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, 1993
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 $11.2 billion at December 31, 1993.

There were 283,833,506 shares of Common Stock outstanding at December 31, 1993. Such amount reflects the impact of the 2-for-1 stock split for shareowners of record on February 22, 1994.

Documents Incorporated by Reference
Part I and II: Annual Report to Shareowners for the Year Ended December 31, 1993.
Part III: Proxy Statement for Annual Meeting of Shareowners to be held April 25, 1994.

ALLIEDSIGNAL INC.

CROSS REFERENCE SHEET

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.

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(a) These items are omitted since the Registrant filed with the Securities and Exchange Commission a definitive Proxy Statement pursuant to Regulation 14A involving the election of directors. Certain other information relating to the Executive Officers of the Registrant appears at pages 14 and 15 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 composed of AlliedSignal Aerospace. It 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.

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, 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; 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 addition, the Company operates a large network of aircraft service and overhaul installations. These operations include airport-based facilities in California, Texas, Illinois, Georgia and New York, plus repair and overhaul facilities in Alabama and Arizona in the U.S. as well as Singapore, the United Kingdom (U.K.) and Germany overseas.

In 1993 the Company completed the purchase of Sundstrand's Data Control business which had 1992 sales of $194 million. The operation, now called AlliedSignal Avionics, strengthens the Company's core avionics business by broadening its commercial and avionics product lines and by providing important systems integration opportunities. The integration of data management with communications and derivative systems is one of the fastest growing segments of the avionics market. The Company also acquired the aircraft wheel and brake overhaul operations of Air Treads, Inc. which had 1992 sales of approximately $22 million. In March 1994 the Company announced that it was negotiating with Moog Inc. the sale of a small business which manufactures mechanical and hydraulic actuation products.

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 $1,911 million for 1993 and $2,061 million for 1992, which amounts include sales to the Department of Defense of $1,391 million in 1993 and $1,570 million in 1992. Approximately 61% and 64% of sales to the U.S. government in 1993 and 1992, 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. The total backlog of unfilled orders for products and services for both government and commercial contracts was $4,773 million at December 31, 1993 and $4,859 million at December 31, 1992 of which funded U.S. and foreign government orders were $1,283 million and $1,557 million for the respective years. The Company anticipates that approximately $2,335 million of the total 1993 backlog will be filled during 1994.

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 facilities outside of the U.S. are in Canada and Germany.

In 1993, as in the prior year, U.S. defense budgets and those of most other nations continued to decline. Furthermore, most major U.S. and international airlines operated in a difficult economic environment with only modest turnarounds beginning in the second half of 1993. While the regional airlines showed some financial strength, growth in the high end corporate aviation market remained flat. As a result, 1993 was a challenging year. Nonetheless, Aerospace had strong success in booking new programs, being awarded approximately 65% of the programs bid.

Chalk Airlines purchased AlliedSignal Engine's (AE) TPE331-14 turboprop to re-engine their fleet of Albatross amphibian aircraft. The sales potential of the engine retrofit program is $24 million. The U.S. Army funded a $73 million contract add-on under which LHTEC, the joint venture company of the Allison Gas Turbine Division of General Motors and AE, 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. Guidance & Control Systems (GCS), teamed with Chrysler Technology, was awarded a major contract from the U.S. Air Force (USAF) for the update of autopilots and displays for the C-130 and C-141 aircraft. The program has a potential to the Company of $500 million in sales over the life of the program. Air Transport Avionics was awarded a $15 million contract from Lockheed to supply Traffic Alert and Collision Avoidance Systems (TCAS II) for the C-130 aircraft. GCS 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 to the Company of over $300 million. Communications Systems (CS) received a significant contract from the USAF Special Operations Command for the Multi-mission Advanced Tactical Terminal (MATT), a program with $170 million in sales potential. CS also 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. CS was also awarded several contracts for its APX-100 Identification Friend-or-Foe transponder with the U.S. Navy, Air National Guard, U.K. Ministry of Defence and Teledyne Ryan. Combined, the sales potential to the Company is over $150 million.

Other key military aircraft equipment awards included the F-18E/F (the Navy's first-line fighter) wheels and brakes by Aircraft Landing Systems (ALS) and the F-22 Integrated Environmental Control System by Aerospace Systems & Equipment (ASE), together worth more than $340 million in sales potential. The latter was particularly notable because it began as a component procurement, but ASE's strong focus on systems integration turned it into a contract for the complete Environmental Control System.

AlliedSignal Technical Services (ATSC) was successful in booking a number of important technical services programs. These programs included the NASA White Sands program, worth $225 million in sales, the U.S. Marine Corps' Maritime Prepositioning Ship (MPS) program, worth $125 million in sales, and a number of smaller NASA programs worth over $130 million in sales.

In the commercial and general aviation aircraft market, ALS was awarded the position of one of two wheel and brake suppliers for Boeing on its new 737-X transport, a program with $1.3 billion in sales potential to the Company. On the new Gulfstream G-5 aircraft, AE was awarded a contract to supply the Auxiliary Power Unit (APU); ASE, the Environmental Control System, and Controls & Accessories was awarded the contract for the Cabin Pressure Control System. Together the awards have a sales potential of $130 million. Also, Fluid Systems received the Engine Starting System contract for the BMW/Rolls Royce BR-710 engine, the selected engine for both the Gulfstream G-5 and the Canadair Global Express aircraft. Furthermore, ASE received the Environmental Control System contract for the new Learjet Model 45 general aviation aircraft. Significant 1993 awards from commercial airlines included the following: the ALS business won the wheels and brakes on the Continental Airline fleet with $170 million sales potential; AE won an APU long-term maintenance service agreement from a major airline worth $135 million in potential sales; ALS also was awarded significant wheels and brake awards from JAL, Air France and Egyptair with a combined sales potential of $140 million.

In the spacecraft market, Lockheed Missile & Space Company awarded GCS the ring laser gyro and momentum wheel contracts for their Iridium program and a ring laser gyro contract for their FSAT-A (Frugal Satellite) program. The combined sales potential of these is $50 million.

The Company was also awarded a number of contracts in 1992, including the following:

Learjet, a unit of Bombardier, Inc., awarded a key contract to AE to supply its new series TFE 731-20 turbofan engine for the new Model 45 Learjet. The contract has a potential for $1 billion in sales over the life of the program. Also, in the general aviation area, Cessna, a unit of Textron Inc., selected, for its Citation X, APUs, Air Turbine Start Systems and Cabin Pressure Control Systems made by the Company's Auxiliary Power, Fluid Systems and Controls & Accessories businesses. The ALS business received an important launch order from British Airways for wheels and brakes on its Boeing 777 aircraft and the Air Transport Avionics business received significant orders for its TCAS II from British Airways, Air France and Thai Airways. In addition, the Air Transport Avionics business signed a joint venture agreement with the Scientific Research Institute for Aircraft Equipment of Russia for the joint design, development and manufacture of avionics for aircraft to be built in Russia. The new partnership combines the Institute's software and systems integration expertise with the design, production, marketing and customer support capabilities of the Company.

In the military market, the Company received several awards on the new F-18E/F fighter program. McDonnell Douglas awarded the main and nose landing gear to a team of the Company's ALS business and the Dowty Group and it selected ASE to provide servovalves for actuation systems. LHTEC received a $240 million development contract for a growth version of its T-800 engine that was selected for use in the RAH-66 Comanche helicopter program. On the new F-22 Advanced Tactical Fighter (ATF) being developed by the team of Lockheed, Boeing and Pratt & Whitney, the Company has been awarded several contracts. The ATF Integrated Maintenance System (AIMS) was awarded to the GCS business, a contract with nearly $100 million of sales potential over the life of the program. Boeing awarded a contract for the F-22 Auxiliary Power Generation System (APGS) to a team of AE, ASE, Controls & Accessories and Fluid Systems businesses. The U.S. Navy's NAVSEA organization made two major awards to the Ocean Systems business, the TB-23 and the TB-16/BQW follow-on submarine towed arrays. Together the awards total $24 million and offer $130 million sales potential over the life of the programs.

Some technologically significant research and development awards were received by the Company offering future contribution to its product base. The DOE's Oak Ridge National Laboratories awarded a contract to the Company for advanced heat engine ceramic technology. The Naval Air Warfare Center awarded a program for research on advanced high pressure ratio high tip speed centrifugal compressor technology to the Propulsion Engines business. The USAF's Wright Laboratories awarded a contract for development of an Integrated Power Unit (electric APU) to the Auxiliary Power Systems business and it awarded a contract for development of an electrically actuated braking system to a team of the ALS and Fluid Systems businesses. The trend of customers towards the use of more electric systems and components in aircraft makes these awards important.

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 the 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, slack adjusters, air dryers, fan clutches, 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, 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 70% in 1993 and 68% in 1992 of the net sales of the Automotive segment with aftermarket sales accounting for the balance. In 1993 and 1992 Automotive operations outside the U.S. accounted for $2,002 and $2,391 million, or 44% and 53%, respectively, of worldwide sales.

In 1993 and 1992 sales of automotive original-equipment systems and components were made to approximately 30 customers of which five automotive manufacturers accounted for approximately 60% and 58%, respectively, of such sales. Total worldwide sales (for original-equipment and aftermarket use) for 1993 and 1992 to the five automotive manufacturers amounted to $1,886 and $1,754 million, including sales to Ford Motor Company, the segment's largest customer, of $715 and $640 million for the respective years.

The Company has established joint venture relationships with Gilardini, a European seat belt supplier, which is expected to provide growth opportunities in both seat belts and air bag inflators.

The Company has formed a joint venture, International Auto Parts, Ltd., with other international companies to provide for the supply and distribution of components and accessories for the import vehicle market in Russia. Additionally, the Company has purchased Filtram, the exclusive manufacturer and distributor of its Fram'r' filter products in Mexico. The Company intends to use Filtram's broad distribution network in Mexico to provide growth for other Company aftermarket products, including brakes, friction materials and spark plugs.

The Automotive segment's truck brake operations have been restructured under venture agreements with Knorr-Bremse AG of Munich, Germany. Two ventures have been formed. The Company manages and owns 65% of the North American operation and owns 35% of the European business. Annual sales of the two ventures are expected to be about $650 million. The objective of forming an alliance with Knorr-Bremse is to provide a higher level of support and enhance the Company's ability to supply air brake controls and related products to the truck industry.

During 1992 and 1993 the Automotive segment has been refocusing its efforts and making investments to become a more competitive total brake system supplier. The Company continues to apply advanced engineering and manufacturing technologies from around the world to improve the design and quality of its ABS product. New ABS product introductions and major awards on a number of car models are expected to continue to provide the Company with the synergies to be a worldwide total brake system supplier.

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 1993, 20 operating plants had been closed. Rationalization and consolidations of sales offices, distribution centers, and research and development facilities will continue throughout 1994.

The segment's operations outside the U.S. are conducted through various foreign companies in which it has interests ranging from minor interests 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, Takata and Morton.

ENGINEERED MATERIALS

The Engineered Materials segment is composed of five major divisions: the Fibers Group, Chemicals and Catalysts, Performance Materials, Plastics and AlliedSignal Laminate Systems Inc.

Fibers Group. 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. 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 1993 the Company completed construction of a $200 million industrial polyester yarn facility with 42 million pounds capacity in Longlaville, France and started customer shipments 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 1990s and is exploring development opportunities in the Far East.

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

In October 1993 the Company announced that it is discussing a joint venture with BASF, and that it had also completed the acquisition of AKZO's carpet fiber business in Europe. The Company and BASF are discussing the combination of their domestic carpet and textile nylon fiber businesses. The Company and BASF would each own 50% of the venture. The companies believe that the combination would result in significant operational efficiencies. The combination is subject to a number of conditions. The AKZO carpet fiber business, which had 1993 revenues of $70 million, produces continuous filament yarn and is located in Emmen, The Netherlands. The acquisition will strengthen the Company's position as a supplier of products to the European market. Previously, the Company only exported fibers to the European market.

Chemicals and Catalysts. The division manufactures and markets fluorine products, environmental catalysts and oximes.

The major fluorine products are hydrofluoric acid (HF), fluorocarbons, uranium hexafluoride (UF6) and sulfur hexafluoride (SF6). 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, UF6 and SF6.

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 60% 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. 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 are also subject to the Ozone Depleting Chemical Tax of the Revenue Reconciliation Act of 1989. Because of the availability of non-fluorine-based substitute technologies, the Company has decided to de-emphasize the solvents market and to focus its activities on the foam and refrigerant markets.

The Company is pursuing development of environmentally-safer fluorocarbons to replace the current CFC product line. An existing commercial plant 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. Commercial quantities of HCFC-141b were produced in 1992. In 1993 the Company more than doubled the plant's capacity, from 20 to 50 million pounds per year. The Company also continued its commercialization effort directed at key CFC substitute products in various applications, including automotive air conditioning and residential, commercial and industrial refrigeration. In early 1993 the Company began construction of a $100 million multi-product commercial facility targeted primarily at the substitute products HCFC-123, HCFC-124, HFC-125 and HFC-134a. The first phase of the facility, estimated to cost about $70 million, is expected to begin operations in the second quarter of 1994. These new products are expected to service key applications as production of current CFCs are phased out. While management cannot predict the ultimate outcome of these research and development efforts and continuing regulatory issues, it 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 can not predict the impact of possible future regulatory issues.

The Company also expanded its fluorocarbon business in 1993 through the acquisition of Praxair Inc.'s U.S. sterilant gas business. Praxair's sterilant gases primarily consist of blends of ethylene oxide and CFCs and are sold to hospitals, medical device makers and contract sterilizers. As CFCs are phased out of the marketplace, blends of the environmentally-safer HCFC-124 are expected to become the product of choice.

The Company 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. 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 Environmental Catalysts business is a major worldwide supplier of catalysts used in catalytic converters for automobiles. The Company has expanded its catalyst manufacturing facility in Florange, France to service the growing European market which requires stringent automotive emission standards effective in 1993. The Company is currently supplying the European market through its newly expanded facility. The Company also completed construction of a $4.5 million manufacturing facility in San Luis Potosi, Mexico and shipments began in the third quarter of 1993. The Company and General Motors have agreed in principle to become partners in the Environmental Catalysts business by combining their relevant assets to conduct the business. The venture is expected to be operational before the end of 1994.

The Oximes business is the leading supplier of specialty oxime chemicals for use in the agricultural, coatings, photograph, pharmaceutical, adhesives and sealants, and mining industries. The Company has certain cost benefits from its captive source of hydroxylamine sulfate. In early 1993 the Company acquired the specialty chemicals business of Koch Chemicals which is expected to accelerate the growth of this business.

Performance Materials. Major businesses include A-C'r' performance additives, the Paxon high-density polyethylene (HDPE) and the UOP joint ventures, and tar products.

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 Paxon joint venture is equally owned with Exxon Corporation. The joint venture manufactures HDPE resins used in the production of plastics for household and industrial products. The Company's interest in the Paxon joint venture is accounted for by the equity method.

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. The Company's interest in the UOP joint venture is accounted for by the equity method.

The Tar Products 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.

Plastics. The Plastics business manufactures and markets engineering resins and specialty films. 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. 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.

AlliedSignal Laminate Systems Inc. The 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 40% of sales are to the international market, primarily in southeast Asia and throughout Europe. 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.

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.

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 all of its HF and virtually all of its 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 25 (Segment Financial Data) of Notes to Financial Statements in the Company's 1993 Annual Report to shareowners is incorporated herein by reference.

DOMESTIC AND FOREIGN FINANCIAL DATA

Note 24 (Geographic Areas -- Financial Data) of Notes to Financial Statements in the Company's 1993 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 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, The Netherlands 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 15,500 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 $313 million in 1993, $320 million in 1992 and $381 million in 1991. Customer-sponsored (principally the U.S. government) research and development activities amounted to an additional $514, $501 and $463 million in 1993, 1992 and 1991.

