backlog, including commercial contracts, at year-end 1994 and 1993 was $4,730 and $4,773 million, respectively. The Company anticipates that approximately $2,681 million of the total 1994 backlog will be filled during 1995.

AUTOMOTIVE	NET SALES	NET INCOME	ADJUSTED NET INCOME
1994	$ 4,922	$ 223	$ 223
1993	4,506	226	184
Increase/(Decrease)	$ 416	$ (3)	$ 39

Automotive's sales were up 9% compared with 1993. Demand was substantially higher for braking systems, turbochargers and safety restraints. Strong original equipment (OE) markets and new product introductions increased sales for North American and European brakes and air bags. Sales of anti-lock braking systems (ABS) increased in 1994, reflecting new business with Ford and Chrysler Corporation due in part to the introduction of the Company's advanced traction control system. Hybrid inflator technology spurred significantly higher sales of air bag systems. Strong diesel truck sales in North America and greater demand for diesel-powered cars in Europe led to significantly higher turbocharger sales. Turbocharger plants operated at capacity to satisfy the heavy demand. North American truck brake systems, which benefited from strong OE medium and heavy truck demand, had increased sales. Sales of European truck brake systems are no longer consolidated, following the 1993 venture with Knorr-Bremse.

Automotive's adjusted net income increased by 21%, reflecting higher sales for turbochargers, braking systems, truck brakes and air bags. OE sales were very strong in the North American market, and European businesses strengthened due to the economic turnaround occurring mainly in France and Spain. Income growth was limited by temporary capacity constraints in the turbocharger business. The Company will be expanding a number of turbocharger facilities in 1995 to meet the customer demand. Productivity improvements, plant rationalization and materials management throughout the segment also contributed to the significantly higher earnings.

Sales in 1995 are expected to be moderately higher due to a modest rise in North American OE sales volume, a stronger European economy, continued strength for turbochargers, air bags and ABS, acquisitions and a somewhat improved worldwide aftermarket volume.

ENGINEERED MATERIALS	NET SALES	NET INCOME	ADJUSTED NET INCOME
1994	$ 3,272	$ 331	$ 331
1993	2,791	269	272
Increase	$ 481	$ 62	$ 59

Engineered Materials' sales increased 17% because of strong automotive, housing, industrial and electronics markets. Higher sales volumes of industrial and carpet fibers also reflect shipments from the new polyester facility in France and the acquisition of a carpet nylon business in Europe. Laminates grew significantly through continued globalization and market share gains. Fluorine products had improved sales of environmentally-safer CFC substitutes as additional capacity was added during the year and as a result of recent acquisitions. Environmental catalysts had strong sales to the OE automotive

[GRAPHIC REPRESENTATION of Income* (dollars in millions), expressed numerically below.]

1992	1993	1994
535	656	759

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* Before cumulative effect of changes in accounting principles. Baseline is $400 million.

[GRAPHIC REPRESENTATION of Earnings Per Share* (dollars per share), expressed numerically below.]

1992	1993	1994
1.90	2.31	2.68

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* Before cumulative effect of changes in accounting principles.

industry. Plastics had higher sales to the automotive, packaging and distributor markets. Amorphous metals expanded sales to the article surveillance and transformer markets.

Adjusted net income for Engineered Materials was up by 22%, reflecting higher sales volumes for all businesses as well as operating efficiencies. The laminate systems business had strong earnings on substantially higher sales. Fluorine products had higher income reflecting increased CFC substitute capacity and cost reductions, although pricing pressures limited gains. The amorphous metals, performance chemicals and uranium hexafluoride businesses had increased income on higher sales. Carpet and industrial fibers had substantially higher earnings on increased sales volumes and prices, but these gains were mostly offset by higher raw material costs and by start-up costs at the Longlaville facility. Higher profit contributions were also realized from Engineered Materials' joint ventures -- Paxon high-density polyethylene (Paxon) and UOP process technology (UOP).

REGARDING ENVIRONMENTAL MATTERS, the Company is subject to various federal, state and local requirements relating to the protection of the environment. The Company believes that, as a general matter, its policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and that its handling, manufacture, use and disposal of hazardous or toxic substances are in accord with environmental laws and regulations. However, mainly because of past operations and operations of predecessor companies, the Company is a party to lawsuits and claims and has incurred remedial response and voluntary cleanup costs associated with environmental matters. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future. The Company continually conducts studies, individually at Company-owned sites, and jointly as a member of industry groups at non-owned sites, to determine the feasibility of various remedial techniques to address environmental matters. It is the Company's policy to record appropriate liabilities for such matters when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated. The timing of these accruals is generally on the completion of feasibility studies or the settlement of claims, but in no event later than the Company's commitment to a plan of action.

Remedial response and voluntary cleanup expenditures were $66 and $65 million in 1994 and 1993, respectively, and are currently estimated to increase to approximately $85 million in 1995. While annual expenditures have generally increased from year to year, and may continue to increase over time, the Company expects it will be able to fund such expenditures from cash flow from operations. The timing of expenditures depends on a number of factors, including regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties.

During 1994 the Company charged $37 million against pretax income for remedial response and voluntary cleanup costs. At December 31, 1994 the recorded liability for environmental matters was $494 million. In addition, the Company incurred operating costs for ongoing businesses of approximately $80 million and capital expenditures of $43 million relating to compliance with environmental regulations.

Although the Company does not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they may be significant to the Company's consolidated results of operations. Management does not expect that environmental matters will have a material adverse effect on the consolidated financial position of the Company.

See Note 20 of Notes to Financial Statements for a discussion of the Company's commitments and contingencies, including those related to environmental matters.

REGARDING FINANCIAL INSTRUMENTS, the Company, with operating and financing activities in 40 countries and sales throughout the world, is exposed to fluctuations in interest rates and foreign currency exchange rates. The Company manages exposure to changes in interest rates through its regular borrowing and investing decisions and, when deemed appropriate, through the use of interest rate swap agreements. The objective of such risk management activity is to minimize the cost of the Company's debt financing over an extended period of time. The Company manages exposure to foreign currency exchange rates for transactional items by matching and offsetting assets and liabilities and thereafter through financial hedge contracts with third parties. The Company does not use financial instruments for trading or other speculative purposes. See Note 16 of Notes to Financial Statements for further information on financial instruments.

INFLATION has not been a significant factor for the Company in a number of years. Cost increases for labor and material have generally been low, and any impact has been offset by productivity enhancement programs, including materials management.

FINANCIAL CONDITION. Cash flow from operating activities exceeded $1 billion for the third consecutive year, allowing the Company to continue to invest heavily in its growth initiatives -- particularly acquisitions and increases in capacity. Additional working capital investment required to support the Company's sales growth during 1994 impacted further cash flow improvements. High levels of operating cash flow, together with major debt repayments and increases in retained earnings have resulted in a significant improvement in the Company's financial position in recent years.

[GRAPHIC REPRESENTATION of Long-Term Debt as a Percent of Total Capital (percent), expressed numerically below.]

1992	1993	1994
40.5	37.9*	30.4*

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* Includes impact of cumulative effect of 1993 accounting change.

[GRAPHIC REPRESENTATION of Return on Shareowners' Equity (after-tax percent), expressed numerically below.]

1992	1993	1994
26.4	30.6*	28.9*

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* Includes impact of cumulative effect of 1993 accounting change.

TOTAL ASSETS at December 31, 1994 were $11,321 million, an increase of $492 million from December 31, 1993. Cash and cash equivalents at year-end 1994 were $508 million, a decrease of $384 million compared with December 31, 1993, mainly reflecting the acquisitions of Lycoming Engine and General Safety. Cash flows from operating activities decreased by $137 million because of higher accounts receivable reflecting the Company's increased sales level. The current ratio at year-end 1994 was 1.4x, compared with 1.3x last year. The Company's working capital turnover improved to 5.5x at December 31, 1994 from 4.8x a year earlier.

THE MAXIMUM AMOUNT OF BORROWING available under the Company's revolving credit

agreements (Credit Agreements) was $900 million. The Credit Agreements support the issuance of commercial paper as well as outstanding floating rate Employee Stock Ownership Plan (ESOP) notes. There was no commercial paper outstanding at year-end 1994 and $164 million at the end of 1993. Commercial paper borrowing reached a high of $516 million during 1994. Outstanding ESOP notes, at favorable floating interest rates, totaled $217 million at December 31, 1994 and $259 million at December 31, 1993.

TOTAL DEBT at year-end 1994 was $1,687 million, a decrease of $273 million, primarily as a result of paying down commercial paper and a redemption of a deutsche mark bond issue. Long-term debt was reduced by $178 million. The Company's total debt as a percent of capital was 34.1% at December 31, 1994, down from 42.7% at year-end 1993. The long-term debt to capital ratio was 30.4% at year-end 1994, down from 37.9% at year-end 1993. See Note 14 of Notes to Financial Statements for details of long-term debt and a discussion of the Credit Agreements.

THE COMPANY REPURCHASED 2.9 MILLION SHARES OF COMMON STOCK for $103 million in 1994. Common stock was repurchased in 1994 to meet expected requirements for shares issued under employee benefit plans and a shareowner dividend reinvestment plan. At year-end, the Company had 75.1 million shares of common stock held in treasury carried at $1,505 million. As of year-end 1994, the Company was authorized to repurchase 13.6 million shares of common stock.

CAPITAL EXPENDITURES during 1994 were $639 million, a decrease of $79 million from the $718 million spent in 1993. Spending by the segments and Corporate since 1992 is shown in Note 26 of Notes to Financial Statements. The Company's total capital expenditures in 1995 are currently projected at about $700 million. These expenditures are expected to be financed by internally generated funds. Approximately 65% of the projected 1995 expenditures are planned for expansion and cost reduction, 25% for replacement and maintenance and 10% for environmental projects.

1993 COMPARED WITH 1992

IN 1993 THE COMPANY INITIATED A NUMBER OF NEW PROGRAMS AND FURTHERED THOSE BEGUN IN 1991 AND 1992. A number of growth businesses were enhanced through internal product development, strategic acquisitions, joint ventures and major capital investments. The Company is overhauling its basic processes to increase market penetration and forming commodity purchasing teams and working with its customers and suppliers to raise product quality and reduce production costs.

