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, 1995
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 1997-2009	New York Stock Exchange
9 1/2% Debentures due June 1, 2016	New York Stock Exchange

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* The common stock is also listed for trading on the Amsterdam, Basle, Frankfurt, Geneva, London, Paris 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 $13.4 billion at December 31, 1995.

There were 282,769,564 shares of Common Stock outstanding at December 31, 1995.

Documents Incorporated by Reference

Part I and II: Annual Report to Shareowners for the Year Ended December 31, 1995.
Part III: Proxy Statement for Annual Meeting of Shareowners to be held April 22, 1996.

ALLIEDSIGNAL INC.

CROSS REFERENCE SHEET

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* To be included in a definitive Proxy Statement to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 1995.

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

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(a) These items are omitted since the Registrant will file with the Securities and Exchange Commission a definitive Proxy Statement pursuant to Regulation 14A involving the election of directors not later than 120 days after December 31, 1995. Certain other information relating to the Executive Officers of the Registrant appears at pages 15 and 16 of this Report.

PART I.

ITEM 1. BUSINESS

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

The Company's operations are conducted under three business segments: Aerospace, Automotive and Engineered Materials.

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

AEROSPACE

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

Aerospace's principal product lines are organized into four strategic business units: AlliedSignal Engines (Engines), Aerospace Equipment Systems (Equipment Systems), Government Electronic Systems (Electronic Systems) and Commercial Avionics Systems (Avionics Systems).

The Company serves key military and commercial segments of the aviation, defense and space markets with a broad array of systems, subsystems, components and services. It designs, develops, manufactures, markets and services hundreds of products found on all types of aircraft, from single-piston engine aircraft, 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 (OE) sales and an extensive aftermarket business, including spare parts, maintenance and repair, and retrofitting. Worldwide customers include the U.S. and foreign governments, all of the major airframe and engine manufacturers, including Boeing, McDonnell Douglas, Lockheed Martin, Airbus Industrie (Airbus), British Aerospace, Cessna, Fairchild, Dassault, Gulfstream, Bombardier, Rockwell International, Pratt & Whitney, General Electric (GE) and Rolls Royce, as well as the world's leading airlines.

Principal products, manufactured for military aircraft, civil air transport and general aviation markets, include primary propulsion, consisting of turboprop, turbofan, turbojet and turboshaft engines, and auxiliary power gas turbine engines; environmental control systems, consisting of air conditioning, cabin pressure and temperature controls; airborne weather avoidance and collision avoidance radar systems; forward-looking windshear detection systems and wing ice detection systems; aircraft communications -- both voice and data; microwave landing systems; automatic flight control systems; pneumatic control systems; engine and flight instruments; motion sensing and air data systems; navigation and identification equipment, including identification of friend-or-foe systems; flight data recorders; cockpit voice recorders; ground proximity warning systems; electric power generating systems; fuel control systems; aircraft wheels and brakes; brake control systems; 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 October 1994 the Company completed the purchase of the Lycoming Turbine Engine Division of Textron Inc. (Lycoming Engine). The acquisition extended the Company's turbine engine product

offerings into the 50- to 115-seat regional aircraft market and in helicopters and other commercial and military applications. Lycoming Engine had 1994 sales of $550 million.

In January 1996, the Company completed the acquisition of Northrop Grumman Corporation's precision products business based in Norwood, Massachusetts. The business, which has annual sales of approximately $39 million, manufactures inertial and sensor products for military and space markets. In addition, the Company sold its military landing gear business to Coltec Industries' Menasco unit.

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. and foreign governments, 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 canceled 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, United Technologies and B.F. Goodrich.

Sales to the U.S. government, acting through its various departments and agencies and through prime contractors, amounted to $1,806 million for 1995 and $1,886 million for 1994, which amounts include sales to the Department of Defense of $1,205 million in 1995 and $1,300 million in 1994. Approximately 54% and 59% of sales to the U.S. government in 1995 and 1994, respectively, were made under fixed-price contracts in which the Company agrees to perform the contract for a fixed price and retains for itself any benefits of cost savings or must bear the burden of cost overruns.