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 49 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 $39 million in 1993. The Company estimates that during each of the years 1994 and 1995 such capital expenditures will be in the $45 to $50 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 23 of the Company's 1993 Annual Report to shareowners, incorporated herein by reference, for further information regarding environmental matters.

EMPLOYEES

The Company had an aggregate of 86,400 salaried and hourly employees at December 31, 1993. Of the approximately 31,000 unionized employees, 15,000 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 national and 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 22% of the Company's U.S. and Canadian unionized employees are covered by labor contracts scheduled to expire in 1994. Major labor negotiations in 1994 will include locations in all of the segments.

ITEM 2. PROPERTIES

The Company has almost 400 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)
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
Clearfield, UT
Campinas, Brazil
Bristol, England
Beauvais, France
Conde, France
Moulins, France
Thaon-Les-Vosges, France
Trelaze, France
Crema, Italy
Glinde, Germany

ENGINEERED MATERIALS

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

ITEM 3. LEGAL PROCEEDINGS

The first paragraph of Note 19 (Commitments and Contingencies) of Notes to Financial Statements at page 35 of the Company's 1993 Annual Report to shareowners is incorporated herein by reference. While the ultimate results of investigations, lawsuits and claims involving the Company cannot be determined, management does not expect that these matters will have a material adverse effect on the consolidated financial position of the Company.

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.
Daniel P. Burnham, 47 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. President, Fibers Division from April 1988 to February 1990.
Frederic M. Poses, 51 1988	Executive Vice President and President, AlliedSignal Engineered Materials since April 1988.
Ralph E. Reins, 53 1991	Executive Vice President and President, AlliedSignal Automotive since November 1991. President of United Technologies Corporation (diversified high-technology manufacturer) Automotive Group from October 1990 to October 1991. Chairman, President and Chief Executive Officer of Mack Truck, Inc. (automotive heavy vehicle manufacturer) from June 1989 to September 1990. Senior Vice President and President and Chief Executive Officer of ITT (diversified enterprise) Automotive from January 1987 to May 1989.
Isaac R. Barpal, 54 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.
John W. Barter, 47 1985	Senior Vice President and Chief Financial Officer since July 1988.

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(a) Also a director.

(table continued on next page)

(table continued from previous page)

NAME, AGE, DATE FIRST ELECTED AN OFFICER	BUSINESS EXPERIENCE
Peter M. Kreindler, 48 1992	Senior Vice President and General Counsel since March 1992. Senior Vice President and General Counsel-Elect from January 1992 to February 1992. Partner, Arnold & Porter (law firm) from January 1990 to December 1991. Principal and Associate General Counsel, Coopers & Lybrand (accounting and consulting firm) from September 1988 to December 1989.
David G. Powell, 60 1985	Senior Vice President -- Public Affairs since September 1985.
Donald J. Redlinger, 49 1991	Senior Vice President -- Human Resources since January 1991. Staff Vice President -- Human Resources from March 1990 to December 1990. Staff Vice President -- Organization Planning and Compensation from June 1988 to February 1990.
Paul R. Schindler, 52 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. Chairman of Imperial Industries France from January 1986 to June 1989.
James E. Sierk, 55 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. Vice President -- National Quality Award Office, Xerox from December 1989 to January 1990. Vice President -- Latin American and Canadian Operations, Xerox from February 1986 to November 1989.
Hans B. Amell, 42 1993	Vice President -- Marketing since August 1993. Vice President -- International Strategy of The Dun & Bradstreet Corporation (business information, publishing, marketing and television) 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, 63 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, 49 1985	Vice President and Controller since February 1994. Vice President and Treasurer from August 1988 to January 1994.
Nancy A. Garvey, 44 1994	Vice President and Treasurer since February 1994. Staff Vice President -- Investor Relations November 1989 to January 1994. Manager of Investment Manager Relations of General Motors Corporation (automotive manufacturer) December 1987 to October 1989.
Andrew B. Samet, 52 1988	Vice President, Secretary and Associate General Counsel since May 1988.

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 26 (Unaudited Quarterly Financial Information) of Notes to Financial Statements at page 39 of the Company's 1993 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 40 of the Company's 1993 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 40 of the Company's 1993 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 20 through 26 of the Company's 1993 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 dated February 3, 1994 except for Note 1 (Subsequent Events), which is as of February 7, 1994 appearing on pages 27 through 39 of the Company's 1993 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 1993 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, is contained in a definitive Proxy Statement involving the election of directors which the Registrant filed with the Securities and Exchange Commission pursuant to Regulation 14A, and such information is incorporated herein by reference. Certain other information relating to Executive Officers of the Registrant appears at pages 14 and 15 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

	REFERENCE	
	FORM 10-K ANNUAL REPORT PAGE	ANNUAL REPORT TO SHAREOWNERS PAGE
(a)(1.) Index to Consolidated Financial Statements:		
Incorporated by reference to the 1993 Annual Report to shareowners:		
Report of Independent Accountants..................................	--	39
Consolidated Statement of Income for the years ended December 31, 1993, 1992 and 1991...	--	27
Consolidated Statement of Retained Earnings for the years ended December 31, 1993, 1992 and 1991................................	--	27
Consolidated Balance Sheet at December 31, 1993 and 1992...........	--	28
Consolidated Statement of Cash Flows for the years ended December 31, 1993, 1992 and 1991..	--	29
Notes to Financial Statements......................................	--	30
(a)(2.) Index to Consolidated Financial Statement Schedules:		
Report of Independent Accountants on Financial Statement Schedules...	20	--
V -- Property, Plant and Equipment for the years ended December 31, 1993, 1992 and 1991..	21	--
VI -- Accumulated Depreciation and Amortization of Property, Plant and Equipment for the years ended December 31, 1993, 1992 and 1991...	22	--
IX -- Short-term Borrowings for the years ended December 31, 1993, 1992 and 1991..	23	--
X -- Supplementary Income Statement Information for the years ended December 31, 1993, 1992 and 1991....................	24	--

The financial statement schedules should be read in conjunction with the financial statements incorporated by reference in Item 8 of this Form 10-K Annual Report. Schedules other than those listed above have been omitted because of the absence of the conditions under which they are required or because the information required is shown in the consolidated financial statements or the notes thereto.

(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
10.2*	Deferred Compensation Plan for Non-Employee Directors of AlliedSignal Inc., as amended
10.14*	Agreement dated December 21, 1993 between the Company and Alan Belzer
13	Pages 20 through 40 (except for the data included under the captions 'Financial Statistics' on page 40) of the Company's 1993 Annual Report to shareowners
21	Subsidiaries of the Registrant
23	Consent of Independent Accountants
24	Powers of Attorney

The exhibits identified above and 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, 1993.

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 15, 1994

By /s/ 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	* Robert P. Luciano, Director
* Hans W. Becherer, Director	* Russell E. Palmer, Director
* Jewel Plummer Cobb, Director	Andrew C. Sigler, Director
* Eugene E. Covert, Director	* John R. Stafford, Director
* Ann M. Fudge, Director	* Thomas P. Stafford, Director
* William R. Haselton, Director	* Delbert C. Staley, Director
* Paul X. Kelley, Director	* Robert C. Winters, Director
* Robert D. Kilpatrick, Director	
/s/ JOHN W. BARTER John W. Barter Senior Vice President and Chief Financial Officer	/s/ G. PETER D'ALOIA G. Peter D'Aloia Vice President and Controller (Chief Accounting Officer)

*By: /s/ JOHN W. BARTER

(John W. Barter,
Attorney-in-fact)

March 15, 1994

REPORT OF INDEPENDENT ACCOUNTANTS
ON CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

To the Board of Directors of AlliedSignal Inc.

Our audits of the consolidated financial statements referred to in our report dated February 3, 1994 appearing on page 39 of the 1993 Annual Report to Shareowners of AlliedSignal Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Consolidated Financial Statement Schedules listed in Item 14(a) of this Form 10-K. In our opinion, these Consolidated Financial Statement Schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICE WATERHOUSE

4 Headquarters Plaza North
Morristown, New Jersey 07962-1965
February 3, 1994

(DOLLARS IN MILLIONS)

ALLIEDSIGNAL INC. AND CONSOLIDATED SUBSIDIARIES

SCHEDULE V -- PROPERTY, PLANT AND EQUIPMENT

CLASSIFICATION	BALANCE AT BEGINNING OF YEAR	ADDITIONS AT COST	SALES AND RETIREMENTS	ADJUSTMENTS(1)	ADOPTION OF FASB #109(2)
			YEAR ENDED DECEMBER 31, 1993		
Land and land improvements..........	$ 301	$ 10	$ 4	$ (3)	$ --
Machinery and equipment.............	4,982	441	71	(59)	--
Buildings...........................	1,173	54	7	12	--
Office furniture and equipment.......	594	73	7	(38)	--
Transportation equipment............	146	18	17	(3)	--
Construction in progress............	433	122	(6)	(33)	--
Total..........................	$ 7,629	$ 718	$ 100	$ (124)	$ --
			YEAR ENDED DECEMBER 31, 1992		
Land and land improvements..........	$ 311	$ 5	$ 15	$ (1)	$ --
Machinery and equipment.............	4,431	470	51	8	91
Buildings...........................	1,048	96	19	(9)	47
Office furniture and equipment.......	531	71	6	(6)	3
Transportation equipment............	139	18	10	(1)	--
Construction in progress............	402	31	2	(13)	--
Total..........................	$ 6,862	$ 691	$ 103	$ (22)	$141
			YEAR ENDED DECEMBER 31, 1991		
Land and land improvements..........	$ 312	$ 4	$ 1	$ (4)	$ --
Machinery and equipment.............	4,183	426	23	(189)	--
Buildings...........................	974	92	3	(17)	--
Office furniture and equipment.......	476	63	3	(5)	--
Transportation equipment............	138	12	10	(1)	--
Construction in progress............	352	71	--	(25)	--
Total..........................	$ 6,435	$ 668	$ 40	$ (241)	$ --

CLASSIFICATION	INITIALLY CONSOLIDATED	DECONSOLIDATED BUSINESSES(3)	BALANCE AT END OF YEAR
	YEAR ENDED DECEMBER 31, 1993		
Land and land improvements..........	$ 18	$ (1)	$ 321
Machinery and equipment.............	61	(58)	5,296
Buildings...........................	14	(5)	1,241
Office furniture and equipment.......	15	(3)	634
Transportation equipment............	2	(1)	145
Construction in progress............	3	--	531
Total..........................	$113	$(68)	$ 8,168
	YEAR ENDED DECEMBER 31, 1992		
Land and land improvements..........	$ 1	$ --	$ 301
Machinery and equipment.............	33	--	4,982
Buildings...........................	10	--	1,173
Office furniture and equipment.......	1	--	594
Transportation equipment............	--	--	146
Construction in progress............	15	--	433
Total..........................	$ 60	$ --	$ 7,629
	YEAR ENDED DECEMBER 31, 1991		
Land and land improvements..........	$ --	$ --	$ 311
Machinery and equipment.............	34	--	4,431
Buildings...........................	2	--	1,048
Office furniture and equipment.......	--	--	531
Transportation equipment............	--	--	139
Construction in progress............	4	--	402
Total..........................	$ 40	$ --	$ 6,862

Notes: (1) Effect of translating foreign currency balance sheets to U.S. dollars and in 1991 the effect of write-downs relating to the streamlining and restructuring program.

(2) Effect of adopting FASB #109 -- Accounting for Income Taxes, effective January 1, 1992.

(3) In 1993 represents the deconsolidation of the European air-brake control business.

(DOLLARS IN MILLIONS)

ALLIEDSIGNAL INC. AND CONSOLIDATED SUBSIDIARIES
SCHEDULE VI -- ACCUMULATED DEPRECIATION AND AMORTIZATION
OF PROPERTY, PLANT AND EQUIPMENT

CLASSIFICATION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO COSTS AND EXPENSES(1)	SALES AND RETIREMENTS	ADJUSTMENTS(2)
	YEAR ENDED DECEMBER 31, 1993			
Depreciation and amortization:				
Land improvements	$ 66	$ 3	$ 1	$ 1
Machinery and equipment	2,739	369	41	(35)
Buildings	446	53	6	5
Office furniture and equipment	393	71	5	(34)
Transportation equipment	88	18	15	(1)
Total	$3,732	$514	$68	$(64)
	YEAR ENDED DECEMBER 31, 1992			
Depreciation and amortization:				
Land improvements	$ 63	$ 4	$ 1	$--
Machinery and equipment	2,354	364	29	17
Buildings	390	49	11	3
Office furniture and equipment	337	61	5	(2)
Transportation equipment	80	18	8	(1)
Total	$3,224	$496	$54	$17
	YEAR ENDED DECEMBER 31, 1991			
Depreciation and amortization:				
Land improvements	$ 59	$ 4	$ 1	$ 1
Machinery and equipment	2,092	344	14	(68)
Buildings	350	42	2	--
Office furniture and equipment	281	61	3	(2)
Transportation equipment	69	19	7	(1)
Total	$2,851	$470	$27	$(70)

CLASSIFICATION	ADOPTION OF FASB #109(3)	DECONSOLIDATED BUSINESSES(4)	BALANCE AT END OF YEAR
	YEAR ENDED DECEMBER 31, 1993		
Depreciation and amortization:			
Land improvements	$--	$ --	$ 69
Machinery and equipment	--	(37)	2,995
Buildings	--	(1)	497
Office furniture and equipment	--	(2)	423
Transportation equipment	--	--	90
Total	$--	$(40)	$4,074
	YEAR ENDED DECEMBER 31, 1992		
Depreciation and amortization:			
Land improvements	$--	$--	$ 66
Machinery and equipment	33	--	2,739
Buildings	15	--	446
Office furniture and equipment	2	--	393
Transportation equipment	(1)	--	88
Total	$49	$--	$3,732
	YEAR ENDED DECEMBER 31, 1991		
Depreciation and amortization:			
Land improvements	$--	$--	$ 63
Machinery and equipment	--	--	2,354
Buildings	--	--	390
Office furniture and equipment	--	--	337
Transportation equipment	--	--	80
Total	$--	$--	$3,224

Notes: (1) Estimated service lives used for computing depreciation range from 3 to 40 years.
(2) Effect of translating foreign currency balance sheets to U.S. dollars and in 1991 the effect of write-downs relating to the streamlining and restructuring program.
(3) Effect of adopting FASB #109 -- Accounting for Income Taxes, effective January 1, 1992.
(4) In 1993 represents the deconsolidation of the European air-brake control business.

(DOLLARS IN MILLIONS)

ALLIEDSIGNAL INC. AND CONSOLIDATED SUBSIDIARIES
SCHEDULE IX -- SHORT-TERM BORROWINGS

YEARS ENDED DECEMBER 31	BALANCE AT END OF YEAR	WEIGHTED AVERAGE INTEREST RATE ON YEAR END BALANCE(1)(2)	MAXIMUM OUTSTANDING AT A MONTH END DURING YEAR(1)	AVERAGE OUTSTANDING DURING YEAR(1)
1993.............................	$ 220	9.12%	$ 598	$ 320
1992.............................	$ 154	8.92%	$ 829	$ 490
1991.............................	$ 736	10.91%	$ 957	$ 807

YEARS ENDED DECEMBER 31	WEIGHTED AVERAGE INTEREST RATE DURING YEAR(1)(2)
1993.............................	11.17%
1992.............................	9.88%
1991.............................	9.88%

Notes: (1) Includes amounts for weighted average interest rate, maximum outstanding, average outstanding and the weighted average interest rate during the year for commercial paper of: 3.35%, $322 million, $212 million and 3.18% for 1993; 7.74%, $507 million, $274 million and 4.39% for 1992, and 5.1%, $446 million, $291 million and 7.2% for 1991. The outstanding commercial paper balance at December 31, 1993, 1992 and 1991, was $164 million, $4 million and $263 million, respectively.