THE COMPANY STRENGTHENED A NUMBER OF MAJOR BUSINESSES IN 1993:

* To become a more broad-based avionics supplier, the Company acquired Sundstrand Data Control for $195 million. The acquired business manufactures a variety of avionics products for data management, ground hazard avoidance, general aviation communications, navigation and instrumentation. The Company also acquired the aircraft wheel and brake repair and overhaul operations of Air Treads, Inc.

* To strengthen the Company's position in air brake controls and related products for the truck industry, the Company and Knorr-Bremse formed two ventures -- one in North America and one in Europe. The Company owns 65% of the North American operation and 35% of the European operations. The Company also acquired Filtram S.A., a manufacturer and distributor of its Fram filter products in Mexico.

* In the fibers business, the Company, as the majority shareowner, and Akzo NV of Arnhem, the Netherlands formed a new company to manufacture and market commercial carpet fibers in Europe. The Company also started up its $200 million industrial polyester fiber plant in Longlaville, France.

* The Company expanded its fluorocarbon business through the acquisition of the U.S. sterilant gas business of Praxair Inc. and by more than doubling, from 20 to 50 million pounds per year, the Company's hydrofluorocarbons (HCFC)-141b capacity at its El Segundo, California facility. HCFC-141b is a new blowing agent used in a variety of commercial and residential rigid-insulating foam applications.

THE COMPANY ADOPTED, EFFECTIVE JANUARY 1, 1993, AN ACCOUNTING CHANGE RELATED TO POSTEMPLOYMENT BENEFITS. The Financial Accounting Standards Board (FASB) issued Statement No. 112 -- Employers' Accounting for Postemployment Benefits (FASB No. 112) which requires the accrual of cost over an employee's service life. The 1993 impact of FASB No. 112 was an after-tax provision of $11 million, or $0.04 a share. As part of the adoption, the Company also recorded catch-up after-tax charges totaling $245 million, or $0.86 a share. This one-time charge reduced the Company's shareowners' equity by 11%.

RESULTS OF OPERATIONS. The Company's earnings grew to record levels in 1993 benefiting from productivity actions and only a slowly recovering U.S. economy which more than offset the impact of a depressed aerospace industry and a recession in Europe.

NET SALES in 1993 were $11,827 million, down 2% from last year. Of the $215 million decrease, $206 million was the effect of the stronger dollar on Automotive and $81 million was because of reduced sales volumes reflecting the recession in Europe and weakness in the aerospace industry, offset in part by $72 million of price increases.

COST OF GOODS SOLD, as a percent of sales, decreased from 82.4% in 1992 to 80.8% in 1993. The improvement was the result of productivity gains, including cycle-time reductions and materials management initiatives throughout the Company. Productivity grew by 5.8% over last year.

NONRECURRING ITEMS consist of a net gain of $16 million from the formation of the Knorr-Bremse venture offset mainly by the cost of several unusual items. See Note 3 of Notes to Financial Statements for additional information.

INCOME FROM OPERATIONS of $954 million in 1993 improved by $539 million. Excluding the nonrecurring items in 1993 and the current year's impact of adopting FASB No. 112 as well as charges for streamlining and restructuring in 1992 (special provisions), income from operations improved by $173 million, or 22%, reflecting significant earnings gains despite a generally slow world economy. After excluding the special provisions, Aerospace's income increased 4% and Automotive's and Engineered Materials' income both increased 32%. Profit margins, adjusted to exclude nonrecurring items in 1993 and streamlining and restructuring charges in 1992, increased from 6.5% in 1992 to 7.9% mainly as a result of improved productivity throughout the Company. See the discussion of net income below for information by segment.

EQUITY IN INCOME OF AFFILIATED COMPANIES of $122 million increased by $19 million, or 18%, reflecting higher earnings for UOP. Paxon, however, had lower income as industry overcapacity depressed prices.

EARNINGS FROM UNION TEXAS INVESTMENT reflects the disposition of the Company's common stock holdings in 1992 as discussed in Note 22 of Notes to Financial Statements.

OTHER INCOME (EXPENSE), a $9 million loss, compares with a gain of $9 million in 1992 reflecting increased foreign exchange losses in Europe and Brazil partly offset by higher interest income from investments in short-term securities.

INTEREST AND OTHER FINANCIAL CHARGES of $157 million decreased $63 million, or 29%, from last year because of a lower average level of total debt outstanding reflecting in part the redemption of three debt issues and lower interest rates.

THE EFFECTIVE TAX RATE in 1993 was 27.9% compared with 23.8% in 1992. Excluding the impact in 1992 of streamlining and restructuring charges and the gain relating to Union Texas Petroleum Holdings, Inc. (Union Texas), the effective tax rate for 1992 was 24.1%. The 3.8 percentage point increase was due to a higher level of earnings taxed at the new higher U.S. tax rate and the absence of preferentially taxed Union Texas dividends. A partial offset resulted from an adjustment to deferred tax balances because of the 1993 tax rate change. Net income for 1993 benefited by about $0.02 a share from the net effect of the 1993 tax law changes. See Note 7 of Notes to Financial Statements for further information.

INCOME BEFORE THE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES of $656 million, or $2.31 a share, in 1993 increased $121 million, or $0.41 a share, compared with $535 million, or $1.90 a share, last year.

NET INCOME (LOSS) in 1993 was income of $411 million, or $1.45 a share. In 1992 the Company reported a loss of $712 million, or $2.52 a share. However, both periods were affected by the cumulative effects of adopting accounting changes as well as unusual items. The 1993 results included the current year's charge for adopting FASB No. 112, a net nonrecurring gain and the impact of the U.S. tax increase. Results in 1992 include streamlining and restructuring charges and the gain on the disposition of Union Texas. Excluding these items from both years, the current year's net income was $659 million, or $2.33 a share, which compares with net income of $541 million, or $1.92 a share, in 1992. The higher income was the result of significant increases for Automotive and Engineered Materials.

A DISCUSSION OF THE OPERATIONS OF THE BUSINESS SEGMENTS, before the cumulative impact of accounting changes on net income, follows. Adjusted net income excludes the impact of the 1993 nonrecurring items and the 1992 streamlining and restructuring provision. (Dollars in millions)

AEROSPACE	NET SALES	NET INCOME	ADJUSTED NET INCOME
1993	$ 4,530	$ 224	$ 228
1992	4,937	105	227
Increase/(Decrease)	$ (407)	$ 119	$ 1

Aerospace sales decreased 8% because of continued significant volume reductions in military, commercial and general aviation markets. Lower production of general aviation aircraft resulted in fewer propulsion engine deliveries. Aftermarket sales were significantly lower in the auxiliary power unit (APU) product line. Mainly because of a reduction in the number of aircraft built, sales of controls and accessories and fluid systems as well as avionics and communications systems were materially lower. Technical service contracts awarded by various government agencies and sales of ocean systems increased moderately. Sales of aircraft landing systems increased slightly and aftermarket sales related to propulsion engines were higher. The acquisition of Sundstrand Data Control in the fourth quarter of 1993 contributed $24 million to sales.

Overall, the Company's 1993 sales to the DOD, as a prime contractor and subcontractor, declined by 11% compared with 1992 because of reduced defense spending. Sales to the commercial and foreign government markets declined by 9%, while sales to NASA and other U.S. government agencies increased by 6% in 1993. Sales to the DOD accounted for 31% of Aerospace's total sales, a decrease of 1 percentage point compared with 1992.

Although total sales were lower and 1993 results included an after-tax charge of $5 million reflecting the impact of adopting FASB No. 112, Aerospace's adjusted net income improved slightly compared to last year. Continuing productivity improvements and sales increases in several product lines were the principal offsets. Significant cost savings were realized at every operating business unit. Aerospace Systems and Equipment had substantially higher earnings. Higher aftermarket sales related to aircraft landing systems, propulsion engines and guidance and control systems as well as higher sales of ocean systems and technical services also contributed to the favorable earnings. Earnings were lower for avionics, APUs and communications systems because of lower sales.

At December 31, 1993 and 1992 the Company had firm orders for its aerospace products from the U.S. and foreign governments of $1,861 and $1,712 million, respectively. Total backlog, including commercial contracts, at year-end 1993 and 1992 was $4,773 and $4,859 million, respectively.

AUTOMOTIVE	NET SALES	NET INCOME	ADJUSTED NET INCOME
1993	$ 4,506	$ 226	$ 184
1992	4,499	76	141
Increase	$ 7	$ 150	$ 43

Automotive sales were essentially level with last year despite the negative impact, totaling $206 million, of translating mainly weakened European currencies to the U.S. dollar. Sales of all products in the North American market were higher. OE sales for passenger cars, light trucks and heavy trucks rebounded. Sales of passenger-side air bags were especially strong and sales of seat belts, aftermarket products, turbocharging systems and ABS also improved. Sales by the Company's Brazilian operations improved. OE and aftermarket product sales were materially lower in Europe reflecting the impact of the recession.

Automotive's adjusted net income increased significantly, reflecting higher sales to the North American OE manufacturers and the aftermarket and strong productivity gains. Rationalization and enhanced productivity programs continued, mainly in Europe, where sales are down materially due to the poor economy. In the North American market, automotive and truck brakes, safety restraints, aftermarket products and turbochargers had substantial earnings

growth. Productivity improvements and higher sales volumes substantially reduced prior year losses in Brazil. The 1993 results include an after-tax charge of $3 million reflecting the impact of adopting FASB No. 112.

ENGINEERED MATERIALS	NET SALES	NET INCOME	ADJUSTED NET INCOME
1993	$ 2,791	$ 269	$ 272
1992	2,601	190	215
Increase	$ 190	$ 79	$ 57

Engineered Materials had a 7% sales increase. Sales of fluorine products, including environmentally-safer substitutes for CFCs, grew substantially, and sales of laminate systems, oximes, performance additives and tar products were materially higher. Sales of carpet and industrial fibers also improved, but sales of intermediate chemicals and environmental catalysts were lower because of weak market conditions.

Engineered Materials' adjusted net income was significantly higher in 1993 because of strong productivity gains and improved revenues for fluorine products, industrial fibers, performance additives and tar products. Results also improved for UOP. Partially offsetting these gains were higher operating costs for laminate systems, reduced demand for intermediate chemicals and lower earnings for Paxon. The 1993 results include an after-tax charge of $2 million reflecting the impact of adopting FASB No. 112.

REGARDING ENVIRONMENTAL MATTERS, remedial response and voluntary cleanup expenditures were $65 and $69 million in 1993 and 1992, respectively.