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

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

Orders for certain products sold to general and commercial aviation customers mainly consist of relatively short-term and frequently renewed commitments. Government procurement agencies generally issue contracts covering relatively long periods of time. Total backlog for products and services for both government and commercial contracts was $4,523 million at December 31, 1995 and $4,730 million at December 31, 1994 of which U.S. and foreign government orders were $1,871 million and $1,803 million for the respective years. The Company anticipates that approximately $3,010 million of the total 1995 backlog will be filled during 1996.

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

In 1995, as in the prior year, world defense spending continued to decline. However, most major U.S. and international airlines operated in an improving economic environment. The modest turnaround that began in the second half of 1993, continued in 1994 and strengthened significantly in 1995. The regional airlines experienced strong growth while the high-end corporate aviation market showed moderate growth.

Aerospace received a number of significant contracts during 1995.

The Company's flight safety systems were chosen by several major airlines. Singapore Airlines selected the Company's flight safety and data management avionics for its 67 Boeing 747-400 and Airbus A340-300E aircraft in a contract with a potential sales value of more than $20 million. Scandinavian Airlines and Continental Airlines became the first two customers for the Company's Electro-Thermal Ice Protection System on their MD-80 aircraft. Southwest Airlines selected Avionics Systems to supply a complete package of avionics, including forward-looking windshear detection systems, and Equipment Systems to provide maintenance for wheels and brakes in contracts with a combined potential sales value of $175 million.

Engine's new TFE731-40 turbofan engine was chosen by Dassault for its new Falcon 50EX business jet. Engines was also selected to provide TPE331-14-GR/HR turboprop engines for 69 Jetstream 41 aircraft ordered by Trans States Airlines Inc. and SA Airlink of South Africa; the contract, including spares and service, has a potential sales value of $220 million. Engines was chosen to supply TFE731-5BR turbofan engines for the new Raytheon Hawker 800XP aircraft in a contract with a potential sales value of $300 million. Engines and Avionics Systems received a contract with a potential sales value of $240 million for the LF-507 engines and avionics for the Avro RJ-85 aircraft chosen by Sabena Airlines and Swissair. Equipment Systems was selected by GE Aircraft Engines to supply the start system for the CF34-8C.

In military markets, Electronic Systems won several key awards. Northrop Grumman selected Electronic Systems to be the sole supplier of the navigation system for the U.S. Army's brilliant anti-armor submunition program; the contract has a potential sales value of $200 million. McDonnell Douglas Helicopter Systems selected the Company to provide multipurpose displays for its AH-64D Longbow Apache advanced attack helicopter in a contract with a sales potential in excess of $300 million. Equipment Systems will provide the turbine cooling valve for Pratt & Whitney's F119 engine, currently under development to power the twin-engine F-22 Advanced Tactical Fighter; the award has a potential sales value of more than $12 million. Equipment Systems also was awarded a contract having a potential sales value of $20 million by the U.S. Navy (USN) to provide F-18 wheel and brake spare parts and contracts for various valve systems on the Seawolf and New Attack submarines. Raytheon Aircraft selected Avionics Systems to supply avionics for the new U.S. Air Force (USAF)/USN Joint Primary Aircraft Training System aircraft. The USN/Marine Corps selected Avionics Systems' new flat-panel, color liquid crystal displays to replace up to 700 mechanical horizontal situation indicators in its H46 helicopters.

In the general aviation market, the Company received several significant contracts. Engine's new RE100 Auxiliary Power Unit (APU) was selected by Learjet as the standard option for its new Lear 45 business jet. Equipment Systems received a contract to supply the air conditioning system for Cessna's new Citation Excel turbofan aircraft. Avionics Systems was selected by Cessna to be the exclusive supplier of avionics for the rebirth of the single-piston-engine aircraft.

A number of airlines selected Equipment Systems for their wheels and brakes for new aircraft, including: Japan Air System for wheels and brakes for its new fleet of Boeing 777 aircraft in a contract with potential sales valued at $54 million; Egyptair for wheels and carbon brakes for the airline's new Airbus A340s and Boeing 777s; and Shandong Airlines for wheels and brakes for its new Boeing 737 aircraft. The Company was also chosen by McDonnell Douglas to assemble and deliver an integrated landing system, including wheels and brakes, for its new MD-95 twin-jet aircraft.