(2) Includes rates for borrowings of foreign subsidiaries. In 1993 and 1992 such foreign borrowings represented a greater proportion of total borrowings than in the prior period.

(DOLLARS IN MILLIONS)

ALLIEDSIGNAL INC. AND CONSOLIDATED SUBSIDIARIES
SCHEDULE X -- SUPPLEMENTARY INCOME STATEMENT INFORMATION

YEARS ENDED DECEMBER 31	CHARGED TO COSTS AND EXPENSES 1993	1992	1991
Maintenance and repairs..................................	$ 356	$ 363	$ 369
Depreciation and amortization of intangible assets, preoperating costs and similar deferrals................	*	*	*
Taxes, other than income taxes:			
Payroll..	338	333	325
Property...	55	63	57
Other..	17	21	20
	410	417	402
Royalties..	*	*	*
Advertising costs..	*	*	*

* Less than 1 percent of total sales and revenues.

STATEMENT OF DIFFERENCES

The registered trademark shall be expressed as 'r'

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

APPENDIX

Graphic and Image information: See narratives substituted for 6 charts on pages 21, 22 and 24 of the paper format of Exhibit 13.

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)
4.1	Rights Agreement, dated as of May 30, 1986, between the Company and The Bank of New York (incorporated by reference to Exhibit 4 to the Company's Form 8-K dated June 5, 1986)
4.2	Amendment, dated as of December 16, 1988, to the Rights Agreement, dated as of May 30, 1986, between the Company and The Bank of New York (incorporated by reference to Exhibit 4 to the Company's Form 8-K dated December 16, 1988)

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 (filed herewith)
10.3*	Retirement Plan for Non-Employee Directors of Allied-Signal 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*	Restricted Stock Plan for Non-Employee Directors of Allied-Signal Inc., effective September 27, 1985 (incorporated by reference to Exhibit 10.4 to the Company's Form 10-K for the year ended December 31, 1985)
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*	Allied-Signal Inc. Incentive Compensation Plan for Executive Employees (incorporated by reference to Exhibit A to the Company's Proxy Statement, dated March 10, 1992, 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*	Allied-Signal Inc. Severance Plan for Senior Executives, as amended (incorporated by reference to Exhibit 19.1 to the Company's Form 10-Q for the quarter ended September 30, 1991)

EXHIBIT NO.	DESCRIPTION
10.10*	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 9, 1993, filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934)
10.11*	Agreement between the Company and Lawrence A. Bossidy, as amended (incorporated by reference to Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 1991)
10.12*	Amendment Agreement between the Company and Lawrence A. Bossidy (incorporated by reference to Exhibit 19 to the Company's Form 10-Q for the quarter ended June 30, 1992)
10.13*	Agreement dated May 6, 1988 between the Company and Alan Belzer (incorporated by reference to Exhibit 19 to the Company's Form 10-Q for the quarter ended June 30, 1988)
10.14*	Agreement dated December 21, 1993 between the Company and Alan Belzer (filed herewith)
10.15*	Description of Agreement between the Company and Ralph E. Reins (incorporated by reference to Exhibit 10.13 to the Company's Form 10-K for the year ended December 31, 1992)
10.16	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)
10.17	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)
11	Omitted (Inapplicable)
12	Omitted (Inapplicable)
13	Pages 20 through 40 (except for the data included under the captions 'Financial Statistics' on page 40) of the Company's 1993 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	Omitted (Inapplicable)
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.

DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS OF ALLIEDSIGNAL INC. (AS AMENDED EFFECTIVE AS OF NOVEMBER 1, 1993)

1. ELIGIBILITY

Each member of the Board of Directors of AlliedSignal Inc. (the 'Corporation') who is not an employee of the Corporation or any of its subsidiaries is eligible to participate in the Deferred Compensation Plan for Non-Employee Directors of AlliedSignal Inc. (the 'Plan').

2. PARTICIPATION

(a) Time of Election. Prior to the beginning of any calendar year, each eligible Director who is not then participating in the Plan may elect to participate in the Plan by directing that all or any part of the compensation (including compensation payable for services as a member or chairman of a committee of the Board) which otherwise would have been payable currently for services as a Director during such calendar year and succeeding calendar years shall be credited to a deferred compensation account (the 'Director's account') either in cash or in shares of the Corporation's Common Stock. Any person who shall become a Director during any calendar year, and who was not a Director of the Corporation prior to the beginning of such calendar year, may elect, before the Director's term begins, to defer payment of all or any part of the Director's compensation for the remainder of such calendar year and for succeeding calendar years.

(b) Form and Duration of Election. An election to participate in the Plan shall be made by written notice executed by the Director and filed with the Secretary of the Corporation. Such election shall continue in effect until the Director terminates such election by written notice filed with the Secretary of the Corporation. Any such termination shall become effective as of the end of the calendar year in which such notice is given and only with respect to compensation payable for services as a Director thereafter. Amounts credited to the Director's account prior to the effective date of termination shall not be affected by such termination and shall be distributed only in accordance with the terms of the Plan.

(c) Adjustment of Amount Deferred. Prior to the beginning of any calendar year, a Director participating in the Plan may file another written notice with the Secretary of the Corporation electing to change the amount of compensation to be credited to the Director's account for services as a Director commencing with such calendar year. Amounts credited to the Director's account prior to the effective date of such change shall not be affected by such change and shall be distributed only in accordance with the terms of the Plan.

(d) Renewal. A Director who has terminated his election to participate may thereafter file another election to participate for the calendar year subsequent to the filing of such election to participate and succeeding calendar years.

3. THE DIRECTOR'S ACCOUNT

(a) All compensation which a Director has elected to defer under the Plan shall be credited to the Director's account, either in cash or in shares of the Corporation's Common Stock (valued for quarterly retainer payments at the mean between the highest and lowest sales prices of the Common Stock reported as New York Stock Exchange - Composite Transactions for the first business day of the calendar quarter and valued for meeting fees at such mean for the day of the meeting (or, if there were no sales on such day, at such mean for the next preceding day on which there were sales)), as elected by the Director. The Director shall not have any interest in the cash or Common Stock until distributed in accordance with the Plan.

(b) Cash amounts credited to the Director's account for services as a Director during 1993 or any prior calendar year shall accrue amounts equivalent to interest commencing on the date such amounts would otherwise have been paid, at a rate per annum for each calendar quarter fixed by the Treasurer of the Corporation at the commencement of such calendar quarter based upon the sum of (i) the average quoted rate for three-month U.S. Treasury Bills for the last full week of the preceding calendar quarter, and (ii) a rate per annum of three percent.

(c) Cash amounts credited to the Director's account for services as a Director during 1994 or any subsequent calendar year shall accrue amounts equivalent to interest commencing on the date such amounts would otherwise have been paid, at the same rates per annum as those fixed for deferrals with respect to the relevant calendar years under the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees, as amended from time to time.

(d) Cash amounts credited to the Director's account as a result of the conversion of shares to cash pursuant to paragraph 5(a) shall accrue amounts equivalent to interest commencing on the date of such conversion, at the higher of the two rates provided under paragraphs 3(b) and (c), regardless of the calendar year or years to which the underlying deferral of shares relates. The determination of which rate is higher shall be made quarterly and, for purposes of such determination, the rate provided under paragraph 3(c) for cash amounts deferred with respect to the then current calendar year shall be compared to the rate provided under paragraph 3(b) for the then current calendar quarter.

(e) Amounts determined pursuant to this paragraph 3 shall be compounded at the end of each calendar quarter and credited to the Director's account. Amounts credited to the Director's account shall continue to accrue amounts equivalent to interest until distributed in accordance with the Plan.

(f) Shares credited to the Director's account shall accrue amounts equivalent to cash or stock dividends. Such amounts shall accrue amounts equivalent to interest or dividends in the same manner as other amounts which may be credited to a Director's account.

4. DISTRIBUTION FROM ACCOUNTS

(a) Form of Election. At the time a Director makes a participation election pursuant to paragraphs 2(a), 2(c) or 2(d), the Director shall also file with the Secretary of the Corporation a written election with respect to the distribution of the aggregate amount of cash and shares credited to the Director's account pursuant to such participation election. A Director may elect to receive such amount in one lump-sum payment or in a number of approximately equal installments (provided the payout period does not exceed 10 years). The lump-sum payment or the first installment shall be paid on the first business day of such calendar year as the Director may elect or, absent such an election, on the first business day of the calendar year immediately following the year in which the Director ceases to be a Director of the Corporation. Subsequent installments shall be paid on the first business day of each succeeding installment period until the entire amount credited to the Director's account shall have been paid. If shares have been credited to a Director's account, a cash payment will be made with the lump-sum payment or the final installment for any fraction of a share credited to the Director's account.

(b) Adjustment of Method of Distribution. Whether or not a Director has filed a notice pursuant to paragraph 2(c) electing to change the amount of compensation to be credited to the Director's account, a Director participating in the Plan may, prior to the beginning of any calendar year, file another written notice with the Secretary of the Corporation electing to change the method of distribution of the aggregate amount of cash and shares credited to the Director's account for services as a Director commencing with such calendar year. Amounts credited to the Director's account prior to the effective date of such change shall not be affected by such change and shall be distributed only in accordance with the election in effect at the time such amounts were credited to the Director's account.

5. CHANGE IN CONTROL

(a) Conversion of Shares. Notwithstanding anything to the contrary in the Plan, shares credited to a Director's account shall be converted to cash, as soon as practicable following a Change in Control but in no event later than 90 days after the Change in Control, in an amount equal to the total number of shares, and fractional interests thereof, credited to the Director's account, multiplied by the Multiplication Factor. 'Multiplication Factor' shall mean (A) in the case of an acquisition of Common Stock described in paragraph 5(d)(i), the Acquisition Price per Share, (B) in the event of the occurrence of an Offer as defined in paragraph 5(d)(ii), the Offer Price per Share, (C) in the case of an event described in paragraph 5(d)(iii), the Merger Price per Share, or (D) in the case of a change in the composition of the Board as described in paragraph 5(d)(iv), the highest Fair Market Value per Share of the Common Stock for any day during (i) the ninety-day period ending on or within 89 days following the date of the Change in Control which the Nominating and Board Affairs Committee of the Board (the 'Committee'), in its sole discretion, shall select prior to the Change in Control, or (ii) if the Committee shall not have selected a ninety-day period pursuant to clause (i) of this sentence prior to the Change in Control, the ninety-day period ending on the 45th day following the date of the Change in Control. 'Acquisition Price per Share' shall mean the greater of (A) the highest price per share stated on the Schedule 13D or any amendment thereto filed by the holder of 30% or more of the Corporation's voting power which gives rise to the Change in Control, and (B) the highest Fair Market Value per Share of Common Stock during the ninety-day period ending on the date the Change in Control occurs. 'Offer Price per Share' shall mean the greater of (A) the highest price per share of Common Stock paid in any Offer, which Offer is in effect at any time during the ninety-day period ending on the date on which the Change in Control occurs, or (B) the highest Fair Market Value per Share of Common Stock during such ninety-day period. Any securities or property which are part or all of the consideration paid for shares of Common Stock in the Offer shall be valued in determining the Offer Price per Share at the higher of (A) the valuation placed on such securities or property by the corporation, person or other entity making such Offer or (B) the valuation placed on such securities or property by the Committee. 'Merger Price per Share' shall mean the greater of (A) the fixed or formula price for the acquisition of shares of Common Stock occurring pursuant to such event described in paragraph 5(d)(iii) if such fixed or formula price is determinable on the date on which the Change in Control occurs, and (B) the highest Fair Market Value per Share of Common Stock during the ninety-day period ending on the date on which the Change in Control occurs. Any securities or property which are part or all of the consideration paid for shares of Common Stock pursuant to such event shall be valued in determining the Merger Price per Share at the higher of (A) the valuation placed on such securities or property by the corporation, person or other entity which is a party with the Corporation to an event described in paragraph 5(d)(iii), or (B) the valuation placed on such securities or property by the Committee. For purposes of this paragraph (5)(a), 'Fair Market Value per Share of Common Stock' for any day shall be the mean between the highest and lowest sales prices of Common Stock as reported on the New York Stock Exchange Composite Tape for such day.

(b) Interest Equivalents. Notwithstanding anything to the contrary in the Plan, in the event of a Change in Control, the Plan may not be amended to reduce the formulas contained in paragraph 3 which determine the rate at which amounts equivalent to interest accrue with respect to cash amounts credited to a Director's account, including cash amounts attributable to the conversion of shares in a Director's account pursuant to paragraph 5(a), and the Plan Administrator referred to in paragraph 8(c) shall fix rates under the formulas contained in paragraph 3 in lieu of the Treasurer of the Corporation.

(c)(i) Initial Lump-Sum Payment Election. Notwithstanding any notice filed pursuant to paragraph 4, a Director may, prior to the earlier of a Change in Control or September 30, 1990, file a written notice with the Secretary of the Corporation electing to have the aggregate amount credited to the Director's account for services performed as a Director both before and after the filing of the written notice paid in one lump-sum payment as soon as practicable following a Change in Control but in no event later than 90 days after such Change in Control. Notwithstanding any notice filed pursuant to paragraph 4, any person who becomes a Director of the Corporation after September 30, 1990, may file a written notice with the Secretary of the Corporation before the Director's term begins, electing to have the aggregate amount credited to the Director's account for services performed as a Director paid in one lump-sum payment as soon as practicable following a Change in Control but in no event later than 90 days after such Change in Control.

(c)(ii) Subsequent Lump-Sum Payment Election. A Director who did not make an election pursuant to paragraph 5(c)(i) or who has revoked, pursuant to paragraph 5(c)(iii), an election previously made under paragraph 5(c)(i) or this paragraph 5(c)(ii) may, prior to the earlier of a Change in Control or the beginning of the calendar year in which the election is to take effect, file a written notice with the Secretary of the Corporation, electing to have the aggregate amount credited to the Director's account for services performed as a Director, for all calendar years commencing with the first calendar year beginning after the date the written notice is filed, paid in one lump-sum payment as soon as practicable following a Change in Control but in no event later than 90 days after such Change in Control. Amounts credited to the Director's account prior to the effective date of the written notice filed pursuant to this paragraph 5(c)(ii) shall not be affected by such written notice and shall be distributed following a Change in Control in accordance with any prior election in effect under paragraphs 5(c)(i) or 5(c)(ii).

(c)(iii) Revocation of Lump-Sum Payment Election. A Director may, prior to the earlier of a Change in Control or the beginning of any calendar year, file a written notice with the Secretary of the Corporation revoking any election made pursuant to paragraphs 5(c)(i) or 5(c)(ii), with respect to amounts credited to the Director's account for services performed as a Director commencing with the first calendar year beginning after the written notice is filed. Amounts credited to the Director's account prior to the effective date of the written notice filed pursuant to this paragraph 5(c)(iii) shall not be affected by such written notice and shall be distributed following a Change in Control in accordance with any prior election in effect under paragraphs 5(c)(i) or 5(c)(ii).

(d) Definition of Change in Control. For purposes of the Plan, a Change in Control is deemed to occur at the time (i) when any entity, person or group (other than the Corporation, any subsidiary or any savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) which theretofore beneficially owned less than 30% of the Common Stock then outstanding acquires shares of Common Stock in a transaction or series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (ii) of the purchase of shares of Common Stock pursuant to a tender offer or exchange offer (other than an offer by the Corporation) for all, or any part of, the Common Stock ('Offer'), (iii) of a merger in which the Corporation will not survive as an independent, publicly owned corporation, a consolidation, or a sale, exchange or other disposition of all or substantially all of the Corporation's assets, (iv) of a substantial change in the composition of the Board during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the stockholders of the Corporation, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (v) of any transaction or other event which the Committee, in its discretion, determines to be a Change in Control for purposes of the Plan.