During 1993 the Company charged $41 million against income for remedial response and voluntary cleanup costs. At December 31, 1993 the recorded liability for environmental matters was $480 million. In addition, the Company incurred ongoing operating costs, and made capital expenditures of $39 million, relating to compliance with environmental regulations.

FINANCIAL CONDITION. Cash flow from operating activities was materially higher as a result of strong earnings growth and a strengthening balance sheet which reflects greatly improved operating working capital and a significant customer advance.

TOTAL ASSETS at December 31, 1993 were $10,829 million, an increase of $73 million from December 31, 1992. Cash and cash equivalents at year-end 1993 were $892 million, a decrease of $39 million, however, cash investments classified as long-term increased $40 million, to $90 million, at December 31, 1993. Cash flows from operating activities, provided by significantly improved earnings for 1993 and a reduction in working capital, increased by $111 million. The current ratio at year-end 1993 was 1.3x, down slightly from 1.4x at December 31, 1992. Mainly through a reduction in accounts receivable and inventories, the Company's working capital turnover was improved to 4.8x at December 31, 1993 from 4.5x a year earlier.

THE MAXIMUM AMOUNT OF BORROWING available under the Company's Credit Agreements was reduced by the Company in July 1993 from $1.11 billion to $900 million reflecting the Company's strong cash position, significantly higher earnings and current credit requirements. The Credit Agreements support the issuance of commercial paper and outstanding floating rate ESOP notes. There was $164 million of commercial paper outstanding at year-end 1993 and $4 million at the end of 1992. Commercial paper borrowing reached a high of $484 million during 1993. Outstanding ESOP notes, at favorable floating interest rates, totaled $259 million at December 31, 1993 and 1992.

TOTAL DEBT at year-end 1993 was $1,960 million, a decrease of $153 million. Long-term debt was reduced by $175 million mainly from the redemption of various debt issues. The Company's total debt as a percent of capital, after the adoption of FASB No. 112, was 42.7% at December 31, 1993, down from 44.7% at year-end 1992. The long-term debt to capital ratio was 37.9% at year-end 1993, down from 40.5% at year-end 1992. In January 1993 Moody's upgraded the Company's long-term debt from A3 to A2 and its commercial paper from P-2 to P-1. This followed a comparable upgrading from Standard & Poor's in December 1992.

THE COMPANY REPURCHASED 6.7 MILLION SHARES OF COMMON STOCK for $220 million in 1993. Common stock was repurchased in 1993 to offset the issuance of shares for employee benefit plans and a shareowner dividend reinvestment plan.

CAPITAL EXPENDITURES during 1993 were $718 million, an increase of $27 million from the $691 million spent in 1992. Spending by the segments and Corporate is shown in Note 26 of Notes to Financial Statements.

CONSOLIDATED STATEMENT OF INCOME
AlliedSignal Inc.

(dollars in millions except per share amounts) Years ended December 31	1994	1993	1992
Net sales	$12,817	$11,827	$12,042
Cost of goods sold	10,299	9,551	9,923
Selling, general and administrative expenses	1,366	1,338	1,336
Streamlining and restructuring	--	--	368
Nonrecurring items	--	(16)	--
Total costs and expenses	11,665	10,873	11,627
Income from operations	1,152	954	415
Equity in income of affiliated companies	129	122	103
Earnings from Union Texas investment	--	--	395
Other income (expense)	(27)	(9)	9
Interest and other financial charges	(143)	(157)	(220)
Income before taxes on income	1,111	910	702
Taxes on income	352	254	167
Income before cumulative effect of changes in accounting principles	759	656	535
Cumulative effect of changes in accounting principles:			
Accounting for income taxes	--	--	(148)
Accounting for postemployment benefits, net of income taxes	--	(245)	--
Accounting for postretirement benefits other than pensions, net of income taxes	--	--	(1,099)
Net income (loss)	$ 759	$ 411	$ (712)
Earnings (loss) per share of common stock: (a)			
Before cumulative effect of changes in accounting principles	$ 2.68	$ 2.31	$ 1.90
Cumulative effect of changes in accounting principles:			
Accounting for income taxes	--	--	(.52)
Accounting for postemployment benefits, net of income taxes	--	(.86)	--
Accounting for postretirement benefits other than pensions, net of income taxes	--	--	(3.90)
Net earnings (loss)	$ 2.68	$ 1.45	$ (2.52)

(a) Earnings per share of common stock are based upon the following weighted average number of shares: 1994, 283,446,399 shares; 1993, 283,233,078 shares and 1992, 281,973,006 shares. No dilution results from outstanding common stock equivalents.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(dollars in millions except per share amounts) Years ended December 31	1994	1993	1992
Balance at beginning of year	$ 1,023	$ 747	$ 1,594
Net income (loss)	759	411	(712)
Other	11	27	8
Common stock dividends (1994 -- $.6475 per share; 1993 -- $.58 per share; 1992 -- $.50 per share)	(180)	(162)	(143)
Balance at end of year	$ 1,613	$ 1,023	$ 747

The 'Notes to Financial Statements' are an integral part of these statements.

CONSOLIDATED BALANCE SHEET
AlliedSignal Inc.

(dollars in millions) December 31	1994	1993
ASSETS		
Current assets:		
Cash and cash equivalents	$ 508	$ 892
Accounts and notes receivable	1,697	1,343
Inventories	1,743	1,745
Other current assets	637	587
Total current assets	4,585	4,567
Investments and long-term receivables	475	553
Property, plant and equipment -- net	4,260	4,094
Cost in excess of net assets of acquired companies -- net	1,349	1,087
Other assets	652	528
TOTAL ASSETS	$11,321	$10,829
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,296	$ 1,207
Short-term borrowings	133	57
Commercial paper	--	164
Current maturities of long-term debt	130	137
Accrued liabilities	1,832	1,924
Total current liabilities	3,391	3,489
Long-term debt	1,424	1,602
Deferred income taxes	406	339
Postretirement benefit obligations other than pensions	1,790	1,689
Other liabilities	1,328	1,320
SHAREOWNERS' EQUITY		
Capital -- common stock -- Authorized 500,000,000 shares (par value $1 per share); issued: 358,228,742 shares	358	358
-- additional paid-in capital	2,458	2,453
Common stock held in treasury, at cost: 1994 -- 75,096,896 shares; 1993 -- 74,395,236 shares	(1,505)	(1,437)
Cumulative foreign exchange translation adjustment	18	(7)
Unrealized holding gain on equity securities	40	--
Retained earnings	1,613	1,023
Total shareowners' equity	2,982	2,390
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	$11,321	$10,829

The 'Notes to Financial Statements' are an integral part of this statement.

CONSOLIDATED STATEMENT OF CASH FLOWS
AlliedSignal Inc.

(dollars in millions) Years ended December 31	1994	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 759	$ 411	$ (712)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Cumulative effect of change in accounting for:			
Income taxes	--	--	148
Postemployment benefits	--	245	--
Postretirement benefits other than pensions	--	--	1,099
Nonrecurring items	--	(59)	--
Gain on disposition of Union Texas	--	--	(357)
Streamlining and restructuring	(180)	(217)	133
Depreciation and amortization (includes goodwill)	560	547	529
Undistributed earnings of equity affiliates (includes Union Texas in 1992)	(10)	(34)	(47)
Deferred taxes	180	110	83
Decrease (increase) in accounts and notes receivable	(195)	91	(104)
Decrease in inventories	134	123	130
Decrease (increase) in other current assets	(65)	14	31
Increase in accounts payable	113	20	157
Increase (decrease) in accrued liabilities	(56)	151	167
Other	(197)	(222)	(188)
Net cash flow provided by operating activities	1,043	1,180	1,069
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(639)	(718)	(691)
Proceeds from disposals of property, plant and equipment	54	37	42
Decrease in investments and long-term receivables	32	48	59
(Increase) in other investments	(8)	(31)	(18)
Cash paid for acquisitions	(531)	(244)	(113)
Proceeds from sales of investments and businesses	130	129	1,044
Decrease (increase) in marketable securities	90	(40)	(50)
Net cash flow provided by (used for) investing activities	(872)	(819)	273
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in commercial paper	(164)	160	(259)
Net increase (decrease) in short-term borrowings	64	(88)	(307)
Proceeds from issuance of common stock	43	143	244
Proceeds from issuance of long-term debt	7	131	121
Repurchases of long-term debt (including current maturities)	(215)	(355)	(163)
Repurchases of common stock	(103)	(229)	(142)
Cash dividends on common stock	(180)	(162)	(143)
Redemption of common stock purchase rights	(7)	--	--
Net cash flow (used for) financing activities	(555)	(400)	(649)
Net increase (decrease) in cash and cash equivalents	(384)	(39)	693
Cash and cash equivalents at beginning of year	892	931	238
Cash and cash equivalents at end of year	$ 508	$ 892	$ 931

The 'Notes to Financial Statements' are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
AlliedSignal Inc.
(dollars in millions except per share amounts)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED FINANCIAL STATEMENTS include the accounts of AlliedSignal Inc. and majority-owned subsidiaries.

INVENTORIES are valued at the lower of cost or market using the last-in, first-out (LIFO) method for certain qualifying domestic inventories and the first-in, first-out (FIFO) or the average cost method for other inventories.

INVESTMENTS AND LONG-TERM RECEIVABLES are carried at market value if readily determinable or cost in 1994; prior to 1994, investments and long-term receivables were carried at the lower of cost or market. Investments in affiliates over which significant influence is exercised are accounted for using the equity method of accounting.

PROPERTY, PLANT AND EQUIPMENT are carried at cost and are generally depreciated using estimated service lives, which range from 3 to 40 years. For the financial statements, depreciation is computed principally on the straight-line method.

COST IN EXCESS OF NET ASSETS OF ACQUIRED COMPANIES is being amortized on a straight-line basis over various periods ranging from 20 to 40 years. The cumulative amount of goodwill amortized at December 31, 1994 and December 31, 1993 is $358 and $315 million, respectively.