In the helicopter market, McDonnell Douglas chose the Company's Bendix/King and Global Wulfsberg avionics for its new Explorer helicopter in a contract with a sales potential of $50 million. Light Helicopter Turbine Engine Company, a partnership with the Allison Engine Company, signed a contract with Hindustan Aeronautics Ltd. to provide CTS800 commercial turboshaft engines for a new advanced light helicopter. Projections of 300 helicopters could result in more than $150 million in engine sales.

AlliedSignal Technical Services Corp. (ATSC) received a contract with a $200 million sales potential from the USAF to provide maintenance, engineering services and modifications to the Air Force Satellite Control Network.

Equipment Systems received a contract from Bombardier Aerospace-North America to provide the integrated electrical power system for the new deHavilland Dash 8 Series 400 regional aircraft. McDonnell Douglas selected Avionics Systems to supply liquid crystal displays as part of a field upgrade program to retrofit the electro-mechanical flight instruments on the DC-8, DC-9, DC-10 and MD-80 aircraft.

The Company was also awarded a number of significant contracts in 1994.

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

The Company has received contracts for the MD-95. Equipment Systems will supply the environmental control systems and Avionics Systems will provide the communications and navigational systems on a supplier-furnished-equipment basis. The combined sales potential of the two contracts is more than $500 million.

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

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

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

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

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

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

The Company was also awarded new contracts in general aviation in 1994. Avionics Systems successfully penetrated the safety avionics market by winning a contract from Gulfstream to provide a safety avionics suite for the Gulfstream GV aircraft. The award included a traffic alert and collision avoidance system (TCAS II), ground proximity warning systems and maintenance data acquisition units. Israeli Aircraft Industries selected the Company for three contracts with a combined sales potential exceeding $30 million. The TFE731-40 engine, a turbofan from the Company's generation of TFE731 engines, was selected as the propulsion system for the Astra SPX aircraft and the Company's APUs and environmental control systems were selected for the Galaxy business jet. Dassault Aviation

selected Engines to supply the most powerful of its new family of turbofan engines, the TFE731-60, for Dassault's new Falcon 900EX. Engines received a contract for 69 TPE331-14 turboprop engines from Jetstream with a sales potential of $220 million. Canadair selected Engines to supply APUs and air turbine start systems for its fleet of Global Express aircraft with a combined sales potential of $50 million.

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

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

AUTOMOTIVE

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

For manufacturers of passenger cars and light trucks, the Company provides disc and drum brakes, power brake boosters and master cylinders, brake valves, wheel end products, 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, anti-lock braking systems (ABS), compressors, air dryers, friction materials, turbochargers and charge-air intercoolers.

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

Automotive operations are located in the U.S., Australia, Brazil, Canada, China, France, Germany, India, Ireland, Italy, Japan, Malaysia, Mexico, Poland, Portugal, South Korea, Spain, Turkey and the United Kingdom. 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 OE sales accounted for approximately 74% in both 1995 and 1994 of the net sales of the Automotive segment with aftermarket sales accounting for the balance. In 1995 and 1994 Automotive operations outside the U.S. accounted for $2,499 and $2,217 million, or 45% in both years, of worldwide sales.

In 1995 and 1994 sales of automotive OE systems and components were made to approximately 30 customers of which the Company's five largest automotive manufacturing customers accounted for approximately 52% and 56%, respectively, of such sales. Total worldwide sales (for OE and aftermarket use) for 1995 and 1994 to the Company's five largest automotive manufacturing customers amounted to $2,138 and $2,063 million, including sales to Ford Motor Company (Ford), the segment's largest customer, of $887 and $782 million for the respective years.