6. DISTRIBUTION ON DEATH

If a Director should die before all amounts credited to the Director's account shall have been paid in accordance with the elections referred to in paragraphs 4 or 5, the balance in such account shall be paid on the first business day of the calendar year following the year of the Director's death to the beneficiary designated in writing by the Director and filed with the Secretary of the Corporation. Such balance shall be paid to the estate of the Director if (a) no such designation has been made or (b) the designated beneficiary shall have predeceased the Director and no further designation has been made. A Director may change the designated beneficiary at any time during the Director's lifetime by filing a subsequent designation in writing with the Secretary of the Corporation.

7. PAYMENT IN THE EVENT OF HARDSHIP

Upon receipt of a request from a Director or a Director's designated beneficiary, delivered in writing to the Secretary of the Corporation, the Committee may cause the Corporation to accelerate payment promptly of all or any part of the unpaid portion of deferred compensation, including accrued amounts, then credited to the Director's account if it finds in its sole discretion that continued deferral of such deferred compensation, including accrued amounts, would result in hardship to the Director or the person otherwise entitled to receive it. For this purpose, 'hardship' means an unanticipated financial emergency that is caused by an event beyond the control of the Director or other person entitled to receive payment and that would result in severe financial hardship to such person if acceleration of payment were not permitted.

8. MISCELLANEOUS

(a) The right of a Director to receive any amount credited to the Director's account shall not be transferable or assignable by the Director, except by will or by the laws of descent and distribution. To the extent that any person acquires a right to receive any amount credited to a Director's account hereunder, such right shall be no greater than that of an unsecured general creditor of the Corporation. Except as expressly provided herein, any person having an interest in any amount credited to a Director's account under the Plan shall not be entitled to payment until the date the amount is due and payable. No person shall be entitled to anticipate any payment by assignment, alienation, sale, pledge, encumbrance or transfer in any form or manner prior to actual or constructive receipt thereof.

(b) The Corporation shall not be required to reserve or otherwise set aside funds or shares of Common Stock for the payment of its obligations hereunder. The Corporation shall make available as and when required a sufficient number of shares of Common Stock to meet the needs of the Plan. To the extent that registration of such shares under the Securities Act of 1933 shall be required prior to their resale, the Corporation undertakes to either file a registration statement relating to such shares or include such shares in another registration statement to be filed within a reasonable time.

(c) Prior to a Change in Control, the Committee shall interpret the Plan and make all determinations deemed necessary or desirable for the Plan's implementation. The determination of the Committee shall be conclusive. The Committee may obtain such advice or assistance as it deems appropriate from persons not serving on the Committee. The Senior Vice President - Human Resources or other appropriate officer of the Corporation shall, prior to any Change in Control, name as Plan Administrator any person or entity (including, without limitation, a bank or trust company). Following a Change in Control, the Plan Administrator shall interpret the Plan and make all determinations deemed necessary or desirable for the Plan's implementation. The determination of the Plan Administrator shall be conclusive. The Corporation shall provide the Plan Administrator with such records and information as are necessary for the proper administration of the Plan. The Plan Administrator shall rely on such records and other information as the Plan Administrator shall in its judgment deem necessary or appropriate in determining the eligibility of a Director and the amount payable to a Director under the Plan.

(d) The Board of Directors may at any time amend or terminate the Plan. The Plan may also be amended by the Corporation with the approval of its Chief Executive Officer, provided that all such amendments shall be reported to the Board. No amendment or termination shall impair the rights of a Director with respect to amounts then credited to the Director's account.

(e) Each Director participating in the Plan will receive a statement at least annually indicating the amount of cash and number of shares credited to the Director's account as of the end of the preceding calendar year.

(f) If adjustments are made to outstanding shares of Common Stock as a result of stock dividends, split-ups, recapitalizations, mergers, consolidations and the like, an appropriate adjustment will also be made in the number of shares credited to the Director's account.

EXHIBIT 10.14

[LOGO]

AlliedSignal Inc.
P.O. Box 2245
Morristown, NJ 07962-2245

201 455 3997
201 455 2608 Fax

DONALD J. REDLINGER
Senior Vice President
Human Resources

December 21, 1993

Mr. Alan Belzer
AlliedSignal Inc.
101 Columbia Road
Morristown, NJ 07962

Dear Alan:

This letter will confirm our understanding regarding the extent of your salary continuation and other benefits to which you are entitled as a result of the termination of your employment on December 31, 1993.

SALARY CONTINUATION

For the 36-month salary continuation period commencing with your termination date on December 31, 1993, your compensation at an annual rate of $765,000 with benefits as set forth below and as described in, and subject the conditions set forth in, the AlliedSignal Inc. Severance Plan for Senior Executives, will continue to be paid through December 31, 1996 (the 'Severance Period'). The Severance Period includes a ninety (90) day notice period for purposes of certain benefit programs. You will receive payment for earned unused vacation.

INCENTIVE COMPENSATION DURING SALARY CONTINUATION

You will be eligible for full bonus consideration for 1993. In addition, incentive compensation payments will be made under the Severance Plan for Senior Executives for calendar years of 1994, 1995 and 1996. Such incentive compensation payments will be based on a target bonus percentage of 75% in accordance with the Plan.

STANDARD COMPANY PROVIDED BENEFITS

You may elect to retain your coverage in the Group Life and Health Insurance Programs at active employee rates through the end of the month in which salary continuation ends; provided, however, group life and medical insurance will cease on the date you become eligible for similar coverage from a subsequent employer.

EXECUTIVE LIFE INSURANCE

Your Executive Life coverage of $3,060,000 is 100% vested and will remain in force until you reach age 65. At age 65, ownership of the company owned policies ($3,060,000) will be transferred to you. The cash value of the policy will be taxable to you at that time. However, there will be cash available to borrow to offset a 30% tax liability.

EXECUTIVE STOCK OPTIONS

The Committee has approved the vesting of all stock options effective December 31, 1993. As a participant in the Corporation's Stock Plan, you will have until the lapse dates noted below to exercise these options.

DATE OF GRANT	PREVIOUSLY VESTED SHARES	COMMITTEE VESTED SHARES	OPTION PRICE	LAPSE DATE
02/04/87	7,500	--	$46.38	02/04/1997
02/03/89	50,000	--	$34.75	02/03/1999
02/09/90	56,250	18,750	$35.44	02/08/2000
02/01/91	--	37,500	$28.69	01/31/2001
03/26/92	32,800	49,200	$54.07	03/25/2002
03/25/93	--	83,000	$68.69	03/24/2003

The accompanying performance units on the non-qualified options will lapse without value.

For assistance in exercising your options, please contact Mark Wolitzer in Morristown at (201) 455-5435.

RESTRICTED UNITS

The Committee approved the lapsing of restrictions on all outstanding restricted units as of December 30, 1993.

YEAR OF AWARD	UNVESTED UNITS
1989	40,000
1990	1,875
1991	7,000
1992	3,750
1993	2,635

The units will be paid in one of two ways:

- [*] 100% stock upon receipt of a check from you for the minimum Federal and State tax withholding
- [*] 50% stock, 50% cash with minimum withholding deducted from the cash

RETIREMENT BENEFITS

At the end of the Severance Period, you will be eligible for a 80-point pension. You will be provided with an estimate of your pension benefits and options available to you in accordance with the Plan, under separate cover. Your qualified benefits will be paid in an annuity form, while your non-qualified benefit can be paid in a lump sum, with approval.

ALLIEDSIGNAL SAVINGS PLAN

As a participant in the AlliedSignal Savings Plan (ASSP), you may elect to continue to participate in ASSP through the earlier of the conclusion of the salary continuation period or the date on which you become eligible to participate in a similar plan sponsored by a subsequent employer. If you so elect, you will be required to continue to make contributions to ASSP by payroll deduction from any severance payments due you and per ASSP the company will also continue its contributions. Following the severance period, you will be entitled to a distribution from ASSP in the manner described in the Plan.

SUPPLEMENTAL SAVINGS PLAN

Participation in the Supplemental Savings Plan may continue during the salary continuation period. Participation as well as withdrawals and distributions will be in accordance with the terms of the Plan.

PERQUISITES

You will be permitted to purchase your company car for 75% of the fair market value. The amount by which the fair market value exceeds the purchase price will be included as income on your 1993 W-2.

Financial and estate planning assistance will be paid by the company on your behalf through calendar year 1994. Tax preparation will be paid by the Company on your behalf for tax years 1993 and 1994.

All other company-provided perquisites will cease on December 31, 1993.

CONTINGENCIES

If you become ill while on this severance arrangement, you will continue to receive severance pay. In the event of your death during the severance period, any remaining payments will be made to your designated beneficiary.

CONFIDENTIALITY

You will continue to be bound by your existing agreement with the Corporation regarding disclosure of trade secrets or other confidential information divulged to or acquired by you during or in connection with your employment with the Corporation.

In the event of your death during the severance period, any remaining payments should be paid to:

Debra L. Cruz and
Frances Belzer Reid -- Daughters
Name: __________________________________

Social Security Number: ________________

Address: _______________________________

____

____

If no designation has been made, or if the designated beneficiary shall predecease you, any such balance shall be paid to your estate.

GENERAL RELEASE

In consideration of the foregoing, you hereby release the Corporation from any and all claims which you now, or hereafter may have in connection with your employment or the termination thereof, except for such claims as you may have with respect to the benefits set forth above.

Please sign and date the original and the enclosed copy in the space provided below, retain the signed original for your files and return the copy to me.

AlliedSignal Inc.

BY: /s/ D.R. REDLINGER

Agreed: /s/ A. BELZER

Date: 12/21/93

I elect/ [the words 'do not elect' are crossed out here in the paper format] to continue Group Life and Medical Insurance through the Severance Period.

12/21/93

(Date)

I request that my restricted units be paid in (select one):

	100% stock
X	50% stock, 50% cash

EXHIBIT 13

Pages 20 through 40 (except for the data included under the captions 'Financial Statistics' on page 40) of the Company's 1993 Annual Report to shareowners.

IN 1993, THE COMPANY INITIATED A NUMBER OF NEW PROGRAMS AND FURTHERED THOSE BEGUN IN 1991 AND 1992 TO STRENGTHEN AND GROW ITS BUSINESSES. A number of growth businesses were enhanced through internal product development, strategic acquisitions, joint ventures and through 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 believes that its revenues will grow in 1994 through internal focus on product development and customer satisfaction as well as through selected acquisitions. Profits are expected to increase significantly based on the Company's growth strategy as well as by continuing to generate strong free cash flow and by enhancing productivity improvements, including cycle-time reductions.

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. 1992 sales of such products were $194 million. The Company also acquired the aircraft wheel and brake overhaul operations of Air Treads, Inc. which had 1992 sales of approximately $22 million.

*To strengthen the Company's position in air brake controls and related products for the truck industry, the Company and Knorr-Bremse AG formed two ventures -- one in North America and one in Europe. The new ventures are the market leaders for a number of truck air brake systems components in North America, France, Italy and the U.K., and are strongly positioned elsewhere in Europe. The Company owns 65 percent of the North American operation and 35 percent of the European operations. Annual sales of the two ventures are expected to be about $650 million. The Company also acquired Filtram S.A., the manufacturer and distributor of its Fram'r' 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 new company, which consists of fiber production facilities previously owned by Akzo, is expected to have annual sales of about $70 million. The Company also announced that it is discussing a combination of its North American carpet and textile fibers operations with those of BASF Corporation. The Company also started up its $200 million industrial polyester fiber plant in Longlaville, France. The plant manufactures polyester yarn which the Company believes will become the primary fiber reinforcement for passenger car radial tires. Rayon is currently used to reinforce car tires in Europe.

*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 hydrochlorofluorocarbons (HCFC)-141b capacity at its El Segundo, California facility. Sterilant gases are a mixture of ethylene oxide and chlorofluorocarbons (CFCs) used for infection control by health care providers. HCFC is an environmentally-safer substitute for CFCs which have been linked to the reduction of the earth's protective ozone layer and are being phased out of production by the end of 1995. HCFC-141b is a new blowing agent used in a variety of commercial and residential rigid-insulating foam applications. Non-ozone-depleting refrigerants will also be produced at a new $100 million plant being built in Geismar, Louisiana. Production from the first phase of the plant, estimated to cost about $70 million, is expected by mid-1994.

THE COMPANY'S COMMON STOCK WILL BE SPLIT 2-FOR-1. On March 14, 1994, each shareowner of record on February 22, 1994 will receive one additional share for each share owned. Sufficient authorized shares for the 100 percent stock distribution will become available by the redemption of common stock purchase rights. The rights redemption price of $0.05 a share will be paid to shareowners on March 10, 1994 with the regular first quarter dividend of $0.29 per pre-split share. Share and per share data throughout this discussion have been restated to reflect the stock split.

THE COMPANY EXPECTS TO RAISE THE REGULAR QUARTERLY DIVIDEND ON ITS COMMON STOCK BY 16 PERCENT, FROM $0.145 TO $0.1675 PER POST-SPLIT SHARE, BEGINNING WITH THE SECOND QUARTER PAYMENT OF 1994. The Company had also increased its regular quarterly dividend by 16 percent in February 1993.

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 Company to accrue, over an employee's service life, the cost of severance and health care benefits. The current year's impact of FASB No. 112 is 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 percent.

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

1991	1992	1993
11.8	12.0	11.8

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

	1991	1992	1993
Capital expenditures......................................	668	691	718
Company-funded R&D..	381	320	313
Total..	1,049	1,011	1,031

RESULTS OF OPERATIONS. The Company's earnings grew to record levels in 1993 benefitting 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 percent 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 percent in 1992 to 80.8 percent in 1993. This was the second consecutive yearly decrease. The improvement was the result of productivity gains, including cycle-time reductions and materials management initiatives throughout the Company. Overall, productivity (the constant dollar basis relationship of sales to costs) grew by 5.8 percent 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 percent, reflecting significant earnings gains despite a generally slow world economy. After excluding the special provisions, Aerospace's income increased 4 percent and Automotive's and Engineered Materials' income both increased 32 percent. Profit margins increased from 6.5 percent in 1992 to 8.1 percent 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 percent, reflecting higher earnings in the UOP process technology joint venture (UOP). The Paxon high-density polyethylene joint venture (Paxon), however, had lower income as industry overcapacity depressed prices, mainly in the first half of the year.

EARNINGS FROM UNION TEXAS INVESTMENT reflects the disposition of the Company's common stock holdings in 1992 as discussed in Note 21 of Notes to Financial Statements.

OTHER INCOME (EXPENSE), a $9 million loss, compares to 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 percent, 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 percent compared to 23.8 percent 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 percent. 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 on income taxes.

INCOME BEFORE THE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES of $656 million, or $2.31 a share, in 1993 was favorable by $121 million, or $0.41 a share, compared to $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 impacted by the cumulative effect of adopting accounting changes as well as unusual items. 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 the Company's interest in Union Texas. Excluding these items from both years, 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 percent 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.

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[GRAPHIC REPRESENTATION of Income (Loss) Before Cumulative Effect of Changes in Accounting Principles (Dollars in millions) -- Chart gives the actual amounts as well as calculates the amounts excluding the impact of streamlining and restructuring charges and gains relating to Union Texas, an equity subsidiary (expressed numerically below).]

	1991	1992	1993
Actual	(273)	535	656
Calculation -- Excludes streamlining and restructuring and gains relating to Union Texas	342	541	NONE

[GRAPHIC REPRESENTATION of Earnings (Loss) Per Share Before Cumulative Effect of Changes in Accounting Principles (Dollars per share) -- Chart gives the actual amounts as well as calculates the amounts excluding the impact of streamlining and restructuring charges and gains relating to Union Texas, an equity subsidiary (expressed numerically below).]