POSTEMPLOYMENT BENEFITS for former or inactive employees, excluding retirement benefits, are accounted for under the provisions of Financial Accounting Standards Board (FASB) Statement No. 112 -- 'Employers' Accounting for Postemployment Benefits' (FASB No. 112), effective January 1, 1993. FASB No. 112 requires the Company to accrue the cost of certain benefits, including severance, workers' compensation and health care coverage, over an employee's service life. A one-time charge for the adoption of FASB No. 112 of $396 million (after-tax $245 million, or $0.86 a share) was recognized as the cumulative effect of a change in accounting principle in 1993. The 1993 ongoing expense was $18 million (after-tax $11 million, or $0.04 a share). The Company uses the services of an enrolled actuary to calculate postemployment costs. The Company previously expensed the cost of such benefits on a pay-as-you-go basis or recognized the impact at the time of a specific event.

RECOGNITION OF CONTRACT REVENUES primarily relates to Aerospace operations. Under fixed-price contracts, sales and related costs are recorded as deliveries are made. Sales and related costs under cost-reimbursable contracts are recorded as costs are incurred. Anticipated future losses on contracts are charged to income when identified. Contracts which are part of a program are evaluated on an overall program basis.

ENVIRONMENTAL expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated. The timing of these accruals is generally on the completion of feasibility studies or the settlement of claims, but in no event later than the Company's commitment to a plan of action. The liabilities for environmental costs recorded in Accrued Liabilities and Other Liabilities at December 31, 1994 and 1993 were $78 and $416 million and $66 and $414 million, respectively.

INTEREST RATE AND FOREIGN CURRENCY FORWARD, OPTION AND SWAP AGREEMENTS are accounted for as a hedge of the related asset, liability, firm commitment or anticipated transaction when designated as a hedge of such items. Agreements not qualifying for hedge accounting are reflected at fair value.

* Changes in the amount to be received or paid under interest rate swap agreements are recognized in Interest and Other Financial Charges.
* Changes in the fair value of foreign currency agreements are recognized in Other Income (Expense) or Cumulative Foreign Exchange Translation Adjustment, as appropriate.

INCOME TAXES are based on the asset and liability approach embodied in FASB Statement No. 109 -- 'Accounting for Income Taxes' (FASB No. 109), effective January 1, 1992. Under FASB No. 109, deferred tax liabilities or assets reflect the impact of temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts are subsequently adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established for any deferred tax asset for which realization is not likely. Deferred income taxes have not been provided on approximately $177 million of undistributed earnings of foreign affiliated companies which are considered to be permanently reinvested. Any U.S. taxes payable on foreign earnings which may be remitted, however, will be substantially offset by foreign tax credits.

NOTE 2. ACQUISITIONS

In 1994 the Company acquired the Lycoming Turbine Engine Division of Textron Inc. (Lycoming Engine) for $375 million in cash and the assumption of certain liabilities. The business had 1994 sales of $550 million. Lycoming Engine manufactures turbofan engines for regional airlines, helicopter engines for commercial, military and utility aircraft, military tank engines and marine propulsion engines. The Company also made a number of smaller acquisitions in 1994.

In 1993 the Company acquired the data control business of Sundstrand Corporation (Data Controls) for $195 million in cash. The business had sales of $194 million in 1992. Data Controls manufactures a wide range of avionics such as ground proximity warning systems, reactive windshear detection systems,

flight data and voice recorders, general aviation in-flight phone systems and aircraft condition monitoring systems. The Company also made a number of smaller acquisitions in 1993.

NOTE 3. NONRECURRING ITEMS

The 1993 nonrecurring items consist of a gain of $89 million (after-tax $50 million, or $0.17 a share) from the formation of an alliance of the Company's air-brake control and related

product operations for heavy trucks with those of Knorr-Bremse AG, partly offset by a provision totaling $73 million (after-tax $49 million, or $0.17 a share) covering transaction and other costs, including formation costs relating to Knorr-Bremse and other business ventures as well as the cost of several legal actions.

NOTE 4. STREAMLINING AND RESTRUCTURING

The 1992 provision reflects a pretax charge of $368 million (after-tax $227 million, or $0.80 a share) covering programs to improve the Company's overall productivity. These programs include the consolidation of facilities ($187 million), further streamlining of operations and administration ($103 million) and the cost of product modifications to improve customer satisfaction ($78 million). The various programs include the elimination of about 900 hourly and salaried employees. The actions contemplated in the 1992 provision have been essentially completed.

NOTE 5. OTHER INCOME (EXPENSE)

Years ended December 31	1994	1993	1992
Interest income and other	$ 29	$ 41	$ 24
Minority interests	(30)	(7)	(8)
Foreign exchange (loss) (1)	(26)	(43)	(7)
	$ (27)	$ (9)	$ 9

(1) Includes the amortization of premiums for foreign currency forward exchange contracts of $(12), $(38) and $(28) million, in each of the respective years. In part, the contracts, in conjunction with domestic borrowings, were utilized to finance certain foreign operations and contributed to lower expense on the 'Interest and Other Financial Charges' line.

NOTE 6. INTEREST AND OTHER FINANCIAL CHARGES

Years ended December 31	1994	1993	1992
Total interest and other financial charges	$ 166	$ 186	$ 247
Less -- Capitalized interest	(23)	(29)	(27)
	$ 143	$ 157	$ 220

NOTE 7. TAXES ON INCOME
INCOME BEFORE TAXES ON INCOME

Years ended December 31	1994	1993	1992
United States	$ 973	$ 799	$ 634
Foreign	138	111	68
	$1,111	$ 910	$ 702

TAXES ON INCOME

Years ended December 31	1994	1993	1992
United States	$ 297	$ 244	$ 160
Foreign	55	10	7
	$ 352	$ 254	$ 167

Years ended December 31	1994	1993	1992
Taxes on income consist of:			
Current:			
United States	$ 98	$ 95	$ 55
State	34	25	15
Foreign	40	24	14
	172	144	84
Deferred:			
United States	129	99	92
State	36	25	(2)

Foreign	15	(14)	(7)
	180	110	83
	$ 352	$ 254	$ 167

Years ended December 31	1994	1993	1992
The principal items accounting for the difference in taxes on income computed at the U.S. statutory rate and as recorded on an overall basis are as follows:			
Statutory U.S. federal income tax rate	35.0%	35.0%	34.0%
Taxes on foreign earnings (under) U.S. tax rate	(.6)	(2.4)	(3.6)
Asset basis differences	(3.3)	(1.7)	--
Nondeductible amortization	1.0	1.2	1.5
State income taxes	3.9	3.3	.4
Tax benefits of Foreign Sales Corporation	(1.4)	(1.9)	(2.9)
Dividends received deduction	(.1)	(.2)	(1.5)
ESOP dividend tax benefit	(.9)	(.9)	(1.1)
Impact of rate change on beginning-of-the-year deferred tax balances	--	(1.5)	--
All other items -- net	(1.9)	(3.0)	(3.0)
	31.7%	27.9%	23.8%

DEFERRED INCOME TAXES

December 31	1994	1993
Included in the following balance sheet accounts:		
Other current assets	$ 483	$ 468
Other assets	124	104
Deferred income taxes	(406)	(339)
	$ 201	$ 233

DEFERRED TAX ASSETS/(LIABILITIES)

December 31	1994	1993
The temporary differences and carryforwards which give rise to deferred tax assets and liabilities are as follows:		
Property, plant and equipment basis differences	$(793)	$(742)
Postretirement benefits other than pensions	741	716
Postemployment benefits	106	158
Investment and other asset basis differences	(515)	(465)
Streamlining, restructuring and other nonrecurring items	265	290
Other accrued items	423	334
Other tax credits	31	41
Alternative minimum tax credit	12	60
Foreign net operating losses	181	118
U.S. capital loss	22	43
All other items -- net	(199)	(239)
	274	314
Valuation allowance	(73)	(81)
	$ 201	$ 233

Other tax credits relate primarily to U.S. general business tax credits which are available to reduce income tax payments through the year 2008. The alternative minimum tax credit is available to reduce regular income tax payments for an indefinite period of time. The foreign net operating losses relate to several countries. Such losses are available to reduce income tax payments in the future, subject to varying expiration rules. The U.S. capital loss is available to offset income tax payments on capital gains through 1997.

NOTE 8. ACCOUNTS AND NOTES RECEIVABLE

December 31	1994	1993
Trade	$1,526	$1,245
Other	204	126
	1,730	1,371
Less -- Allowance for doubtful accounts and refunds	(33)	(28)
	$1,697	$1,343

The Company is a party to agreements under which it can sell undivided interests in designated pools of trade accounts receivable up to $500 million (average outstanding was $500 and $492 million during 1994 and 1993, respectively). New receivables are sold under the agreements as previously sold receivables are collected. During 1994, this represented an average collection period of 47 days or a replacement of receivables of approximately eight times. At both December 31, 1994 and 1993, customer accounts receivable on the Consolidated Balance Sheet have been reduced by $500 million, reflecting such sales. The Company acts as an agent for the purchasers in the collection and administration of the receivables.

NOTE 9. INVENTORIES

December 31	1994	1993
Raw materials	$ 488	$ 504
Work in process	706	635
Finished products	766	824
Supplies and containers	70	51
	2,030	2,014
Less --		
Progress payments	(160)	(154)
Reduction to LIFO cost basis	(127)	(115)
	$1,743	$1,745

Inventories valued at LIFO amounted to $267 million at December 31, 1994 and $316 million at December 31, 1993, which amounts were below estimated replacement cost by $127 and $115 million, respectively.

NOTE 10. OTHER CURRENT ASSETS

December 31	1994	1993
Current - deferred taxes	$ 483	$ 468
Other	154	119
	$ 637	$ 587

NOTE 11. INVESTMENTS AND LONG-TERM RECEIVABLES

December 31	1994	1993
Affiliates (1)	$ 416	$ 395
Marketable securities	--	90
Long-term receivables	59	68
	$ 475	$ 553

(1) Includes in 1994 an unrealized holding gain of $66 million on equity securities in accordance with FASB No. 115. The cost basis of the equity securities was $44 million at December 31, 1994.

The Company has a 50% partnership interest in two significant joint ventures accounted for under the equity method, UOP and Paxon Polymer Company (Paxon). The UOP joint venture is in the process technology and catalyst business, while

the Paxon joint venture manufactures and sells high-density polyethylene resins. The Company's share of the equity of the joint ventures exceeds its carrying value for these investments by $84 million, which is being amortized over the remaining useful lives of the related assets.