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

The Automotive segment's products are sold in highly competitive markets to customers who demand performance, quality and competitive prices. Virtually all automotive components are sold in competition with other independent suppliers or with the captive component divisions of the vehicle manufacturers. While the Company's competitive position varies among its products, the Company believes it is a significant factor in each of its major product markets. The major independent competitors in one or more major business areas include: ITT Teves, Lucas Girling, Rockwell-WABCO, Dana, Autoliv, Cooper Industries, Schwitzer, Midland, Bosch, Kelsey Hayes, KKK, TRW, Purolator, Delco, AM Brake, Raybestos, Takata and Morton.

In 1994 the Company established two joint ventures in Europe, one with Sogefi S.p.A. and the other with Gilardini, a subsidiary of Fiat, and Sequa. The joint venture with Sogefi S.p.A., a European manufacturer and distributor of automotive filters and other automotive products, has enabled both partners to penetrate new markets through a joint distribution network and to reduce costs through consolidation of both warehouses and distribution centers. The joint venture with Gilardini and Sequa -- BAG, S.p.A. -- which began operations in the third quarter of 1995, manufactures and supplies hybrid inflators for driver- and passenger-side air bag modules that are assembled by the Company's new plant in Italy. Hybrid inflators provide a cost-efficient method of inflating air bags, using compressed argon gas and a proprietary environmentally-friendly solid generant from the Atlantic Research Corporation, which is used to heat the gas. These operations provide the Company with an entry into the European air bag market. In January 1995 the Company and Jidosha Kiki Co. of Japan formed a joint venture to supply brake boosters for vehicles built in Europe by Japanese manufacturers. The venture is based in Pamplona, Spain.

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

In April 1995 the Company acquired the Budd Company's Wheel and Brake Division, whose products include: rotors, hubs, drums and related assemblies for passenger cars and light trucks; steel disk wheels for heavy trucks; and demountable rims and hub and drum assemblies for medium- and heavy-duty trucks. The Wheel and Brake Division had 1994 sales of over $300 million.

In June 1995 the Company acquired Fiat Auto Poland S.A. (Fiat)'s braking business in Poland, whose products include disc and drum brakes, master cylinders and brake boosters; and became the exclusive supplier of braking systems to Fiat in Poland. The manufacturing facility of the business is located in Twargodora, Poland. Annual sales approximate $30 million.

In 1995 the Company purchased Transturk Holding's 68% interest in Transturk Fren Donanim Industriesi AS, a leading Turkish manufacturer of braking systems. The acquisition brings the Company's investment in the company to 80%. Annual sales approximate $27 million.

Construction of a new turbocharger plant in Shanghai, China was completed and production began in September 1995. This facility enables the Company to serve the rapidly growing diesel engine market in China and provide turbochargers to international markets as opportunities develop.

Automotive, as previously announced, has decided to exit the light-vehicle ABS business and is conducting discussions concerning the future of its light-vehicle braking business. Exiting the ABS business could hinder the Company's ability to remain a first tier supplier of complete braking systems. The Company expects that neither exiting the ABS business nor the absence of an agreement regarding the light-vehicle braking business would have a material impact on the Company's results of operations or financial position in 1996. The ABS actions do not affect the heavy-truck ABS business, in which the Company's joint venture with Knorr-Bremse has a significant market position.

In addition, a reduction in the Automotive workforce was announced and substantially completed in the fourth quarter of 1995. The reduction eliminates approximately 3,100 full-time-equivalent positions. The workforce reduction is expected to be completed by the end of 1996.

ENGINEERED MATERIALS

The Engineered Materials segment is composed of four major divisions: Polymers, Fluorine Products, Specialty Chemicals and Electronic Materials. The Specialty Chemicals and Electronic Materials divisions were formed in February 1996 by realigning some of Engineered Materials' businesses in order to increase the focus on the rapidly growing global markets these divisions serve.

Polymers. The Polymers division consists of the Fibers and Plastics businesses which were combined in 1995 to enhance the units' vertical integration and ensure optimization throughout the nylon system.

The Company's Fibers business 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', CrushResisterTM 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 1995 the Company announced plans to increase capacity at its industrial polyester yarn facility in Longlaville, France at a cost of approximately $45 million. In November 1995 the Company acquired Bridgestone/Firestone's 50 million-pound industrial polyester fiber plant in Hopewell, Virginia. With anticipated modernization, the Company believes that the Hopewell plant will have annual sales of approximately $100 million. The Company believes that polyester yarn will become the primary reinforcement for passenger car radial tires in the world in the late 1990s and is exploring development opportunities in the Asia/Pacific region.