	1991	1992	1993
Actual	(1.00)	1.90	2.31
Calculation -- Excludes streamlining and restructuring and gains relating to Union Texas	1.25	1.92	NONE

Aftermarket sales were significantly lower in the auxiliary power unit 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's data control business in the fourth quarter of 1993 contributed $24 million to sales.

Overall, the Company's 1993 sales to the Department of Defense (DOD), as a prime contractor and subcontractor, declined by 11 percent compared to 1992 because of reduced defense spending. Sales to the commercial and foreign government markets declined by 9 percent, while sales to the National Aeronautics and Space Administration (NASA) and other U.S. government agencies increased by 6 percent in 1993. Sales to the DOD accounted for 31 percent of Aerospace's total sales, a decrease of 1 percent compared to 1992.

Although total sales were lower and 1993 results included an after-tax charge of $5 million reflecting the current year's 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 and auxiliary power and communications systems because of reduced sales.

Changing defense priorities and severe federal budget pressures are expected to continue to restrain funding for DOD-related aerospace products over the next few years. As a result, a number of the Company's military and space programs may be stretched out, curtailed or cancelled.

The commercial airline industry continues to be in a cyclical downturn brought on in part by the recession. Many airline carriers have cancelled new aircraft orders reflecting the excess capacity of the world airline fleet and the reluctance of commercial carriers to finance new aircraft purchases. With improved economic conditions, air traffic should continue to rebound and, over the long-term, drive the demand for new aircraft and mitigate the impact of continued reductions in defense spending.

The Company continues to receive significant contracts from the commercial aviation industry, DOD and NASA and earnings are expected to remain strong. The strength reflects the broad diversification of the Company's aerospace businesses and the quality of its products and services. Among the Company's contracts are a number of priority development programs and system upgrades which are believed to be vital to the nation's defense.

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 determined, management is not presently aware of any such investigation which it expects will have a material adverse effect on the Company.

Funded backlog of $1,283 and $1,557 million at December 31, 1993 and 1992, respectively, consists of unfilled firm orders from the U.S. and foreign governments for the Company's aerospace products for which funding has been both authorized and appropriated by the customer. Total negotiated backlog of $4,773 and $4,859 million at year-end 1993 and 1992, respectively, also includes firm orders for which funding has not yet been appropriated as well as commercial contracts. The Company anticipates that approximately $2,335 million of the total 1993 backlog will be filled during 1994.

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. Original equipment (OE) sales for passenger cars, light trucks and heavy trucks rebounded. The Company has significant product content on light trucks. Sales of passenger-side air bags were especially strong and sales of seat belts, aftermarket products, turbocharging systems and anti-lock braking systems (ABS) also improved. Sales by the Company's Brazilian operations improved after a number of disappointing years because of poor economic conditions in that country. 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

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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 current year's impact of adopting FASB No. 112.

The Company introduced new ABS products in Europe and the U.S. in 1993 which strengthened its position in braking systems for new vehicle production. Although its market share remains less than 10 percent, the Company is developing more advanced technology that should strengthen its competitive position by 1996.

Increased competitive activity across all product lines and increasing product and cost demands from customers will continue to put pressure on the Company's automotive business. However, the Company believes it will more than offset these market conditions through product innovation, aggressive productivity actions to reduce costs and by accelerating the process of supplying integrated automotive systems to the global marketplace. To improve operating efficiencies, the Company initiated plans in 1991 and 1992 to significantly reduce the number of its worldwide locations. By the end of 1993, 20 operating plants had been closed. Sales offices, distribution centers and research and development facilities are also being consolidated.

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 percent 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. 1993 results include an after-tax charge of $2 million reflecting the current year's impact of adopting FASB No. 112.

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. The Company records 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 $65 and $69 million in 1993 and 1992, respectively, and are currently estimated to increase to approximately $96 million in 1994. 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 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.

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

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

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.

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

1991	1992	1993
34.9	40.5*	37.9*

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* Includes impact of cumulative effect of adoption of accounting changes.

[GRAPHIC REPRESENTATION of Return on Shareowners' Equity (After-tax percent) -- Chart gives the actual return as well as calculates the return excluding the impact of streamlining and restructuring charges and gains relating to Union Texas, an equity subsidiary (expressed numerically below).]

	1991	1992	1993
Actual..	(8.4)	26.4*	30.6*
Calculation -- Excludes streamlining and restructuring and gains relating to Union Texas.......................................	10.5	26.7*	NONE

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* Includes impact of cumulative effect of adoption of accounting changes.

THE MAXIMUM AMOUNT OF BORROWING available under the Company's revolving credit agreements (Credit Agreement) 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 Agreement supports the issuance of commercial paper as well as outstanding floating rate Employee Stock Ownership Plan (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 percent at December 31, 1993, down from 44.7 percent at year-end 1992. The long-term debt to capital ratio was 37.9 percent at year-end 1993, down from 40.5 percent at year-end 1992. See Note 14 of Notes to Financial Statements for details of long-term debt and a discussion of the Credit Agreement. 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 adoption of FASB No. 112 does not impact the Company under the terms of its outstanding debt and its existing Credit Agreement or the payment of dividends to shareowners, in part because the accounting change has no effect on cash.

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. At year-end, the Company had 74.4 million shares of common stock held in treasury carried at $1,437 million. As of year-end 1993, the Company had remaining authority to repurchase 16.5 million shares of common stock.

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 since 1991 is shown in Note 25 of Notes to Financial Statements. The Company's total capital expenditures in 1994 are currently projected at about $610 million. The expenditures are expected to be financed by internally generated funds. Approximately 58 percent of the projected 1994 expenditures are planned for expansion and cost reduction, 31 percent for replacement and maintenance and 11 percent for environmental and other projects.

1992 Compared with 1991

IN 1991 AND 1992, THE COMPANY TOOK A SERIES OF BOLD INITIATIVES TO ESTABLISH THE FOUNDATION FOR SUSTAINED BUSINESS GROWTH. The Company substantially reduced its layers of management, improved cycle time, dramatically enhanced customer responsiveness, increased productivity, consolidated businesses and closed unproductive plants, and significantly improved overall competitiveness. The Company estimates that these programs contributed significantly to the improved 1992 operating income.

IN 1992 THE COMPANY DISPOSED OF ITS HOLDINGS IN UNION TEXAS FOR $940 MILLION. The Company realized a pretax gain of $357 million (after-tax $221 million, or $0.78 a share).

IN 1992 THE COMPANY ESTABLISHED A PROVISION OF $368 MILLION (AFTER-TAX $227 MILLION, OR $0.80 A SHARE) FOR STREAMLINING AND RESTRUCTURING PROGRAMS TO IMPROVE THE COMPANY'S OVERALL PRODUCTIVITY. These programs include the consolidation of facilities, further streamlining of operations and administration, and the cost of product modifications to improve customer satisfaction.

THE COMPANY ADOPTED, EFFECTIVE JANUARY 1, 1992, TWO ACCOUNTING CHANGES RELATED TO RETIREE HEALTH BENEFITS AND INCOME TAXES. FASB Statement No. 106 -- 'Employers' Accounting for Postretirement Benefits Other Than Pensions' (FASB

No. 106) requires the Company to accrue the estimated cost of retiree medical and life insurance payments during an employee's active service life. FASB Statement No. 109 -- 'Accounting for Income Taxes' (FASB No. 109) requires an asset and liability approach to taxes. The current year's impact of FASB Nos. 106 and 109 is an after-tax provision of $23 million, or $0.08 a share, and an after-tax provision of $2 million, or $0.01 a share, respectively. As part of the adoption, the Company recorded 'catch-up' after-tax charges totaling $1.25 billion, or $4.42 a share. A charge of $1.1 billion relating to FASB No. 106 reflects a number of steps taken by management, including one which limits future retiree medical benefits at approximately twice the level of 1992. A charge of $148 million relates to FASB No. 109. These one-time charges reduced the Company's shareowners' equity by 42 percent. As a result of adopting these accounting changes, the Company reported a net loss of $712 million, or $2.52 a share, in 1992.

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RESULTS OF OPERATIONS. The Company's profits increased dramatically in 1992 in each of its core businesses despite relatively disappointing economies in the U.S. and other countries.

NET SALES in 1992 were $12,042 million, an increase of $211 million, compared to the prior year. Of this increase, $134 million was due to increased prices, $27 million was the result of volume growth and $50 million was due to favorable foreign exchange fluctuations at Automotive.

COST OF GOODS SOLD, as a percent of sales, declined from 83.8 percent in 1991 to 82.4 percent in 1992. The improved performance was principally the result of enhanced productivity actions as well as lower research and development expense. The results for 1992 include a charge of $51 million reflecting the impact of adopting FASB Nos. 106 and 109. Overall, productivity grew by 5.6 percent over last year.

STREAMLINING AND RESTRUCTURING CHARGES in 1992 and 1991 are discussed in Note 4 of Notes to Financial Statements.

INCOME FROM OPERATIONS of $415 million in 1992 compares to a loss from operations of $291 million in 1991. Excluding charges for streamlining and restructuring for both years and the current year's impact of adopting FASB Nos. 106 and 109 (special provisions), income improved by $278 million, or 50 percent, reflecting strong performance by all segments, despite a generally sluggish world economy. After excluding the special provisions, Aerospace's income increased 10 percent, Automotive's more than doubled and Engineered Materials' increased 56 percent. Profit margins, excluding the special provisions, increased from 4.7 percent in 1991 to 6.9 percent in 1992 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 $103 million increased $57 million. Included in last year's amount was a $60 million write-down of a UOP business. Earnings in 1992, on a comparable basis, were higher from UOP reflecting improved licensing revenues and equipment sales, but lower from Paxon because of reduced sales and margins reflecting competitive conditions.

EARNINGS FROM UNION TEXAS INVESTMENT, including the gain on the disposition as well as equity and dividend income, of $395 million increased $274 million. The 1992 results include a pretax gain of $357 million on the disposition of the Company's common stock in Union Texas, while 1991 included pretax income of $69 million on the sales of Union Texas' domestic oil and gas businesses.

OTHER INCOME (EXPENSE) of $9 million grew by $18 million principally because of higher interest income on short-term securities and lower foreign exchange losses.

INTEREST AND OTHER FINANCIAL CHARGES of $220 million declined by $37 million, or 14 percent, from last year mainly because of a reduced level of debt outstanding and lower rates on floating rate borrowings.

THE EFFECTIVE TAX RATE (BENEFIT) for 1992 was 23.8 percent. The 1991 tax rate benefit was 30.0 percent. Excluding the streamlining and restructuring charges and gains relating to Union Texas, the effective tax rates for 1992 and 1991 were 24.1 and 23.7 percent, respectively. See Note 7 of Notes to Financial Statements for further information on income taxes.

INCOME BEFORE THE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES of $535 million, or $1.90 a share, in 1992 was favorable by $808 million, or $2.90 a share, compared to last year's loss of $273 million, or $1.00 a share. Excluding the impact of adopting FASB Nos. 106 and 109, the 1992 provision for streamlining and restructuring and the gain on the disposition of Union Texas, current year's net income was $566 million, or $2.01 a share. The favorable income was the result of significant increases for Aerospace, Automotive and Engineered Materials. After the cumulative effect of the accounting changes and the special items above, the Company had a net loss of $712 million, or $2.52 a share, in 1992.

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 streamlining and restructuring provisions. (Dollars in millions)

AEROSPACE	Net Sales	Net Income	Adjusted Net Income
1992	$4,937	$105	$227
1991	5,269	87	188
Increase/(Decrease)	$ (332)	$ 18	$ 39

The Company's aerospace business had a 6 percent drop in sales because of the dual impact of significant reductions in military spending and the effect of the lackluster economy on both the general aviation and commercial airline industries. The impact of fewer engine deliveries, reduced sales of military aircraft ground test equipment and flight controls, and lower sales of OE auxiliary power units and environmental control systems were offset partly by higher prices, and greater repair and overhaul services for the airline industry. Overall, the Company's 1992 sales to the DOD, as a prime contractor and subcontractor, declined by 12 percent mainly as a result of reduced defense spending. Sales to the commercial and foreign government markets declined by 6 percent, while sales to NASA and other U.S. government agencies increased by 20 percent. Sales to the DOD accounted for 32 percent of Aerospace's total sales, a decrease of 2 percent compared to 1991.

Despite lower sales, the Aerospace segment had significant growth in its adjusted net income. Significant improvements in productivity, reflecting in part reduced cycle time, contributed to higher margins for airline services, landing systems, fluid systems and controls and accessories. This improved performance was only partly offset by lower sales of propulsion engines and auxiliary power units. 1992 net income includes an after-tax charge of $9 million reflecting the current year's impact of adopting FASB Nos. 106 and 109.

Funded backlog of $1,557 and $2,619 million at December 31, 1992 and 1991, respectively, consists of unfilled firm orders from the U.S. and foreign governments for the Company's aerospace products for which funding has been both authorized and appropriated by the customer. Total negotiated backlog of $4,859 and $5,190 million at year-end 1992 and 1991, respectively, also includes firm orders for which funding has not yet been appropriated as well as commercial contracts.

AUTOMOTIVE	Net Sales	Net Income (Loss)	Adjusted Net Income
1992	$4,499	$ 76	$141
1991	4,095	(203)	54
Increase	$ 404	$279	$ 87

Sales of automotive products rose by 10 percent in 1992. Automotive and truck brake systems to the North American and European vehicle manufacturers and aftermarket, safety restraints, friction materials, turbochargers, filters and spark plugs all had material growth. The improved sales reflected new business and solid market recovery in the Company's core product lines. Light truck sales in the North American market, in which the Company has significant product content, were especially strong. Sales in Brazil, where the Company has several plants, were sharply lower as a result of the economic turmoil in that country.

Automotive substantially improved its adjusted net income through higher sales volumes and substantial productivity gains. During 1992, management implemented various rationalization and census reduction programs to achieve the productivity gains. The 1992 increase was led by strong performances in passenger car and North American light truck brakes, turbochargers, friction materials, aftermarket and heavy vehicle businesses, filters, spark plugs and safety restraints. The Company's Brazilian operations, however, incurred substantially higher losses on lower sales volume reflecting the continuing poor economic conditions in that country. The Company is implementing numerous productivity improvements in Brazil which are expected to mitigate the operating loss. Automotive's 1992 net income includes an after-tax charge of $6 million reflecting the current year's impact of adopting FASB Nos. 106 and 109.

ENGINEERED MATERIALS	Net Sales	Net Income	Adjusted Net Income
1992	$2,601	$190	$215
1991	2,459	14	163
Increase	$ 142	$176	$ 52

Engineered Materials had a 6 percent increase in sales. Sales of carpet fibers were materially higher as a result of an increase in market share and improving business conditions. Sales of engineering plastics, environmental catalysts, oximes and industrial fibers also increased materially. Sales of circuit board laminates were higher as a result of an acquisition in August 1992. Prices for acetone, a by-product of the fibers process, were lower due to weak market conditions.

Engineered Materials' adjusted net income increased substantially because of productivity gains, which resulted in lower costs throughout the segment, and because of strong performance by carpet fibers and engineering plastics as well as favorable margins for fluorine products and circuit board laminates. UOP also reported higher income. Paxon had lower earnings because of increased competition.

REGARDING ENVIRONMENTAL MATTERS, remedial response and voluntary cleanup expenditures were $69 and $58 million in 1992 and 1991, respectively. At December 31, 1992 the total amount of recorded liabilities for environmental costs was $476 million.

FINANCIAL CONDITION. Greatly improved cash flow resulted from higher earnings and more efficient use of the Company's assets as well as the disposition of the Company's holdings in Union Texas.