Combined selected financial data for these two entities are summarized as follows:

Years ended December 31	1994	1993	1992
Net sales	$ 1,251	$ 1,238	$ 1,225
Income from operations	165	151	142
Income before cumulative effect of changes in accounting principles (1)	147	149	149
Net income (1) (2)	132	90	149

December 31	1994	1993
Current assets	$ 854	$ 819
Total assets	1,523	1,505
Current liabilities	304	224
Noncurrent liabilities	351	350
Equity	868	931

(1) No U.S. taxes have been provided by the entities on partnership income, as the individual partners are responsible for their proportionate share of U.S. taxes payable.
(2) Reflects in 1994 the adoption of FASB No. 106 ($15 million) and in 1993 the adoptions of FASB No. 106 ($37 million) and FASB No. 112 ($22 million).

NOTE 12. PROPERTY, PLANT & EQUIPMENT

December 31	1994	1993
Land and land improvements	$ 333	$ 321
Machinery and equipment	5,862	5,296
Buildings	1,371	1,241
Office furniture and equipment	702	634
Transportation equipment	145	145
Construction in progress	379	531
	8,792	8,168
Less -- Accumulated depreciation and amortization	(4,532)	(4,074)
	$4,260	$4,094

NOTE 13. ACCRUED LIABILITIES

December 31	1994	1993
Customer advance payments/deposits	$ 235	$ 244
Insurance	132	163
Postemployment benefits	99	166
Retiree medical benefits	128	125
Wages	304	296
Other	934	930
	$1,832	$1,924

NOTE 14. LONG-TERM DEBT AND CREDIT AGREEMENTS

December 31	1994	1993
Employee stock ownership plan refunding notes, 6.957% and 7.19%, due 1995 - 1997	$ 120	$ 200
Employee stock ownership plan floating rate notes, 2.876% - 5.32%, due 1995 - 1999	212	218
9 7/8% debentures due June 1, 2002	250	250
9.20% debentures due February 15, 2003	100	100
Medium term notes, 8.28% - 9.28%, due 1995 - 2001	129	153
Zero coupon bonds and money multiplier notes, 12.95% - 13.518%, due 1995 - 2009	278	257
9 1/2% debentures due June 1, 2016	100	100
Industrial development bond obligations, 2.68% - 6.75%, maturing at various dates through 2026	105	112
Other (including capitalized leases), 2.0% - 14.75%, maturing at various dates through 2016	131	214
	1,425	1,604
Less -- Unamortized discount	(1)	(2)
	$1,424	$1,602

The schedule of principal payments on long-term debt is as follows:

At December 31, 1994	LONG-TERM DEBT (1)
1995	$ 130
1996	179
1997	121
1998	205
1999	161
Thereafter	758
	1,554
Less -- Current portion	(130)
	$1,424

(1) Amounts are net of repurchases.

The Company has two credit agreements with a group of 21 banks (3 Year and 364 Day Credit Agreements) with commitments aggregating $900 million. The funds available under the Credit Agreements may be used for any corporate purpose. Loans under the $450 million 3 Year Credit Agreement are required to be repaid no later than July 7, 1997. Annually, the Company may request that the maturity of the 3 Year Credit Agreement be extended by another year. The Company intends to request an extension of the agreement in 1995. The banks' commitments to lend under the $450 million 364 Day Credit Agreement terminate on July 3, 1995 and any loans then outstanding will be converted to term loans maturing on July 3, 1996. The Company intends to renegotiate this agreement in 1995. The Company has agreed to pay facility fees of 0.10% per annum and 0.08% per annum on the aggregate commitments for 3 Year and 364 Day Credit Agreements, respectively, subject to increase or decrease in the event of changes in the Company's long-term debt ratings. The Credit Agreements do not restrict the Company's ability to pay dividends or require the Company to maintain a specific net worth. However, they do contain other customary conditions and events of default, the failure to comply with, or occurrence of, which would prevent any further borrowings and would generally require the repayment of any outstanding borrowings under either Credit Agreement. Such conditions include the absence of any material adverse change in the ability of the Company to pay its indebtedness when due, and such events of default include (a) non-payment of Credit Agreement debt and interest thereon, (b) non-compliance with the terms of the covenants, (c) cross-default with other debt in certain circumstances, (d)

bankruptcy and (e) defaults upon obligations under the Employee Retirement Income Security Act. Additionally, each of the banks has the right to terminate its commitment to lend under the Credit Agreements if any person or group acquires beneficial ownership of 30% or more of the Company's voting stock or during any 12-month period individuals who were directors of the Company at the beginning of the period cease to constitute a majority of the board of directors.

Interest on borrowings under the Credit Agreements would be determined, at the Company's option, by (a) an auction bidding procedure; (b) the highest of the average floating base rate of two reference banks, 0.5% above the average CD rate, or 0.5% above the Federal funds rate; or (c) a spread (equal to 21.25 and 23.25 basis points for the 3 Year and 364 Day Credit Agreements, respectively, and if either Credit Agreement is drawn down in excess of 50% of its total amount, 27.5 and 29.5 basis points for the 3 Year and 364 Day Credit Agreements, respectively) over the average LIBOR or CD rate of three reference banks. The spreads over the LIBOR or CD rates are subject to increase or decrease if the Company's long-term debt ratings change. The Company had no balance outstanding under the Credit Agreements at December 31, 1994. The Credit Agreements have served as support for the issuance of commercial paper and certain notes issued under the Company's Employee Stock Ownership Plan funding program. At December 31, 1994, the Company had outstanding $217 million of notes supported by the Credit Agreements.

NOTE 15. LEASE COMMITMENTS

Future minimum lease payments under operating leases having initial or remaining noncancellable lease terms in excess of one year are as follows:

At December 31, 1994	LEASE PAYMENTS
1995	$ 92
1996	63
1997	46
1998	37
1999	29
Thereafter	193
Total	$460

Rent expense of $135, $128 and $131 million was included in costs and expenses for 1994, 1993 and 1992, respectively.

NOTE 16. FINANCIAL INSTRUMENTS

The Company, as a result of its global operating and financing activities, is exposed to changes in interest rates and foreign currency exchange rates, which may adversely affect its results of operations and financial condition. In seeking to minimize the risks and/or costs associated with such activities, the Company manages exposure to changes in interest rates and foreign currency exchange rates through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The instruments utilized include forward, option and swap agreements. The Company does not use financial instruments for trading or other speculative purposes. The Company had no leveraged financial instruments at December 31, 1994.

At December 31, 1994 and 1993, the Company held interest rate swap agreements maturing through 1999. At December 31, 1994, interest rate swap agreements effectively changed $82 million of London Interbank Offer Rate (LIBOR) based floating rate debt (average 5.21%) to fixed rate debt (average 7.12%) thereby reducing the potential impact of increasing short-term interest rates on the Company's results of operations. At December 31, 1993, interest rate swap agreements effectively changed $373 million of fixed rate debt (average 9.66%) to LIBOR based floating rate debt (average 5.3%), $82 million of LIBOR based floating rate debt (average 3.11%) to fixed rate debt (average 7.24%) and a $41 million fixed rate obligation (7.5%) to a LIBOR floating rate obligation (3.5%).

The Company's exposure to changes in foreign currency exchange rates arises from inter-company loans utilized to finance foreign subsidiaries, receivables, payables and firm commitments arising from international transactions. The Company attempts to have all such transaction exposures hedged with internal natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through derivative financial instruments with third parties (i.e., forward or option agreements). The Company currently also uses derivative financial instruments to hedge the Company's exposure to changes in foreign currency exchange rates for the translated U.S. dollar value of the net income of a number of foreign subsidiaries. The Company's principal foreign currency exposures relate to the French franc, the German deutsche mark, the British pound and the U.S. dollar. At December 31, 1994 and 1993, the Company held or had written foreign currency forward and option agreements, maturing through 1997. The Company uses some of these agreements to reduce exposures to changes in foreign currency exchange rates and to reduce the risk that such changes would adversely affect its results of operations or financial condition. In addition, some of these instruments are hedges of firmly committed transactions and forecasted transactions that will or are expected to occur through 1995.

The Company's financial instrument counterparties are substantial investment or commercial banks with significant experience with such instruments. The Company manages exposure to counterparty credit risk through specific minimum credit standards and diversification of counterparties. The Company has procedures to monitor the credit exposure amounts. The Company believes that the credit risks, in part because of the above practices and procedures, are not significant. At December 31, 1994 the net market risk exposures from financial instruments were not significant.

The values of the Company's outstanding derivative financial instruments at December 31, 1994 and 1993 are as follows:

	NOTIONAL PRINCIPAL AMOUNT	FAIR VALUE	CARRYING VALUE
December 31, 1994			
Interest rate swap agreements held	$ 82	$ 6	$ 1
Foreign currency forward agreements held	953	21	18
Foreign currency forward agreements written	1,130	(24)	(28)
Foreign currency options held	276	2	2
December 31, 1993			
Interest rate swap agreements held	$ 496	$ 8	$ --
Foreign currency forward agreements held	210	5	6
Foreign currency forward agreements written	117	(1)	1
Foreign currency options held	117	1	1

The only other material financial instruments that are not carried in the Consolidated Balance Sheet at amounts which approximate fair values are certain debt instruments. The carrying value of long-term debt and related current maturities (excluding capitalized leases of $47 and $52 million at year-end 1994 and 1993, respectively) is $1,507 and $1,687 million and the fair value is $1,590 and $1,945 million at December 31, 1994 and 1993, respectively. The fair values are estimated based on the quoted market price for the issues (if traded) or based on current rates offered to the Company for debt of the same remaining maturity and characteristics.

NOTE 17. CAPITAL STOCK

The Company is authorized to issue up to 20,000,000 shares of preferred stock without par value and may establish series of preferred stock having such number of shares and such terms as it may determine.

The Company is authorized to issue up to 500,000,000 shares of common stock, with a par value of one dollar. Common shareowners are entitled to receive such dividends as may be declared by the Board of Directors (the Board), are entitled to one vote per share, and are entitled, in the event of liquidation, to share ratably in all the assets of the Company which are available for distribution to

the common shareowners. Common shareowners do not have preemptive or conversion rights. Shares of common stock issued and outstanding or held in the treasury are not liable to further calls or assessments. There is no restriction on dividends or the repurchase or redemption of common stock by the Company. The Company has remaining authority to repurchase from time to time up to 13.6 million shares of common stock.

The Board determined on February 7, 1994 to redeem the share purchase rights that accompanied each share of common stock outstanding on February 18, 1994 at $0.05 a right.