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

The Plastics business manufactures and markets engineering resins. The Company is a leading producer of nylon 6 engineering resins (Capron'r') for the automotive, electrical and electronic component, food packaging, lawn care and power tool markets.

In October 1995 the Company acquired the nylon plastics and industrial fibers manufacturing facilities in Rudolstadt, Germany, from the German state of Thuringia. The Company plans to invest about $100 million during the next three years to expand and upgrade the facility.

Fluorine Products. The Fluorine Products business consists of Hydrofluoric Acid (HF), Fluorocarbons, Nuclear Services, Sulfur Hexafluoride (SF6) and Sterilant Gases.

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

Genetron'r' fluorocarbons are sold mainly as refrigerants to OE 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. The Montreal Protocol (Protocol), which has been signed by the United States, regulates worldwide chlorofluorocarbons (CFC) production and consumption. With few exceptions, the Protocol required 100% elimination of fully halogenated CFC production by industrialized countries as of December 31, 1995. The amended U.S. Clean Air Act also regulates CFCs and similarly required that most U.S. production of CFCs be phased out by the end of 1995.

CFCs produced in the U.S. are also subject to the Ozone Depleting Chemical Tax of the Revenue Reconciliation Act of 1989. In accordance with applicable law, the Company's Genetron'r' and Genesolv'r' products include CFCs.

The Company is continuing its efforts to develop environmentally-friendly fluorocarbon products as it replaces the current CFC product line. An existing commercial plant in El Segundo, California was converted in 1991 to manufacture hydrochlorofluorocarbon (HCFC)-141b, a key substitute for CFC-11, a blowing agent in urethane foams, and as a replacement for CFC-113 in critical solvent applications. By 1994 the Company more than tripled the plant's capacity to 60 million pounds per year. The Company has commercialized key CFC substitute products in various applications, including automotive air conditioning and residential, commercial and industrial refrigeration. In this connection, the Company began manufacturing environmentally-friendly alternatives to CFCs at a new $70 million multi-product commercial facility in Geismar, Louisiana targeted primarily at the substitute products HCFC-123, HCFC-124, hydrofluorocarbon (HFC)-125 and HFC-134a. The Company is continuing its research and development efforts in view of the changing regulatory environment in which it operates. The Company cannot predict the impact of possible future regulatory issues.

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

The Company's Nuclear Services business processes uranium ore concentrates into UF6 which is an essential intermediate in the production of fuel elements for nuclear power reactors for domestic and foreign customers. A Company subsidiary is in 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 Company also produces sterilant gases which primarily consist of blends of ethylene oxide and fluorocarbons that are sold to hospitals, medical device manufacturers and contract sterilizers. The Company holds the patents for selected sterilant gas blends using environmentally-friendly fluorocarbons.

Specialty Chemicals. Businesses included are Riedel-de Haen, Performance Chemicals, A-C'r' Performance Additives, the UOP joint venture, Carbon Materials, the Environmental Catalysts joint venture and Specialty Films.

In October 1995 the Company purchased Hoechst AG's 95.8% interest in Riedel-de Haen AG, a specialty chemicals manufacturer located in Seelze, Germany. Riedel-de Haen manufactures products for the pharmaceutical and electronics industries, as well as coatings, photo dyes and specialty pigments markets. Annual sales approximate $250 million.

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

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

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

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

Major products in the Specialty Films business include cast nylon (Capran'r'), biaxially oriented nylon film (Biax'r') and fluoropolymer film (Aclar'r'). Specialty film markets include food, pharmaceutical, and other packaging and industrial applications. The Company plans to begin manufacturing SpectraVueTM, a line of thin plastic films that significantly improves the image quality of Liquid Crystal Displays, during 1996. The Company will manufacture SpectraVueTM components from a new $25 million facility in Elizabeth, New Jersey.

Electronic Materials. Businesses included are Laminate Systems, Advanced Microelectronic Materials and Amorphous Metals.