TOTAL ASSETS at December 31, 1992 were $10,756 million, an increase of $374 million, from December 31, 1991. Cash and cash equivalents were $931 million, an increase of $693 million over the balance at December 31, 1991. Cash flow provided by substantially higher operating activities for 1992 grew by $404 million to $1,069 million. The current ratio was 1.4x, up from 1.1x at December 31, 1991. The Company's working capital turnover was 4.5x, an improvement mainly in managing its product inventory, compared to 4.2x at December 31, 1991.

In September 1992 the Company received $355 million from the redemption, at face value, of $200 million in preferred shares and $155 million in warrants by Union Texas. In November the Company sold its 33.3 million common share interest in Union Texas through a secondary public offering. Net proceeds were $585 million. Total proceeds of $940 million from the two transactions were used to reduce short-term debt, with the balance invested as of December 31, 1992, mainly in short-term marketable securities.

THE MAXIMUM AMOUNT OF BORROWING available under the Company's Credit Agreement was reduced by the Company in July 1992 from $1.35 billion to $1.11 billion, reflecting the Company's strong earnings and cash flow position.

The Credit Agreement serves as support for the issuance of commercial paper as well as ESOP notes. There was $4 million in commercial paper outstanding at year-end 1992, while at the end of 1991 there was $263 million outstanding. Commercial paper borrowing reached a high of $563 million during 1992. Supported ESOP notes, at favorable floating interest rates, totaling $259 and $182 million, were outstanding at December 31, 1992 and 1991, respectively.

TOTAL DEBT at year-end 1992 of $2,113 million decreased by $682 million as a result of reduced short-term borrowings, commercial paper and various long-term debt issues, offset in part by higher borrowings under the ESOP Program. Long-term debt of $1,777 million decreased by $137 million. The Company's total debt as a percent of capital, including the cumulative impact of the one-time 1992 accounting changes, was 44.7 percent at December 31, 1992, up from 43.9 percent at year-end 1991. The long-term debt to capital ratio was 40.5 percent at December 31, 1992, an increase from 34.9 percent at year-end 1991.

THE COMPANY REPURCHASED 5.3 MILLION SHARES OF COMMON STOCK for $152 million in 1992 to partially offset the issuance of shares for employee benefit plans and a shareowner dividend reinvestment plan.

CAPITAL EXPENDITURES during 1992 were $691 million, an increase of $23 million from the $668 million spent in 1991. Spending by the segments and Corporate since 1991 is shown in Note 25 of Notes to Financial Statements.

CONSOLIDATED STATEMENT OF INCOME

AlliedSignal Inc.

(Dollars in millions except per share amounts)

Years ended December 31	1993	1992	1991
Net sales	$ 11,827	$ 12,042	$ 11,831
Cost of goods sold	9,551	9,923	9,912
Selling, general and administrative expenses	1,338	1,336	1,363
Streamlining and restructuring	--	368	847
Nonrecurring items	(16)	--	--
Total costs and expenses	10,873	11,627	12,122
Income (loss) from operations	954	415	(291)
Equity in income of affiliated companies	122	103	46
Earnings from Union Texas investment	--	395	121
Other income (expense)	(9)	9	(9)
Interest and other financial charges	(157)	(220)	(257)
Income (loss) before taxes on income	910	702	(390)
Taxes (benefit) on income	254	167	(117)
Income (loss) before cumulative effect of changes in accounting principles	656	535	(273)
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)	$ 411	$ (712)	$ (273)
Earnings (loss) per share of common stock: (a)			
Before cumulative effect of changes in accounting principles	$ 2.31	$ 1.90	$(1.00)
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)	$ 1.45	$ (2.52)	$(1.00)

(a) Earnings per share of common stock are based upon the following weighted average number of shares: 1993, 283,233,078 shares; 1992, 281,973,006 shares; and 1991, 273,167,752 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	1993	1992	1991
Balance at beginning of year	$ 747	$ 1,594	$ 2,113
Net income (loss)	411	(712)	(273)
Other	27	8	(28)
Common stock dividends (1993 -- $.58 per share; 1992 -- $.50 per share; 1991 -- $.80 per share)	(162)	(143)	(218)
Balance at end of year	$ 1,023	$ 747	$ 1,594

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

CONSOLIDATED BALANCE SHEET AlliedSignal Inc.
(Dollars in millions)

December 31		1993	1992
ASSETS	Current assets:		
	Cash and cash equivalents	$ 892	$ 931
	Accounts and notes receivable	1,343	1,529
	Inventories	1,745	1,871
	Other current assets	587	588
	Total current assets	4,567	4,919
	Investments and long-term receivables	553	446
	Property, plant and equipment -- net	4,094	3,897
	Cost in excess of net assets of acquired companies -- net	1,087	1,048
	Other assets	528	446
	Total assets	$ 10,829	$ 10,756
LIABILITIES	Current liabilities:		
	Accounts payable	$ 1,207	$ 1,221
	Short-term borrowings	57	150
	Commercial paper	164	4
	Current maturities of long-term debt	137	182
	Accrued liabilities	1,924	1,948
	Total current liabilities	3,489	3,505
	Long-term debt	1,602	1,777
	Deferred income taxes	339	412
	Postretirement benefit obligations other than pensions	1,689	1,663
	Other liabilities	1,320	1,148
SHAREOWNERS' EQUITY	Capital -- common stock -- Authorized 500,000,000 shares (par value $1 per share); issued: 1993 -- 358,228,742 shares; 1992 -- 358,228,742 shares	358	358
	-- additional paid-in capital	2,453	2,424
	Common stock held in treasury, at cost: 1993 -- 74,395,236 shares; 1992 -- 74,462,188 shares	(1,437)	(1,336)
	Cumulative foreign exchange translation adjustment	(7)	58
	Retained earnings	1,023	747
	Total shareowners' equity	2,390	2,251
	Total liabilities and shareowners' equity	$ 10,829	$ 10,756

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		1993	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES	Net income (loss)	$ 411	$(712)	$(273)
	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 (includes affiliated company)	(217)	133	852
	Depreciation and amortization (includes goodwill)	547	529	504
	Undistributed earnings of equity affiliates (includes Union Texas)	(34)	(47)	(144)
	Deferred taxes	110	83	(196)
	Decrease (increase) in accounts and notes receivable	91	(104)	17
	Decrease in inventories	123	130	153
	Decrease (increase) in other current assets	14	31	(136)
	Increase (decrease) in accounts payable	20	157	(168)
	Increase (decrease) in accrued liabilities	151	167	(62)
	Other	(222)	(188)	118
	Net cash flow provided by operating activities	1,180	1,069	665
CASH FLOWS FROM INVESTING ACTIVITIES	Expenditures for property, plant and equipment	(718)	(691)	(668)
	Proceeds from disposals of property, plant and equipment	37	42	15
	Decrease in investments and long-term receivables	48	59	27
	(Increase) in other investments	(31)	(18)	(17)
	Cash paid for acquisitions	(244)	(113)	(83)
	Proceeds from sales of investments and businesses	129	1,044	4
	(Increase) in marketable securities	(40)	(50)	--
	Net cash flow provided by (used for) investing activities	(819)	273	(722)
CASH FLOWS FROM FINANCING ACTIVITIES	Net increase (decrease) in commercial paper	160	(259)	181
	Net (decrease) in short-term borrowings	(88)	(307)	(12)
	Proceeds from issuance of common stock	143	244	115
	Proceeds from issuance of long-term debt	131	121	120
	Repurchases of long-term debt (including current maturities)	(355)	(163)	(273)
	Repurchases of common stock	(229)	(142)	--
	Cash dividends on common stock	(162)	(143)	(218)
	Net cash flow (used for) financing activities	(400)	(649)	(87)
	Net increase (decrease) in cash and cash equivalents	(39)	693	(144)
	Cash and cash equivalents at beginning of year	931	238	382
	Cash and cash equivalents at end of year	$ 892	$ 931	$ 238

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSEQUENT EVENTS

* The Board of Directors determined on February 7, 1994 to redeem the common stock purchase rights for all rights outstanding on February 18, 1994 at $0.05 per right.
* The Board of Directors also declared a two-for-one common stock split for shareowners of record on February 22, 1994. The stock split is payable on March 14, 1994 and all stock related data in the financial statements reflect the stock split for all periods presented.

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 the lower of cost or market, and in the case of affiliates over which significant influence is exercised, 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 25-or 40-year periods. The cumulative amount of goodwill amortized at December 31, 1993 and December 31, 1992 is $315 and $287 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 the expense. 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.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS are accounted for under the provisions of FASB Statement No. 106 -- 'Employers' Accounting for Postretirement Benefits Other Than Pensions' (FASB No. 106), effective January 1, 1992. FASB No. 106 requires the Company to accrue the estimated cost of retiree benefit payments during an employee's active service life. The Company previously expensed the cost of these benefits on a pay-as-you-go basis.

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, 1993 and 1992 were $66 and $414 million and $71 and $405 million, respectively.

INTEREST RATE SWAP AND FOREIGN CURRENCY FORWARD EXCHANGE, OPTIONS AND SWAP AGREEMENTS are entered into to manage the Company's exposure to changes in interest and foreign currency exchange rates.

* 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 market value of foreign currency forward exchange, options (put and call) and swap agreements are recognized in Other Income (Expense) or Cumulative Foreign Exchange Translation Adjustment, as appropriate, when foreign currency exchange rates fluctuate. Such changes mitigate the impact of foreign exchange fluctuations on foreign currency denominated transactions, assets and liabilities.

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. Prior years' financial statements have not been restated to apply the provisions of FASB No. 109. Income taxes for 1991 are based on pretax financial statement income in accordance with Accounting Principles Board Opinion No. 11 (APB No. 11). An appropriate deferred tax was provided for the tax effect of timing differences between pretax financial statement income and taxable income per the tax return. Deferred income taxes have not been provided on approximately $112 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 1993 the Company acquired the data control business (Data Controls) of Sundstrand Corporation 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 small 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, further streamlining of operations and administration and the cost of product modifications to improve customer satisfaction.

The 1991 provision reflects a pretax charge of $907 million (after-tax $661 million, or $2.42 a share) covering streamlining, restructuring and environmental charges and costs for the rationalization of facilities. Of this provision, $60 million was included on the 'Equity in Income of Affiliated Companies' line since it relates to a business of the UOP process technology joint venture (UOP). The provision includes costs for the elimination of about 5,600 salaried jobs, mainly through severance programs, the consolidation of production facilities and administrative functions and the rationalization of several product lines as well as the disposition of nine non-strategic business units. Also included in the provision is $190 million for environmental costs of previously sold or shutdown facilities, as a result of revisions in estimates or the completion of studies, as well as facilities to be disposed of in connection with the restructuring.

NOTE 5. OTHER INCOME (EXPENSE)

Years ended December 31	1993	1992	1991
Interest income and other	$ 35	$17	$10
Repurchase of debentures	(1)	(1)	(5)
Foreign exchange (loss) (a)	(43)	(7)	(14)
	$(9)	$ 9	$(9)

(a) Includes the amortization of premiums for foreign currency forward exchange contracts of $(38), $(28) and $(12) 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.

The Company had forward exchange contracts, maturing through 1994, to purchase and sell foreign currencies aggregating $210 and $117 million at December 31, 1993 and $439 and $597 million at December 31, 1992, respectively. These amounts are all based upon spot rates in effect at the end of each respective year. The Company also had foreign currency options hedging anticipated transactions, maturing through 1994, aggregating $117 and $293 million at December 31, 1993 and 1992, respectively.

NOTE 6. INTEREST AND OTHER FINANCIAL CHARGES

Years ended December 31	1993	1992	1991
Total interest and other financial charges	$ 186	$ 247	$ 283
Less -- Capitalized interest	(29)	(27)	(26)
	$ 157	$ 220	$ 257

At December 31, 1993 and 1992 the Company had interest rate swap agreements, maturing through 1999, amounting to a total notional principal of $455 and $347 million, respectively. At December 31, 1993 these agreements effectively changed $373 million of fixed rate debt (average 9.66 percent) to London Interbank Offer Rate (LIBOR) based floating rate debt (average 5.30 percent) and $82 million of LIBOR based floating rate debt (average 3.11 percent) to fixed rate debt (average 7.24 percent). At December 31, 1992 these agreements effectively changed $265 million of fixed rate debt (average 9.79 percent) to LIBOR based floating rate debt (average 4.68 percent) and $82 million of LIBOR based floating rate debt (average 3.42 percent) to fixed rate debt (average 7.43 percent).

NOTE 7. TAXES (BENEFIT) ON INCOME

In the fourth quarter 1992 the Company adopted FASB No. 109, 'Accounting for Income Taxes', retroactive to January 1, 1992. The adoption of FASB No. 109 changes the Company's method of accounting for income taxes to an asset and liability approach from the deferred method under APB No. 11.

INCOME (LOSS) BEFORE TAXES ON INCOME

Years ended December 31	1993	1992	1991
United States	$ 799	$ 634	$(240)
Foreign	111	68	(150)
	$ 910	$ 702	$(390)

TAXES (BENEFIT) ON INCOME

Years ended December 31	1993	1992	1991
United States	$ 244	$ 160	$(100)
Foreign	10	7	(17)
	$ 254	$ 167	$(117)

Years ended December 31	1993	1992	1991
Taxes (benefit) on income consist of:			
Current:			
United States	$ 95	$ 55	$ 48
State	25	15	16
Foreign	24	14	15
	144	84	79
Deferred:			
United States	99	92	(148)
State	25	(2)	(16)
Foreign	(14)	(7)	(32)
	110	83	(196)
	$ 254	$ 167	$(117)

Years ended December 31	1993	1992	1991
The principal items accounting for the difference in taxes (benefit) on income (loss) 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%	34.0%	(34.0)%
Taxes on foreign earnings over (under) U.S. tax rate	(2.4)	(3.6)	7.2
Asset basis differences	(1.7)	--	2.6
Nondeductible amortization and depreciation	1.2	1.5	4.7
State income taxes	3.3	.4	(1.4)
Tax benefits of Foreign Sales Corporation	(1.9)	(2.9)	(4.5)
Dividends received deduction	(.2)	(1.5)	(3.5)
ESOP dividend tax benefit	(.9)	(1.1)	--
Impact of rate change on beginning of-the-year deferred tax balances	(1.5)	--	--
All other items -- net	(3.0)	(3.0)	(1.1)
	27.9%	23.8%	(30.0)%

Year ended December 31	1991

The principal items in the deferred tax provision are as follows:	
Accelerated depreciation and amortization	$ 33
Nonrecurring items and acquisitions	8
Streamlining and restructuring	(198)
Pension and savings plans	(14)
Long-term contracts	12
Alternative minimum tax credit carryforward	(31)
State income taxes	(16)
All other items -- net	10
	$(196)

DEFERRED INCOME TAXES

Years ended December 31	1993	1992
Included in the following balance sheet accounts:		
Other current assets	$ 468	$ 482
Other assets	104	47
Deferred income taxes	(339)	(412)
	$ 233	$ 117

DEFERRED TAX ASSETS/(LIABILITIES)

December 31	1993	1992
The temporary differences and carryforwards which give rise to deferred tax assets and liabilities are as follows:		
Property, plant and equipment basis differences	$(742)	$(706)
Postretirement benefits other than pensions	716	699
Postemployment benefits	158	--
Investment and other asset basis differences	(465)	(477)
Streamlining, restructuring and other nonrecurring items	290	380
Other accrued items	334	299
Foreign net operating losses	118	105
Alternative minimum tax credit	60	68
Other tax credits	41	44
U.S. capital loss	43	43
All other items -- net	(239)	(241)
Sub-total	314	214
Valuation allowance	(81)	(97)
	$ 233	$ 117

Other tax credits relate primarily to U.S. general business tax credits which are available to reduce income tax payments through the year 2007. 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 and such benefits are available to reduce income tax payments for periods which range from five years to an indefinite period. 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	1993	1992
Trade	$1,245	$1,343
Other	126	223
	1,371	1,566
Less -- Allowance for doubtful accounts and refunds	(28)	(37)
	$1,343	$1,529

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 $492 and $496 million during 1993 and 1992, respectively). New receivables are sold under the agreements as previously sold receivables are collected. During 1993, this represented an average collection period of 47 days or a replacement of receivables of approximately eight times. At both December 31, 1993 and 1992, customer accounts receivable on the Consolidated Balance Sheet have been reduced by $500 million reflecting the sales. The Company acts as an agent for the purchaser in the collection and administration of the receivables.