	SHARES OUTSTANDING (IN MILLIONS)	COMMON STOCK/ PAID-IN CAPITAL	TREASURY STOCK
Balance December 31, 1991	276.3	$ 2,747	$ (1,423)
Purchased under repurchase programs	(5.3)	--	(152)
Used for Dividend Reinvestment Plan	.2	--	3
Used for employee benefit plans (including related tax benefits)	12.6	35	236
Balance December 31, 1992	283.8	2,782	(1,336)
Purchased under repurchase programs	(6.7)	--	(220)
Used for Dividend Reinvestment Plan	.1	--	3
Used for employee benefit plans (including related tax benefits)	6.6	29	116
Balance December 31, 1993	283.8	2,811	(1,437)
Purchased under repurchase programs	(2.9)	--	(103)
Used for Dividend Reinvestment Plan	.2	--	3
Used for employee benefit plans (including related tax benefits)	2.0	12	32
Redemption of common stock purchase rights	--	(7)	--
Balance December 31, 1994	283.1	$ 2,816	$ (1,505)

NOTE 18. STOCK OPTIONS AND AWARDS

The Company has a 1993 Stock Plan and a 1985 Stock Plan available to grant options and other related benefits to employees. Under both plans, the Company may grant incentive and non-qualified stock options, stock appreciation rights (SARs), restricted shares and restricted units (Units) to officers and other employees. SARs entitle an optionee to surrender unexercised stock options for cash or stock equal to the excess of the fair market value of the surrendered shares over the option value of such shares. The 1993 Stock Plan provides for the annual grant of awards in an amount not in excess of 1.5% of the total shares issued (including shares held in treasury) on December 31 of the year preceding the year of the award. Any shares that are available for awards that are not utilized in a given year will be available for use in subsequent years. Units have been granted to certain employees, which entitle the holder to receive shares of common stock. At December 31, 1994 there were 1,206,109 Units outstanding, including 428,680 Units granted in 1994, the restrictions on which generally lapse over periods not exceeding nine years from date of grant. Incentive stock options have a term determined by the Management Development and Compensation Committee of the Board (the Committee), but not in excess of ten years. Non-qualified stock options have been granted with terms of up to ten years and one day. An option becomes exercisable at such times and in such installments as set by the Committee. Options generally become exercisable over a three-year period.

STOCK OPTIONS	NUMBER OF SHARES
Outstanding at December 31, 1991	22,276,124
Granted at $22.07 - $27.82 per share	5,934,198
Less --	
Exercised at $10.12 - $23.41 per share	8,823,506
Lapsed or canceled	286,290
Surrendered upon exercise of SARs	270,262
Outstanding at December 31, 1992	18,830,264
Granted at $29.13 - $36.94 per share	5,949,990
Less --	
Exercised at $10.34 - $34.35 per share	4,986,618
Lapsed or canceled	145,190
Surrendered upon exercise of SARs	30,000
Outstanding at December 31, 1993	19,618,446
Granted at $33.57 - $39.07 per share	6,809,010
Less --	
Exercised at $13.75 - $35.91 per share	1,693,567
Lapsed or canceled	344,720
Surrendered upon exercise of SARs	17,450
Outstanding at December 31, 1994, $13.75 - $39.07 per share	24,371,719
Exercisable at December 31, 1994	12,659,343
Available for grant at December 31, 1993	6,191,044

Available for grant at December 31, 1994	4,739,240

The Company also has a Stock Plan for Non-Employee Directors (Directors) under which restricted shares and options are granted. Prior to April 25, 1994 Directors received one-time grants of 3,000 shares of common stock and new Directors after that date will receive grants of 1,500 shares of common stock, subject to certain restrictions. In addition, each Director will be granted an option to purchase 1,000 shares of common stock each year on the date of the annual meeting of shareowners. The Company has set aside 225,000 shares for issuance under the stock plan. Options generally become exercisable over a three-year period and have a term of ten years.

All options were granted at not less than fair market value at dates of grant.

Treasury shares of common stock have been used upon exercise of stock options. Differences between the cost of treasury stock used and the total option price of shares exercised have been reflected in retained earnings.

NOTE 19. CUMULATIVE FOREIGN EXCHANGE TRANSLATION ADJUSTMENT

December 31	1994	1993	1992
Balance at beginning of year	$ (7)	$ 58	$ 65
Translation adjustment and impact of hedges and intercompany balances	25	(65)	(7)
	$ 18	$ (7)	$ 58

NOTE 20. COMMITMENTS AND CONTINGENCIES

The Company is subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of its business, including those relating to commercial transactions, government contracts, product liability and environmental, safety and health matters. One such lawsuit was brought by The B. F. Goodrich Company (Goodrich) in the U.S. District Court for Delaware alleging infringement by the Company of two patents relating

to aircraft brakes and seeking injunctive relief and damages. The allegation against the Company related only to brakes for the Boeing 777, which is to be introduced in 1995, and not to any other brake program of the Company. At trial, Goodrich claimed damages of approximately $350 million before trebling. On November 10, 1994, after a full trial on the merits, the District Court ruled the Goodrich patents were invalid, turned down Goodrich's claim for damages and denied its request for an injunction. On December 8, 1994, Goodrich filed a notice that it would appeal this decision. The Company believes that Goodrich will not prevail on appeal.

In accordance with the Company's accounting policy described in Note 1 of Notes to Financial Statements, liabilities are recorded for environmental matters generally on the completion of feasibility studies or the settlement of claims, but in no event later than the Company's commitment to a plan of action. Although the Company does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon future completion of studies, they may be significant to the consolidated results of operations, but management does not expect that they will have a material adverse effect on the consolidated financial position of the Company. With respect to all other matters, while the ultimate results of these lawsuits, investigations and claims cannot be determined, management does not expect that these matters will have a material adverse effect on the consolidated results of operations or financial position of the Company.

The Company has issued or is a party to various direct and indirect guarantees, bank letters of credit and customer guarantees. Management does not expect these guarantees will have a material adverse effect on the consolidated results of operations or financial position of the Company.

NOTE 21. SUPPLEMENTAL CASH FLOW AND OTHER INFORMATION

Cash and cash equivalents includes cash on hand and on deposit and highly liquid debt instruments with maturities generally of three months or less. Cash payments during the years 1994, 1993 and 1992 included interest of $121, $180 and $241 million and income taxes of $164, $130 and $115 million, respectively.

In November 1994 the Company and General Motors Corporation formed a joint venture to manufacture coated substrates for catalytic converters. The Company contributed its environmental catalysts business and General Motors contributed other assets and a long-term sales contract to the venture. The transaction had the following non-cash impact on the Company's 1994 balance sheet:

	AMOUNT
Current assets	$ (24)
Property, plant and equipment -- net	(20)
Investments and long-term receivables	(23)
Other noncurrent assets	(3)
Current liabilities	102
Noncurrent liabilities	(32)

In October 1993 the Company and Knorr-Bremse AG formed an alliance to which both companies contributed their European operations, which provide air-brake controls and related products to the heavy truck industry. The Company owns 35% of the venture, and Knorr-Bremse owns the balance and manages the operations. The transaction had the following non-cash impact on the Company's 1993 balance sheet:

	AMOUNT
Current assets	$ (49)
Property, plant and equipment -- net	(28)
Investments and long-term receivables	51
Other noncurrent assets	(13)
Current liabilities	29
Noncurrent liabilities	10

The weighted average interest rate on short-term borrowings and commercial paper outstanding at December 31, 1994 and 1993 was 11.21% and 9.12%, respectively.

NOTE 22. OIL AND GAS INVESTMENT

During 1992 the Company disposed of its remaining investments in Union Texas Petroleum Holdings, Inc. (Union Texas) resulting in a pretax gain of $357 million (after-tax $221 million, or $0.78 a share). The Company received approximately $585 million, after underwriters' discount, from the disposition of its approximate 39% interest in the common stock of Union Texas. In addition, the Company received $355 million from the redemption at face value of $200 million of preferred shares and $155 million of warrants of Union Texas. The Company received dividends from its preferred investment in Union Texas of $30 million in 1992.

NOTE 23. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company's U.S. retiree medical programs cover employees who retire with pension eligibility for hospital, professional and other medical services (programs). Most of the programs require deductibles and copayments and virtually all are integrated with Medicare. Retiree contributions are generally required based on coverage type, plan and Medicare eligibility. The Company also

sponsors retiree life insurance programs which generally provide a flat benefit of at least two thousand dollars or a benefit as a percent of pay. The retiree medical and life insurance programs are not funded. Claims and expenses are paid from the general assets of the Company.

For most non-union employees retiring after July 1, 1992, the Company has implemented an approach which bases the Company's contribution to retiree medical premiums on years of service and also establishes a maximum Company contribution in the future at approximately twice the current level at the date of implementation.

In 1994, 1993 and 1992 the Company's cost for providing other postretirement benefits aggregated $150, $153 and $166 million, respectively, excluding the cumulative pretax impact of adopting FASB No. 106 in 1992 of $1,790 million (after-tax $1,099 million, or $3.90 a share). The Company uses the services of an enrolled actuary to calculate postretirement benefit costs.

For measurement purposes, the assumed annual rate of increase in the per capita cost of covered health care benefits was 11% for 1994, which reduces to 6% in 2000 and remains at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1 percentage point in each year would increase the accumulated postretirement benefit obligation as of December

31, 1994 by $116 million and the aggregate of the service and interest cost component of net periodic postretirement benefit cost for the year then ended by $11 million. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 8.75% and 7.25% at December 31, 1994 and 1993, respectively.

Net periodic postretirement benefit cost for 1994, 1993 and 1992 included the following components:

Years ended December 31	1994	1993	1992
Service cost-benefits attributed to service during the period	$ 27	$ 23	$ 22
Interest cost on accumulated post-retirement benefit obligation	133	137	143
Net amortization	(10)	(7)	--
	150	153	165
Foreign plans	--	--	1
Net periodic postretirement benefit cost	$ 150	$ 153	$ 166

Presented below are the plans' status and amounts recognized in the Company's Consolidated Balance Sheet at December 31, 1994 and 1993:

December 31	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	$1,120	$1,279
Fully eligible active plan participants	172	200
Other active plan participants	393	418
	1,685	1,897
Unrecognized prior service cost	139	132
Unrecognized net gain (loss)	94	(215)
Accrued postretirement benefit cost	$1,918	$1,814

NOTE 24. PENSIONS

The Company's pension plans, most of which are defined benefit plans and almost all of which are noncontributory, cover substantially all employees. Benefits under the plans are generally provided based on years of service and employees' compensation during the last years of employment or as a flat dollar benefit. Benefits are generally paid from funds previously provided to trustees. In the Company's principal U.S. plans, funds are contributed to a trustee as necessary to provide for current service and for any unfunded projected benefit obligation over a reasonable period. To the extent that these requirements are fully covered by assets on hand for a plan, a contribution may not be made in a particular year. As of year-end 1994 approximately 56% of the assets of U.S. plans were held in equity securities, with the balance primarily in fixed income-type securities.