Laminate Systems 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 55% of sales are to the international market, primarily in southeast Asia and throughout Europe. The industry is highly price competitive. The Company, in partnership with Mitsui Mining and Smelting Company, is backward integrated in electro deposited copper foil. This unit also manufactures electrical grade glass yarns in partnership with Nittobo Corporation of Japan.

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

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

In December 1995 the Company exited its high-density polyethylene (HDPE) business. Paxon Polymer Company, L.P., a partnership of the Company and Exxon Chemical Company, transferred the HDPE business to Exxon.

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

SEGMENT FINANCIAL DATA

Note 23 (Segment Financial Data) of Notes to Financial Statements in the Company's 1995 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 1995 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, Poland, Portugal, South Korea, Spain, Singapore, Taiwan, the Netherlands and the United Kingdom. The Company maintains sales and business offices in these and various other countries, including Austria, Belgium, China, Denmark, Finland, Hong Kong, India, New Zealand, Norway, Sweden and Turkey as well as warehousing, distribution and aircraft repair and overhaul facilities to support foreign operations and export sales. Further information about foreign activities is discussed in the segment narratives.

RAW MATERIALS

Among the principal raw materials used by the Company, in addition to those previously discussed for the Engineered Materials segment, are electronic, optical and mechanical component parts and assemblies, electronic and electromechanical devices, metallic products, 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 14,000 patents or pending patent applications and is licensed under other patents covering certain of its products and processes. It believes that, in the aggregate, the rights under such patents and licenses are generally important to its operations, but does not consider that any patent or license or group of them related to a specific process or product is of material importance in relation to the Company's total business.

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

RESEARCH AND DEVELOPMENT

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

Research and development expense totaled $353, $318 and $313 million in 1995, 1994 and 1993, respectively. Customer-sponsored (principally the U.S. government) research and development activities amounted to an additional $536, $486 and $514 million in 1995, 1994 and 1993, respectively.

The Company has approximately 48 research 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 $44 million in 1995. The Company estimates that during each of the years 1996 and 1997 such capital expenditures will be in the $40 to $45 million range. In addition to capital expenditures, the Company has incurred and will continue to incur operating costs in connection with such facilities.

Reference is made to Management's Discussion and Analysis at page 21 of the Company's 1995 Annual Report to shareowners, incorporated herein by reference, for further information regarding environmental matters.

EMPLOYEES

The Company had an aggregate of 88,500 salaried and hourly employees at December 31, 1995. Of the approximately 33,000 unionized employees, 19,000 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 Steelworkers of America, the Oil, Chemical and Atomic Workers International Union, the International Brotherhood of Teamsters and many other international unions. Relations between the Company and its employees and their various representatives have been generally satisfactory, although the Company has experienced work stoppages from time to time. Approximately 39% of the Company's U.S. and Canadian unionized employees are covered by labor contracts scheduled to expire in 1996. Major labor negotiations will include locations in all of the segments.

ITEM 2. PROPERTIES

The Company has 372 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)
Tempe, AZ
Tucson, AZ (partially leased)
Torrance, CA (partially leased)
Stratford, CT (owned by the U.S. Government and managed by the Company)
Fort Lauderdale, FL
South Bend, IN
Lawrence, KS
Olathe, KS
Columbia, MD
Towson, MD
Teterboro, NJ
Rocky Mount, NC
Rexdale, Ont., Canada (partially leased)
Raunheim, Germany

AUTOMOTIVE

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

ENGINEERED MATERIALS

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

ITEM 3. LEGAL PROCEEDINGS

The first and second paragraphs of Note 19 (Commitments and Contingencies) of Notes to Financial Statements at page 35 of the Company's 1995 Annual Report to shareowners are incorporated herein by reference.