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NOTE 9. INVENTORIES

December 31	1993	1992
Raw materials	$ 504	$ 614
Work in process	635	619
Finished products	824	904
Supplies and containers	51	54
	2,014	2,191
Less --		
Progress payments	(154)	(201)
Reduction to LIFO cost basis	(115)	(119)
	$1,745	$1,871

Inventories valued at LIFO amounted to $316 million at December 31, 1993 and $298 million at December 31, 1992, which amounts were below estimated replacement cost by $115 and $119 million, respectively.

NOTE 10. OTHER CURRENT ASSETS

December 31	1993	1992
Current - deferred taxes	$ 468	$ 482
Other	119	106
	$ 587	$ 588

NOTE 11. INVESTMENTS AND LONG-TERM RECEIVABLES

December 31	1993	1992
Affiliates	$ 395	$ 326
Marketable securities	90	50
Long-term receivables	68	70
	$ 553	$ 446

The Company has a 50 percent partnership interest in two 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. During 1991 UOP recorded a Streamlining and Restructuring provision of $120 million for the write-down to realizable value of the assets of the fluid catalytic cracking business. The Company's share of the equity of the joint ventures exceeds its carrying value for these investments by $127 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	1993	1992	1991
Net sales	$1,238	$1,225	$1,288
Streamlining and restructuring	--	--	120
Income from operations	151	142	26
Income before cumulative effect of changes in accounting principles (a)	149	149	43
Net income (a)(b)	90	149	43

December 31	1993	1992
Current assets	$ 819	$ 800
Total assets	1,505	1,741
Current liabilities	224	226
Noncurrent liabilities	350	260
Preferred capital	--	238
Equity	931	1,017

(a) 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.
(b) Reflects the adoption of FASB No. 106 ($37 million) and the adoption of FASB No. 112 ($22 million).

NOTE 12. PROPERTY, PLANT & EQUIPMENT

December 31	1993	1992
Land and land improvements	$ 321	$ 301
Machinery and equipment	5,296	4,982
Buildings	1,241	1,173
Office furniture and equipment	634	594
Transportation equipment	145	146
Construction in progress	531	433
	8,168	7,629
Less -- Accumulated depreciation and amortization	(4,074)	(3,732)
	$ 4,094	$3,897

NOTE 13. ACCRUED LIABILITIES

December 31	1993	1992
Customer advance payments/deposits	$ 244	$ 130
Insurance	163	168
Postemployment benefits	166	--
Retiree medical benefits	125	121
Streamlining and restructuring	170	498
Wages	296	295
Other	760	736
	$1,924	$1,948

NOTE 14. LONG-TERM DEBT AND CREDIT AGREEMENTS

December 31	1993	1992
Employee stock ownership refunding notes, 7.02% and 7.19%, due 1995 - 1997	$ 200	$ 200
Employee stock ownership floating rate notes, 2.876% - 3.70%, due 1994 - 1999	218	260
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	153	153
Zero coupon bonds and money multiplier notes, 12.95% - 13.518%, due 1995 - 2009	257	238
9 1/2% debentures due June 1, 2016	100	100
	1,278	1,301
Capitalized lease obligations, 3.5% - 14.38%, maturing at various dates through 2016	49	47
Foreign currency bonds:		
Deutsche Mark 125,000,000 7 1/2% bonds due 1994 (a)	--	77
Swiss Franc 85,000,000 6% bonds due 1994 (b)	--	58
	--	135
Industrial development bond obligations, 2.63% - 6.85%, maturing at various dates through 2017	112	116
Other long-term debt, 2.0% - 14.75%, maturing at various dates through 2006	165	180
Sub-total	1,604	1,779
Less -- Unamortized discount	(2)	(2)
	$ 1,602	$ 1,777

(a) The Company has foreign currency and interest rate swap agreements to hedge principal and interest payments, which result in a 67 million Dutch Guilder ($39 million) obligation with an effective floating interest rate of 9.68 percent at December 31, 1992 and a $41 million obligation with an effective floating interest rate of 3.5 percent at December 31, 1993 and 3.625 percent at December 31, 1992.

(b) The Company had a foreign currency and interest rate swap agreement to hedge principal and interest payments, which, net of related foreign currency forward exchange contracts, resulted in a Dutch Guilder obligation of 113 million ($62 million) with an effective floating interest rate of 9.51 percent at December 31, 1992.

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

At December 31, 1993	Long-term Debt (1)
1994	$ 137
1995	203
1996	175
1997	111
1998	195
Thereafter	918
	1,739
Less -- Current portion	(137)
	$1,602

(1) Amounts are net of repurchases.

The only material financial instruments which 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 lease obligations), is $1,687 and $1,906 million and the fair value is $1,945 and $2,100 million at December 31, 1993 and 1992, respectively. The fair value of the long-term debt is estimated based on the quoted market price for the issues (if traded) or based on the current rates offered to the Company for debt of the same remaining maturity and characteristics.

The Company entered into two new credit agreements (3 Year and 364 Day Credit Agreements) dated July 7, 1993, with commitments aggregating $900 million, with a group of 21 banks. These agreements replaced a $1.11 billion arrangement. 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, 1996. 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 1994. The banks' commitments to lend under the $450 million 364 Day Credit Agreement terminate on July 5, 1994 and any loans then outstanding will be converted to term loans maturing on July 5, 1995. The Company intends to renegotiate this agreement in 1994. The Company has agreed to pay facility fees of .10 percent per annum and .15 percent per annum on the aggregate commitments for the 364 Day and 3 Year 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 contain restrictions on the Company's ability to pay dividends or requirements that the Company maintain a specific net worth. 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 settlement 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.

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, one-half percent above the average CD rate, or one-half percent above the Federal funds rate; or (c) .225 and .275 percent for the 3 Year and 364 Day Credit Agreements, respectively, and if either Credit Agreement is drawn down in excess of 50 percent of its total amount, .2875 and .3375 percent 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, 1993. They have also served as support for the issuance of commercial paper and certain notes under the Company's Employee Stock Ownership funding program. At December 31, 1993 the Company had outstanding $164 million of commercial paper and $259 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, 1993	Lease Payments
1994	$ 83
1995	62
1996	45
1997	35
1998	31
Thereafter	229
Total	$485

Rent expense of $128, $131 and $146 million was included in costs and expenses for 1993, 1992 and 1991, respectively.

NOTE 16. 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 16.5 million shares of common stock.

Each share of common stock is accompanied by a share purchase right (a Right) which entitles shareowners to buy one newly issued share of common stock at an exercise price of $150, subject to adjustment. The Rights will be exercisable only if a person or group acquires stock representing 20 percent or more of the power to vote generally in the election of directors (becomes an acquiring person) or announces a tender or exchange offer which would result in such person or group becoming an acquiring person. Upon exercise after a person or a group becomes an acquiring person, each Right (other than Rights held by the acquiring person) will entitle the holder to purchase a number of shares of common stock of the Company having a market value of two times the exercise price. If the Company is acquired in a merger or other business combination, each Right will entitle the holder to purchase, at the then exercise price, a number of shares of common stock of the acquiring company having a market value of two times such exercise price. If circumstances warrant, the Board may decrease from 20 percent to as low as 15 percent the threshold used in determining when a person or group becomes an acquiring person or the conditions of exercise of the Rights, provided that the Board may not reduce the thresholds to or below the existing level of ownership of a shareowner. On February 7, 1994 the Board determined to redeem the Rights at $0.05 a Right.

	Shares Outstanding (in millions)	Common Stock/ Paid-in Capital	Treasury Stock
Balance December 31, 1990	269.4	$2,747	$(1,578)
Used for Dividend Reinvestment Plan	.4	--	10
Used for employee benefit plans	6.3	--	140
Other	.2	--	5
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)

NOTE 17. STOCK OPTIONS AND AWARDS

In April 1993 shareowners at the Annual Meeting approved a new 10-year stock plan for employees of the Company and affiliates (1993 Stock Plan). In addition, the Company has a 1985 Stock Plan for 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 percent of the total shares issued (includes 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, 1993 there were 1,097,076 Units outstanding, including 138,002 Units granted in 1993, 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 (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, 1990	18,313,580
Granted at $14.35 - $20.66 per share	5,843,500
Less --	
Exercised at $10.12 - $18.69 per share	986,804
Lapsed or cancelled	675,090
Surrendered upon exercise of SARs	219,062
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 cancelled	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 cancelled	145,190
Surrendered upon exercise of SARs	30,000
Outstanding at December 31, 1993, $13.75 - $36.94 per share	19,618,446
Exercisable at December 31, 1993	8,648,464

Available for grant at December 31, 1992	6,098,790
Available for grant at December 31, 1993	5,540,800

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.
The Company also has a Restricted Stock Plan for Non-Employee Directors, under which each non-employee director receives a one-time grant of 3,000 shares of common stock, subject to certain restrictions.

NOTE 18. CUMULATIVE FOREIGN EXCHANGE TRANSLATION ADJUSTMENT

December 31	1993	1992	1991
Balance at beginning of year	$58	$65	$98
Translation adjustment and impact of hedges and intercompany balances	(65)	(7)	(33)
	$(7)	$58	$65

NOTE 19. 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. 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.

On September 19, 1991, The B.F. Goodrich Company (Goodrich) filed a lawsuit against the Company 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 relates only to brakes for the Boeing 777, which is to be introduced in 1995, and not to any other brake program of the Company. The Company received an opinion of outside patent counsel that the Goodrich patents are invalid. The Company believes it will prevail in the litigation. In any event, the Company would be able to compete for 777 business with an alternative design clearly not covered by the patents. At trial in October 1993, Goodrich claimed damages of approximately $350 million before trebling. The Company believes this damage claim is without merit. Post trial briefing and argument will not be completed until at least the end of March 1994.

While the ultimate results of the Goodrich litigation and the other lawsuits, investigations and claims described above cannot be determined, management does not expect that these matters will have a material adverse effect on the consolidated 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. Additionally, the Company has issued financial and contract performance guarantees with respect to several refuse-to-energy projects owned or operated by Resco Holdings Inc., a subsidiary of Wheelabrator Technologies, Inc. The Company is indemnified by Resco Holdings Inc. for any payments which the Company may be required to make under these obligations. Management does not expect these guarantees will have a material adverse effect on the consolidated results of operations or the financial position of the Company.

NOTE 20. SUPPLEMENTAL CASH FLOW 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 1993, 1992 and 1991 included interest of $180, $241 and $233 million and income taxes of $130, $115 and $118 million, respectively.

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 percent 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

NOTE 21. 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 percent 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 and $41 million in 1991.

In 1991 Union Texas completed the sales of its U.S. offshore oil and gas business for $476 million, as well as its North American onshore oil and gas and U.S. gas processing businesses for $395 million which sales resulted in the Company recording a gain of $69 million (after-tax $46 million, or $0.17 a share).

Selected financial data for Union Texas are summarized as follows:

Year ended December 31	1991
Net sales	$977
Income from operations	184
Income before extraordinary item	280
Net income	333

NOTE 22. 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 $2 thousand 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 1993, 1992 and 1991 the Company's cost for providing other postretirement benefits aggregated $153, $166 and $120 million, respectively, excluding the cumulative impact of adopting FASB No. 106 in 1992. Effective January 1, 1992, the Company adopted the provisions of FASB No. 106 for its U.S. medical and life insurance programs which increased expense by $38 million, which is included in the 1992 cost. The Company uses the services of an enrolled actuary to calculate such amounts.

For measurement purposes, the assumed annual rate of increase in the per capita cost of covered health care benefits was 13 percent for 1992, decreasing to 12 percent in 1993 and reducing gradually to 6 percent in 2000 and remaining 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, 1993 by $130 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 7.25 percent and 8.25 percent at December 31, 1993 and 1992, respectively.

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

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

Presented below are the plans' status and amounts recognized in the Company's Consolidated Balance Sheet at December 31, 1993 and 1992:

December 31	1993	1992
Accumulated postretirement benefit obligation:		
Retirees	$1,279	$1,224
Fully eligible active plan participants	200	155
Other active plan participants	418	343
	1,897	1,722
Unrecognized prior service cost	132	105
Unrecognized net loss	(215)	(43)
Accrued postretirement benefit cost	$1,814	$1,784

NOTE 23. 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 based on years of service and employees' compensation during the last years of employment or 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 1993 approximately 55 percent of the assets of U.S. plans were held in equity securities, with the balance primarily in fixed income-type securities.

Pension expense in 1993, 1992 and 1991 was $104, $102 and $94 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 1993, 1992 and 1991 included the following components:

Years ended December 31	1993	1992	1991
Service cost-benefits earned during the period	$115	$113	$105
Interest cost on projected benefit obligation	369	360	340
Actual return on plan assets	(663)	(320)	(824)
Net amortization and deferral	269	(69)	456
Net periodic pension cost for defined benefit plans	90	84	77
Foreign plans and other	14	18	17
Net periodic pension cost	$104	$102	$ 94

The assumed rate of return for the Company's U.S. defined benefit pension plans was 9 percent in 1993, 1992 and 1991. The assumed discount rate used in calculating the projected benefit obligations at December 31, 1993, 1992 and 1991 was 7.25 percent, 8.25 percent and 8.5 percent, respectively. In addition, the assumed annual increase in compensation over employee's estimated remaining working lives was 5.5 percent for each of the respective years.

Presented below are the plans' funded status and amounts recognized in the Company's Consolidated Balance Sheet at December 31, 1993 and 1992 for its significant defined benefit pension plans:

December 31	1993 ASSETS EXCEED ACCUMULATED BENEFITS	1993 ACCUMULATED BENEFITS EXCEED ASSETS	1992 Assets Exceed Accumulated Benefits	1992 Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligation:				
Vested	$3,471	$ 731	$3,038	$ 682
Nonvested	256	74	247	57
Accumulated benefit obligation	$3,727	$ 805	$3,285	$ 739
Projected benefit obligation	$4,396	$ 857	$3,847	$ 782
Less -- Fair value of assets	4,227	678	3,934	639
Over (under) funded plans	(169)	(179)(a)	87	(143)
Unrecognized transition (asset)	(11)	(7)	(13)	(20)
Unrecognized net (gain) loss	360	2	158	(30)
Unrecognized prior service cost	(2)	63	(1)	58
Prepaid (accrued) pension cost	$ 178	$(121)	$ 231	$(135)

(a) Included in this amount is $(134) million for unfunded foreign and supplemental domestic pension plans.

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NOTE 24. GEOGRAPHIC AREAS -- FINANCIAL DATA

		United States(1)	Canada	Europe	Other Int'l.	Adjust. and Elim.	Total
Net sales (2)	1993	$9,220	$225	$1,897	$485	$ --	$11,827
	1992	8,978	331	2,295	438	--	12,042
	1991	8,908	350	2,079	494	--	11,831
Income (loss) before cumulative effect of changes in accounting principles (3)	1993	570	26	55	5	--	656
	1992	512	32	6	(15)	--	535
	1991	(115)	(29)	(91)	(38)	--	(273)
Assets	1993	9,045	199	1,439	548	(402)	10,829
	1992	8,677	177	1,940	501	(539)	10,756
	1991	8,273	191	1,913	481	(476)	10,382
Liabilities	1993	7,703	98	707	333	(402)	8,439
	1992	7,374	113	1,293	264	(539)	8,505
	1991	6,130	149	1,390	206	(476)	7,399

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 $1,699, $1,810 and $1,729 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 Int'l. 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. Includes in 1991 an after-tax provision to cover Streamlining and Restructuring charges for the United States of $486, Canada of $41, Europe of $101 and Other Int'l. of $33 million. Also included in the United States column in 1991 is the after-tax gain on the sale of assets by Union Texas of $46 million.