Pension expense in 1994, 1993 and 1992 was $109, $104 and $102 million, respectively. The Company uses the services of an enrolled actuary to calculate the amount of pension expense and contributions to trustees of the various pension plans.

Net periodic pension cost for 1994, 1993 and 1992 included the following components:

Years ended December 31	1994	1993	1992
Service cost-benefits earned during the period	$ 132	$ 115	$ 113
Interest cost on projected benefit obligation	363	369	360
Actual return on plan assets	(65)	(663)	(320)
Net amortization and deferral	(338)	269	(69)
Net periodic pension cost for defined benefit plans	92	90	84
Foreign plans and other	17	14	18
Net periodic pension cost	$ 109	$ 104	$ 102

The assumed rate of return for the Company's U.S. defined benefit pension plans was 9% in 1994, 1993 and 1992. The assumed discount rate used in calculating the projected benefit obligations at December 31, 1994, 1993 and 1992 was 8.75%, 7.25% and 8.25%, respectively. In addition, the assumed annual increase in compensation over employees' estimated remaining working lives was 5% in 1994 and 5.5% for both 1993 and 1992.

Presented below are the plans' funded status and amounts recognized in the Company's Consolidated Balance Sheet at December 31, 1994 and 1993 for its significant defined benefit pension plans:

December 31	1994		1993	
	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS
Actuarial present value of benefit obligation:				
Vested	$ 3,252	$ 678	$ 3,471	$ 731
Nonvested	228	82	256	74
Accumulated benefit obligation	$ 3,480	$ 760	$ 3,727	$ 805
Projected benefit obligation	$ 3,911	$ 802	$ 4,396	$ 857
Less -- Fair value of assets	4,127	617	4,227	678
Over (under) funded plans	216	(185)(a)	(169)	(179)
Unrecognized transition (asset) liability	8	(45)	(11)	(7)
Unrecognized net (gain) loss	(79)	(13)	360	2
Unrecognized prior service cost	(16)	93	(2)	63
Prepaid (accrued) pension cost	$ 129	$ (150)	$ 178	$ (121)

(a) Included in this amount is $152 million for unfunded foreign and supplemental domestic pension plans.

NOTE 25. GEOGRAPHIC AREAS -- FINANCIAL DATA

		UNITED STATES (1)	CANADA	EUROPE	OTHER INTERNATIONAL	ADJUSTMENTS AND ELIMINATIONS	TOTAL
Net sales (2)	1994	$ 9,739	$ 202	$ 2,283	$ 593	$ --	$ 12,817
	1993	9,220	225	1,897	485	--	11,827
	1992	8,978	331	2,295	438	--	12,042
Income before cumulative effect of changes in accounting principles (3)	1994	654	23	65	17	--	759
	1993	570	26	55	5	--	656
	1992	512	32	6	(15)	--	535
Assets (4)	1994	8,977	205	2,295	543	(699)	11,321
	1993	8,517	199	1,967	548	(402)	10,829
	1992	8,677	177	1,940	501	(539)	10,756
Liabilities (4)	1994	7,290	87	1,319	342	(699)	8,339
	1993	7,175	98	1,235	333	(402)	8,439
	1992	7,374	113	1,293	264	(539)	8,505

Sales between geographic areas approximate market and are not significant.
(1) Corporate Office income, expenses, assets and liabilities are included in the 'United States' column.
(2) Included in United States net sales are export sales of $1,818, $1,699 and $1,810 million for each of the respective years.
(3) Includes in 1993 after-tax nonrecurring items of a gain for the United States of $13 million and a loss for Europe of $12 million. Includes in 1992 an after-tax provision to cover Streamlining and Restructuring charges for the United States of $163, Europe of $56 and Other International of $8 million. Also included in the 'United States' column in 1992 is the after-tax gain on the disposition of the Union Texas common stock of $221 million.
(4) Reclassified for comparative purposes.

NOTE 26. SEGMENT FINANCIAL DATA

		AEROSPACE	AUTOMOTIVE	ENGINEERED MATERIALS	CORPORATE AND UNALLOCATED (1)	TOTAL
Net sales (2)	1994	$ 4,623	$ 4,922	$ 3,272	$ --	$ 12,817
	1993	4,530	4,506	2,791	--	11,827
	1992	4,937	4,499	2,601	5	12,042
Research and development expense	1994	126	73	110	9	318
	1993	127	63	113	10	313
	1992	122	64	124	10	320
Depreciation and amortization	1994	183	148	171	21	523
	1993	184	156	153	21	514
	1992	186	162	135	13	496
Income from operations (3)	1994	458	411	409	(126)	1,152
	1993	402	432	309	(189)	954
	1992	187	174	201	(147)	415
Income before cumulative effect of changes in accounting principles (3) (4)	1994	260	223	331	(55)	759
	1993	224	226	269	(63)	656
	1992	105	76	190	164	535
Capital expenditures	1994	148	245	232	14	639
	1993	139	205	354	20	718
	1992	162	202	301	26	691
Identifiable assets	1994	5,104	3,276	2,562	379	11,321
	1993	4,502	2,838	2,502	987	10,829
	1992	4,380	3,082	2,295	999	10,756

Intersegment sales approximate market and are not significant.
(1) The 'Corporate and Unallocated' column includes amounts for businesses sold and Corporate items. Income before cumulative effect of changes in accounting principles includes amounts (including preferred dividends) for Union Texas, accounted for on the equity basis, for 1992 of $261 million (includes the gain on the disposition of the common stock of Union Texas of $221 million, or $0.78 a share).
(2) Sales to the U.S. Government and its agencies, mainly for the Aerospace segment, were $1,089, $1,096 and $1,170 million for each of the respective years.
(3) Includes in 1993 a pre- and after-tax provision to cover the current year's impact of the adoption of FASB No. 112 for Aerospace of $8 and $5 million, Automotive of $5 and $3 million, Engineered Materials of $4 and $2 million and Corporate and Unallocated of $1 and $1 million, respectively. Includes in 1993 pre- and after-tax impact of nonrecurring items for Aerospace of a charge of $6 and $4 million, a gain of $81 and $42 million for Automotive, a charge of $5 and $3 million for Engineered Materials and a charge of $54 and $34 million for Corporate and Unallocated, respectively. Includes in 1992 a pre- and after-tax provision to cover Streamlining and Restructuring charges for Aerospace of $213 and $122 million, Automotive of $95 and $65 million, Engineered Materials of $40

and $25 million and Corporate and Unallocated of $20 and $15 million, respectively. In 1993 a reclassification of the reported 1992 pre- and after-tax provision for Streamlining and Restructuring of $48 and $30 million was made reducing Corporate and Unallocated and increasing Aerospace.

(4) A finance charge is made by Corporate Office to the segments on the basis of relative capitalization, taxes on income are generally included in the segments which gave rise to the tax effects and equity in income of affiliated companies is included in the segments in which these companies operate.

NOTE 27. UNAUDITED QUARTERLY FINANCIAL INFORMATION

	1994					1993				
	MAR. 31	JUNE 30	SEPT. 30	DEC. 31	YEAR	MAR. 31	JUNE 30	SEPT. 30	DEC. 31	YEAR
Net sales	$ 2,986	$ 3,187	$ 3,110	$ 3,534	$ 12,817	$ 2,901	$ 3,055	$ 2,812	$ 3,059	$ 11,827
As originally reported: (a)										
Gross profit	584	646	607	681	2,518	548	590	555	585	
Net income	169	196	189	205	759	149	170	168	178	
Per share	.60	.69	.67	.73	2.68	.52	.60	.59	.63	
1993 restatement of change in accounting principle: (a)										
Gross profit						(1)	(1)	--	--	
Cumulative after-tax effect						(245)	--	--	--	
Per share						(.86)	--	--	--	
Quarterly after-tax effect						(248)	(3)	(3)	--	
Per share						(.87)	(.01)	(.01)	--	
As restated: (a)										
Gross profit	584	646	607	681	2,518	547	589	555	585	2,276
Income before cumulative effect of change in accounting principle	169	196	189	205	759	146	167	165	178	656
Per share	.60	.69	.67	.73	2.68	.51	.59	.58	.63	2.31
Net income (loss)	169	196	189	205	759	(99)	167	165	178	411
Per share	.60	.69	.67	.73	2.68	(.35)	.59	.58	.63	1.45
Dividends paid	.145	.1675	.1675	.1675	.6475	.145	.145	.145	.145	.58
Market price (b)										
High	40.75	37.63	38.75	36.00	40.75	34.63	35.25	37.50	40.13	40.13
Low	34.25	33.13	33.63	30.38	30.38	28.75	30.88	32.13	34.88	28.75

(a) FASB No. 112 was adopted in the fourth quarter of 1993, effective as of January 1, 1993. As a result, the first three quarters were restated. For further information see Note 1 of Notes to Financial Statements.
(b) From composite tape -- stock is primarily traded on the New York Stock Exchange.

REPORT OF INDEPENDENT ACCOUNTANTS

Morristown, NJ
February 1, 1995

[Logo]

To the Shareowners and Directors
of AlliedSignal Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of retained earnings and of cash flows present fairly, in all material respects, the financial position of AlliedSignal Inc. and its subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Notes 1 and 23 to the financial statements, the Company changed its methods of accounting for postemployment benefits in 1993 and for income taxes and postretirement benefits other than pensions in 1992.

PRICE WATERHOUSE LLP

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PRICE WATERHOUSE LLP

SELECTED FINANCIAL DATA
AlliedSignal Inc.

(dollars in millions except per share amounts) Years ended December 31	1994	1993	1992	1991	1990	1989	1988	1987
FOR THE YEAR (a)								
Net sales	$ 12,817	$ 11,827	$ 12,042	$ 11,831	$ 12,343	$ 11,942	$ 11,909	$ 11,116
Income (loss) from continuing operations	759	656	535(b)	(273)(b)	462	528	463(b)	515(b)
Net income (loss)	759	411(c)	(712)(c)	(273)	462	528	463	656
Per share of common stock:								
Earnings (loss) from continuing operations	2.68	2.31	1.90	(1.00)	1.67	1.78	1.55	1.53
Net earnings (loss)	2.68	1.45	(2.52)	(1.00)	1.67	1.78	1.55	1.95
Dividends	.6475	.58	.50	.80	.90	.90	.90	.90
AT YEAR-END (a)								
Net working capital	$ 1,194	$ 1,078	$ 1,414	$ 526	$ 892	$ 1,065	$ 1,040	$ 722
Property, plant and equipment -- net	4,260	4,094	3,897	3,638	3,584	3,321	3,214	3,330
Total assets	11,321	10,829	10,756	10,382	10,456	10,342	10,069	10,321
Long-term debt	1,424	1,602	1,777	1,914	2,051	1,903	2,044	2,017
Shareowners' equity	2,982	2,390	2,251	2,983	3,380	3,412	3,268	3,129
Book value per share of common stock	10.53	8.42	7.93	10.79	12.55	11.77	11.05	10.44
Average investment (d)	4,848	4,506	4,939	6,771	6,723	6,520	6,629	6,859
Common shares outstanding (in millions)	283.1	283.8	283.8	276.3	269.4	290.0	295.9	299.9
Common shareowners of record	82,095	84,248	84,254	91,492	97,210	102,042	111,402	109,322
Employees (e)	87,500	86,400	89,300	98,300	105,800	107,100	109,550	115,300
FINANCIAL STATISTICS (f)								
Return on sales (income from operations)	9.0	8.1	3.4	(2.5)	5.9	8.0	5.7	6.8
Return on sales (after-tax)	5.9	5.5	4.4	(2.3)	3.7	4.4	3.9	4.6
Return on average investment (after-tax)	17.5	16.6	13.8	(1.3)	9.6	11.0	10.3	10.1
Return on average shareowners' equity (after-tax)	28.9	30.6	26.4	(8.4)	13.9	15.6	14.5	14.5
Interest coverage ratio	6.8	5.1	3.3	(.9)	2.6	3.0	2.8	3.6
Long-term debt as a percent of total capital	30.4	37.9	40.5	34.9	33.6	30.8	33.2	33.9
Total debt as a percent of total capital	34.1	42.7	44.7	43.9	40.4	35.7	35.9	39.0
FINANCIAL STATISTICS (f) (g)								
Return on sales (income from operations)	9.0	7.9	6.5	4.7	5.9	8.0	7.4	6.8
Return on sales (after-tax)	5.9	5.5	4.5	2.9	3.7	4.4	4.3	3.9
Return on average investment (after-tax)	17.5	16.6	13.9	7.8	9.6	11.0	10.9	8.9
Return on average shareowners' equity (after-tax)	28.9	30.5	26.7	10.5	13.9	15.6	15.9	12.2
Interest coverage ratio	6.8	5.0	3.3	2.1	2.6	3.0	2.9	3.2
Long-term debt as a percent of total capital	30.4	37.9	40.5	34.9	33.6	30.8	33.2	33.9
Total debt as a percent of total capital	34.1	42.7	44.7	43.9	40.4	35.7	35.9	39.0

(a) Share and per share data for all periods reflect the March 1994 two-for-one stock split.
(b) Includes in 1992 the effect of a provision for Streamlining and Restructuring charges as well as a gain on the sale of common stock of Union Texas resulting in a net charge of $11 million (after-tax $6 million, or $0.02 a share) as discussed in Notes 4 and 22 of Notes to Financial Statements, respectively. In 1991 includes the effect of a provision for Streamlining and Restructuring charges as well as gains on asset sales by Union Texas resulting in a net charge of $838 million (after-tax $615 million, or $2.25 a share). In 1988 includes an after-tax provision of $125 million, or $0.42 a share, to cover Streamlining and Restructuring charges, an after-tax gain of $36 million, or $0.12 a share, from the sale of the Company's investment in Akebono Brake Industry Company Ltd. and an after-tax gain of $81 million, or $0.27 a share, from nonrecurring items. Includes in 1987 the effect of the sale of common stock by Union Texas which resulted in the Company recording a gain of $108 million (after-tax $82 million, or $0.24 a share), reflecting the Company's share of an increase in Union Texas' equity.
(c) Includes in 1993 the cumulative after-tax provision for the adoption of FASB No. 112 of $245 million, or $0.86 a share. Includes in 1992 the cumulative after-tax provision for the adoption of FASB Nos. 106 and 109 of $1,247 million, or $4.42 a share. Such accounting changes are discussed in Notes 1 and 23 of Notes to Financial Statements.
(d) Investment is defined as shareowners' equity and non-current deferred taxes-net plus total debt.
(e) Includes employees at facilities operated for the U.S. Department of Energy.
(f) The returns and interest coverage ratio exclude the impact of the cumulative effect of changes in accounting principles on income.
(g) The returns and interest coverage ratio exclude the impact of nonrecurring items in 1993, provisions for Streamlining and Restructuring charges in 1992, 1991 and 1988, gain on sale of common stock of Union Texas in 1992, gains on asset sales by Union Texas in 1991, nonrecurring income in 1988 and Union Texas' equity transaction in 1987.

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

NAME	COUNTRY OR STATE OF INCORPORATION	SECURITIES OWNED	
		CLASS	PERCENT OWNERSHIP
AlliedSignal International Finance Corporation..................	Delaware	Common Stock	100
AlliedSignal Canada Inc....................................	Canada	Common Stock	100
AlliedSignal Automotive Europe S.A..........................	France	Common Stock	99.9
AlliedSignal Laminate Systems Inc...........................	Delaware	Common Stock	100
EM Sector Holdings Inc..	Delaware	Common Stock	100
HD Polymer Corporation..	Delaware	Common Stock	100

The names of the Registrant's other consolidated subsidiaries, which are primarily totally-held by the Registrant, are not listed because all such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses constituting part of AlliedSignal Inc.'s Registration Statements on Forms S-8 (Nos. 33-09896, 33-50314, 33-51031, 33-51455, 33-55410 and 33-65792), on Forms S-3 (Nos. 33-00631, 33-13211, 33-14071 and 33-55425) and on Form S-8 (filed as an amendment to Form S-14, No. 2-99416-01) of our report dated February 1, 1995 appearing on page 38 of the 1994 Annual Report to Shareowners of AlliedSignal Inc., which is incorporated by reference in this Annual Report on Form 10-K for the year ended December 31, 1994.

PRICE WATERHOUSE LLP

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PRICE WATERHOUSE LLP

Morristown, New Jersey
March 2, 1995

POWER OF ATTORNEY

I, Lawrence A. Bossidy, Chairman and Chief Executive Officer and a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities and Exchange Act of 1934 for the year ended December 31, 1994,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

LAWRENCE A. BOSSIDY
____
Lawrence A. Bossidy

Dated: February 3, 1995

POWER OF ATTORNEY

I, Hans W. Becherer, a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities and Exchange Act of 1934 for the year ended December 31, 1994,

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(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

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HANS W. BECHERER

____

Hans W. Becherer

Dated: February 3, 1995

POWER OF ATTORNEY

I, Eugene E. Covert, a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

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EUGENE E. COVERT
____
Eugene E. Covert

Dated: February 3, 1995

POWER OF ATTORNEY

I, Ann M. Fudge, a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

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ANN M. FUDGE

____

Ann M. Fudge

Dated: February 3, 1995

POWER OF ATTORNEY

I, William R. Haselton, a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

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WILLIAM R. HASELTON
____
William R. Haselton

Dated: February 3, 1995

POWER OF ATTORNEY

I, Paul X. Kelley, a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

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PAUL X. KELLEY
____
Paul X. Kelley

Dated: February 3, 1995

POWER OF ATTORNEY

I, Robert P. Luciano, a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

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ROBERT P. LUCIANO
____
Robert P. Luciano

Dated: February 3, 1995

POWER OF ATTORNEY

I, Russell E. Palmer, a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

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RUSSELL E. PALMER
____
Russell E. Palmer

Dated: February 3, 1995

POWER OF ATTORNEY

I, Ivan G. Seidenberg, a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

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(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

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IVAN G. SEIDENBERG
____
Ivan G. Seidenberg

Dated: February 3, 1995

POWER OF ATTORNEY

I, Andrew C. Sigler, a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities and Exchange Act of 1934 for the year ended December 31, 1994,

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ANDREW C. SIGLER
____
Andrew C. Sigler

Dated: February 3, 1995

POWER OF ATTORNEY

I, John R. Stafford, a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities and Exchange Act of 1934 for the year ended December 31, 1994,

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JOHN R. STAFFORD

____

John R. Stafford

Dated: February 3, 1995

POWER OF ATTORNEY

I, Thomas P. Stafford, a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities and Exchange Act of 1934 for the year ended December 31, 1994,

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(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

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THOMAS P. STAFFORD

____

Thomas P. Stafford

Dated: February 3, 1995

POWER OF ATTORNEY

I, Delbert C. Staley, a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities and Exchange Act of 1934 for the year ended December 31, 1994,

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DELBERT C. STALEY
____
Delbert C. Staley

Dated: February 3, 1995

POWER OF ATTORNEY

I, Robert C. Winters, a director of AlliedSignal Inc. (the "Company"), a Delaware corporation, hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, G. Peter D'Aloia and Nancy A. Garvey, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities and Exchange Act of 1934 for the year ended December 31, 1994,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

ROBERT C. WINTERS
____
Robert C. Winters

Dated: February 3, 1995

EXHIBIT 27

This schedule contains summary financial information extracted from the consolidated balance sheet at December 31, 1994 and the consolidated statement of income for the year ended December 31, 1994 and is qualified in its entirety by reference to such financial statements.

1,000,000

YEAR
DEC-31-1994
DEC-31-1994
508
0
1,526
33
1,743
4,585
8,792
4,532
11,321
3,391
1,424
358
0
0
2,624
11,321
12,817
12,817
10,299
10,299
0
0
143
1,111
352
759
0
0
0
759
2.68
0