NOTE 25. SEGMENT FINANCIAL DATA

		Aerospace	Automotive	Engineered Materials	Corporate and Unallocated(1)	Total
Net sales (2)	1993	$4,530	$4,506	$2,791	$ --	$11,827
	1992	4,937	4,499	2,601	5	12,042
	1991	5,269	4,095	2,459	8	11,831
Research and development expense	1993	127	63	113	10	313
	1992	122	64	124	10	320
	1991	151	97	124	9	381
Depreciation and amortization	1993	184	156	153	21	514
	1992	186	162	135	13	496
	1991	167	160	127	16	470
Income (loss) from operations (3)	1993	402	432	309	(189)	954
	1992	187	174	201	(147)	415
	1991	272	(207)	9	(365)	(291)
Income (loss) before cumulative effect of changes in accounting principles (3)(4)	1993	224	226	269	(63)	656
	1992	105	76	190	164	535
	1991	87	(203)	14	(171)	(273)
Capital expenditures	1993	139	205	354	20	718
	1992	162	202	301	26	691
	1991	216	184	262	6	668
Identifiable assets	1993	4,502	2,838	2,502	987	10,829
	1992	4,380	3,082	2,295	999	10,756
	1991	4,146	2,782	1,949	1,505	10,382

Intersegment sales approximate market and are not significant.
(1) The 'Corporate and Unallocated' column includes amounts for businesses sold and Corporate items. Income (loss) before cumulative effect of changes in accounting principles includes amounts (including preferred dividends) for Union Texas, accounted for on the equity basis, of $ -- , $261 and $103 million for each of the respective years. Income (loss) before cumulative effect of changes in accounting principles for 1992 reflects the gain on the disposition of the common stock of Union Texas of $221 million, or $0.78 a share. Identifiable assets include an investment in Union Texas of $ -- , $ -- and $591 million, and other Corporate assets of $987, $999 and $914 million for each of the respective years.
(2) Sales to the U.S. Government and its agencies, mainly for the Aerospace segment, were $1,096, $1,170 and $1,317 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 the current year's impact of the adoption of FASB No. 106 and FASB No. 109 for Aerospace of $44 and $9 million, Automotive of $13 and $6 million, Engineered Materials of $4 and $ -- million and Corporate and Unallocated of $(10) and $10 million, 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. Includes in 1991 a pre-and after-tax provision to cover Streamlining and Restructuring charges for Aerospace of $133 and $101 million, Automotive of $334 and $257 million, Engineered Materials of $148 and $149 million and Corporate and Unallocated of $232 and $154 million, respectively.

(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.

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NOTE 26. UNAUDITED QUARTERLY FINANCIAL INFORMATION

	1993					1992				
	MAR. 31	JUNE 30	SEPT. 30	DEC. 31	YEAR	Mar. 31	June 30	Sept. 30	Dec. 31	Year
Net sales	$2,901	$3,055	$2,812	$3,059	$11,827	$2,979	$3,075	$2,936	$3,052	$12,042
As originally reported: (a)										
Gross profit	548	590	555	585		523	560	537	533	
Net income	149	170	168	178		127	145	140	138(b)	
Per share	.52	.60	.59	.63		.46	.52	.50	.49(b)	
1993 and 1992 restatements of changes in accounting principles: (a)										
Gross profit	(1)	(1)	--	--		(12)	(11)	(11)	--	
Cumulative after-tax effect	(245)	--	--	--		(1,247)	--	--	--	
Per share	(.86)	--	--	--		(4.47)	--	--	--	
Quarterly after-tax effect	(248)	(3)	(3)	--		(1,252)	(5)	(5)	--	
Per share	(.87)	(.01)	(.01)	--		(4.49)	(.02)	(.02)	--	
As restated: (a)										
Gross profit	547	589	555	585	2,276	511	549	526	533	2,119
Income before cumulative effect of changes in accounting principles	146	167	165	178	656	122	140	135	138(b)	535
Per share	.51	.59	.58	.63	2.31	.44	.50	.48	.49(b)	1.90
Net income (loss)	(99)	167	165	178	411	(1,125)	140	135	138(b)	(712)
Per share	(.35)	.59	.58	.63	1.45	(4.03)	.50	.48	.49(b)	(2.52)
Dividends paid	.145	.145	.145	.145	.58	.125	.125	.125	.125	.50
Market price (c)										
High	34.63	35.25	37.50	40.13	40.13	27.38	30.63	28.25	31.00	31.00
Low	28.75	30.88	32.13	34.88	28.75	20.50	24.88	25.13	25.00	20.50

(a) FASB No. 112 was adopted in the fourth quarter of 1993, effective as of January 1, 1993. FASB Nos. 106 and 109 were adopted in the fourth quarter of 1992, effective as of January 1, 1992. As a result, the first three quarters of both years were restated. For further information, such accounting changes are discussed in Notes 1 and 22 of Notes to Financial Statements.
(b) Includes a provision of $368 million (after-tax $227 million, or $0.80 a share) covering costs for Streamlining and Restructuring. Also includes an after-tax gain of $221 million, or $0.78 a share, on the sale of common stock of Union Texas. See Notes 4 and 21 of Notes to Financial Statements for further information.
(c) From composite tape -- stock is primarily traded on The New York Stock Exchange.

REPORT OF INDEPENDENT ACCOUNTANTS

[Logo]

Morristown, NJ
February 3, 1994 except for
Note 1 (Subsequent Events),
which is as of February 7, 1994

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 consolidated subsidiaries at December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, 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.

In 1993, as discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 112, 'Employers' Accounting for Postemployment Benefits' effective as of January 1, 1993. In 1992, as further discussed in Note 1, the Company adopted Statement of Financial Accounting Standards No. 106, 'Employers' Accounting for Postretirement Benefits Other Than Pensions' and Statement of Financial Accounting Standards No. 109, 'Accounting for Income Taxes' effective as of January 1, 1992.

/s/ PRICE WATERHOUSE

SELECTED FINANCIAL DATA AlliedSignal Inc.

(Dollars in millions except per share amounts)

Years ended December 31	1993	1992	1991	1990	1989	1988	1987
FOR THE YEAR(a)							
Net sales	$11,827	$12,042	$11,831	$12,343	$11,942	$11,909	$11,116
Income (loss) from continuing operations	656(b)	535 (c)	(273)(c)	462	528	463(c)	515(c)
Net income (loss)	411(d)	(712)(d)	(273)	462	528	463	656
Per share of common stock:							
Earnings (loss) from continuing operations	2.31	1.90	(1.00)	1.67	1.78	1.55	1.53
Net earnings (loss)	1.45	(2.52)	(1.00)	1.67	1.78	1.55	1.95
Dividends	.58	.50	.80	.90	.90	.90	.90
AT YEAR-END(a)							
Net working capital	$ 1,078	$ 1,414	$ 526	$ 892	$ 1,065	$ 1,040	$ 722
Property, plant and equipment -- net	4,094	3,897	3,638	3,584	3,321	3,214	3,330
Total assets	10,829	10,756	10,382	10,456	10,342	10,069	10,321
Long-term debt	1,602	1,777	1,914	2,051	1,903	2,044	2,017
Shareowners' equity	2,390	2,251	2,983	3,380	3,412	3,268	3,129
Book value per share of common stock	8.42	7.93	10.79	12.55	11.77	11.05	10.44
Average investment(e)	4,506	4,939	6,771	6,723	6,520	6,629	6,859
Common shares outstanding (in millions)	283.8	283.8	276.3	269.4	290.0	295.9	299.9
Common shareowners of record	84,248	84,254	91,492	97,210	102,042	111,402	109,322
Employees(f)	86,400	89,300	98,300	105,800	107,100	109,550	115,300
FINANCIAL STATISTICS(g)							
Return on sales (income from operations)	8.1	3.4	(2.5)	5.9	8.0	5.7	6.8
Return on sales (after-tax)	5.5	4.4	(2.3)	3.7	4.4	3.9	4.6
Return on average investment (after-tax)	15.7	13.5	(1.3)	9.6	11.0	10.3	10.1
Return on average shareowners' equity (after-tax)	30.6	26.4	(8.4)	13.9	15.6	14.5	14.5
Interest coverage ratio	5.1	3.3	(.9)	2.6	3.0	2.8	3.6
Long-term debt as a percent of total capital	37.9	40.5	34.9	33.6	30.8	33.2	33.9
Total debt as a percent of total capital	42.7	44.7	43.9	40.4	35.7	35.9	39.0
FINANCIAL STATISTICS(g)(h)							
Return on sales (income from operations)	7.9	6.5	4.7	5.9	8.0	7.4	6.8
Return on sales (after-tax)	5.5	4.5	2.9	3.7	4.4	4.3	3.9
Return on average investment (after-tax)	15.6	13.6	7.8	9.6	11.0	10.9	8.9
Return on average shareowners' equity (after-tax)	30.5	26.7	10.5	13.9	15.6	15.9	12.2
Interest coverage ratio	5.0	3.3	2.1	2.6	3.0	2.9	3.2
Long-term debt as a percent of total capital	37.9	40.5	34.9	33.6	30.8	33.2	33.9
Total debt as a percent of total capital	42.7	44.7	43.9	40.4	35.7	35.9	39.0

(a) Share and per share data have been restated to reflect the two-for-one stock split described in Note 1 of Notes to Financial Statements.
(b) Includes in 1993 the current year's after-tax provision for the adoption of FASB No. 112 of $11 million, or $0.04 a share.
(c) Includes in 1992 the effect of a provision for Streamlining and Restructuring 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 21 of Notes to Financial Statements, respectively. In 1991, includes the effect of a provision for Streamlining and Restructuring 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) as discussed in Notes 4 and 21 of Notes to Financial Statements, respectively. 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.
(d) 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 Note 1 of Notes to Financial Statements.
(e) Investment is defined as shareowners' equity and non-current deferred taxes-net plus total debt.
(f) Includes employees at facilities operated for the U.S. Department of Energy.
(g) The returns and interest coverage ratio exclude the impact of the cumulative effect of changes in accounting principles on income.
(h) 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

SUBSIDIARIES OF REGISTRANT:

NAME	COUNTRY OR STATE OF INCORPORATION	SECURITIES OWNED CLASS	SECURITIES OWNED 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, 33-30885, 33-50314, 33-55410, 33-51031, 33-51455 and 33-65792), on Forms S-3 (Nos. 33-00631, 33-13211 and 33-14071) and on Form S-8 (filed as an amendment to Form S-14, No. 2-99416-01) of our report dated February 3, 1994 except for Note 1 (Subsequent Events), which is as of February 7, 1994 appearing on page 39 of the 1993 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, 1993. We also consent to the incorporation by reference of our report on the Consolidated Financial Statement Schedules, which appears on page 20 of this Annual Report on Form 10-K.

/s/ PRICE WATERHOUSE

Morristown, New Jersey
March 15, 1994

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, as a director of AlliedSignal Inc. (the 'Company'), a Delaware corporation, hereby constitute and appoint Lawrence A. Bossidy, Peter M. Kreindler, John W. Barter and G. Peter D'Aloia my true and lawful attorneys-in-fact and agents, and each of them (with full power to act without the others), my true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, 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 Exchange Act of 1934 for the year ended December 31, 1993,

(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 said attorneys and agents, and each of them, full power 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 substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ LAWRENCE A. BOSSIDY
....

Date: February 28, 1994

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, as a director of AlliedSignal Inc. (the 'Company'), a Delaware corporation, hereby constitute and appoint Lawrence A. Bossidy, Peter M. Kreindler, John W. Barter and G. Peter D'Aloia my true and lawful attorneys-in-fact and agents, and each of them (with full power to act without the others), my true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities,

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IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ HANS W. BECHERER
....

Date: February 28, 1994

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, as a director of AlliedSignal Inc. (the 'Company'), a Delaware corporation, hereby constitute and appoint Lawrence A. Bossidy, Peter M. Kreindler, John W. Barter and G. Peter D'Aloia my true and lawful attorneys-in-fact and agents, and each of them (with full power to act without the others), my true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities,

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IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ JEWEL PLUMMER COBB
....

Date: February 28, 1994

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, as a director of AlliedSignal Inc. (the 'Company'), a Delaware corporation, hereby constitute and appoint Lawrence A. Bossidy, Peter M. Kreindler, John W. Barter and G. Peter D'Aloia my true and lawful attorneys-in-fact and agents, and each of them (with full power to act without the others), my true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities,

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IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ EUGENE E. COVERT
....

Date: February 28, 1994

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, as a director of AlliedSignal Inc. (the 'Company'), a Delaware corporation, hereby constitute and appoint Lawrence A. Bossidy, Peter M. Kreindler, John W. Barter and G. Peter D'Aloia my true and lawful attorneys-in-fact and agents, and each of them (with full power to act without the others), my true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities,

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IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ ANN M. FUDGE
....

Date: February 28, 1994

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, as a director of AlliedSignal Inc. (the 'Company'), a Delaware corporation, hereby constitute and appoint Lawrence A. Bossidy, Peter M. Kreindler, John W. Barter and G. Peter D'Aloia my true and lawful attorneys-in-fact and agents, and each of them (with full power to act without the others), my true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities,

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IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ WILLIAM R. HASELTON
....

Date: February 28, 1994

POWER OF ATTORNEY

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IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ PAUL X. KELLEY
....

Date: February 28, 1994

POWER OF ATTORNEY

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IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ ROBERT D. KILPATRICK
....

Date: February 28, 1994

POWER OF ATTORNEY

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IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ ROBERT P. LUCIANO
....

Date: February 28, 1994

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, as a director of AlliedSignal Inc. (the 'Company'), a Delaware corporation, hereby constitute and appoint Lawrence A. Bossidy, Peter M. Kreindler, John W. Barter and G. Peter D'Aloia my true and lawful attorneys-in-fact and agents, and each of them (with full power to act without the others), my true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities,

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IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ RUSSELL E. PALMER
....

Date: February 28, 1994

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, as a director of AlliedSignal Inc. (the 'Company'), a Delaware corporation, hereby constitute and appoint Lawrence A. Bossidy, Peter M. Kreindler, John W. Barter and G. Peter D'Aloia my true and lawful attorneys-in-fact and agents, and each of them (with full power to act without the others), my true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities,

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IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ JOHN R. STAFFORD
....

Date: February 28, 1994

POWER OF ATTORNEY

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IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ THOMAS P. STAFFORD
....

Date: February 28, 1994

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, as a director of AlliedSignal Inc. (the 'Company'), a Delaware corporation, hereby constitute and appoint Lawrence A. Bossidy, Peter M. Kreindler, John W. Barter and G. Peter D'Aloia my true and lawful attorneys-in-fact and agents, and each of them (with full power to act without the others), my true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities,

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IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ DELBERT C. STALEY
....

Date: February 28, 1994

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, as a director of AlliedSignal Inc. (the 'Company'), a Delaware corporation, hereby constitute and appoint Lawrence A. Bossidy, Peter M. Kreindler, John W. Barter and G. Peter D'Aloia my true and lawful attorneys-in-fact and agents, and each of them (with full power to act without the others), my true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities,

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IN WITNESS WHEREOF, I have hereunto set my hand on the date set forth below.

/s/ ROBERT C. WINTERS
....

Date: February 28, 1994