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

Not Applicable

EXECUTIVE OFFICERS OF THE REGISTRANT

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

NAME, AGE, DATE FIRST ELECTED AN OFFICER	BUSINESS EXPERIENCE
Lawrence A. Bossidy (a), 60 1991	Chairman of the Board since January 1992. Chief Executive Officer of the Company since July 1991. Vice Chairman and Executive Officer of the General Electric Company (diversified industrial corporation) from 1984 to June 1991.
John W. Barter, 49 1985	Executive Vice President and President, AlliedSignal Automotive since October 1994. Senior Vice President and Chief Financial Officer from July 1988 to September 1994.
Daniel P. Burnham, 49 1991	Executive Vice President and President, AlliedSignal Aerospace since January 1992. Executive Vice President and President-Elect, AlliedSignal Aerospace Company from July 1991 to December 1991. President, AiResearch Group from March 1990 to June 1991.
Frederic M. Poses, 53 1988	Executive Vice President and President, AlliedSignal Engineered Materials since April 1988.
Isaac R. Barpal, 56 1993	Senior Vice President and Chief Technology Officer since August 1993. Vice President -- Science & Technology of Westinghouse Electric Corporation (electric equipment manufacturer) from June 1987 to July 1993.
Peter M. Kreindler, 50 1992	Senior Vice President, General Counsel and Secretary since December 1994. Senior Vice President and General Counsel from March 1992 to November 1994. Senior Vice President and General Counsel-Elect from January 1992 to February 1992. Partner, Arnold & Porter (law firm) from January 1990 to December 1991.
Donald J. Redlinger, 51 1991	Senior Vice President -- Human Resources and Communications since February 1995. Senior Vice President -- Human Resources from January 1991 to January 1995.
Paul R. Schindler, 54 1993	Senior Vice President -- International since August 1993. Chairman of Imperial Chemical Industries Asia/Pacific (chemical manufacturer) from April 1991 to July 1993. Chairman of Imperial Chemical Industries China from July 1989 to March 1991.
James E. Sierk, 57 1991	Senior Vice President -- Quality and Productivity since January 1991.

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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
Richard F. Wallman, 44 1995	Senior Vice President and Chief Financial Officer since March 1995. Vice President and Controller of International Business Machines Corp. (IBM) (manufacturer of information-handling systems) from April 1994 to February 1995. General Assistant Controller of IBM from October 1993 to March 1994. Assistant Controller -- Sales & Marketing of Chrysler Corporation (automobile manufacturer) from April 1989 to September 1993.
Kenneth W. Cole, 48 1989	Vice President -- Government Relations since January 1989.
G. Peter D'Aloia, 51 1985	Vice President and Controller since February 1994. Vice President and Treasurer from August 1988 to January 1994.
Catherine M. de Lacy, 38 1995	Vice President, Health, Safety and Environmental since July 1995. Vice President -- Health, Safety and Environmental of Occidental Petroleum Corporation (oil and gas explorer, developer, producer and marketer) from April 1993 to June 1995. Director -- Environmental Affairs & Technical Support of Occidental Petroleum Corporation from May 1990 to March 1993.
Nancy A. Garvey, 46 1994	Vice President and Treasurer since February 1994. Staff Vice President -- Investor Relations from November 1989 to January 1994.
Larry E. Kittelberger, 47 1996	Vice President and Chief Information Officer since August 1995 (Executive Officer since February 1996). Corporate Chairman -- Information Officer Leadership Committee of Tenneco Inc. (diversified industrial concern) from June 1989 to July 1995.
Frederick H. McClintock, 59 1996	Vice President -- Materials Management since February 1996. Vice President -- Materials Management AlliedSignal Aerospace from March 1992 to January 1996. Owner and operator of Global Supply Institute (consulting business) from June 1990 to February 1992.
Richard P. Schroeder, 44 1994	Vice President -- Manufacturing since June 1994. Vice President of Quality, Operations and Supply Management at Asea Brown Boveri Inc. (international electrical engineering company) -- Industrial Group and North American operations from August 1991 to May 1994. Vice President and General Manager Customer Service, Corporate Quality, and Government Compliance of Codex (communications for both voice and data communications systems), a unit of Motorola, Inc., from November 1986 to July 1991.

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 25 (Unaudited Quarterly Financial Information) of Notes to Financial Statements at page 38 of the Company's 1995 Annual Report to shareowners, and such information is incorporated herein by reference.

The number of record holders of the Registrant's common stock is contained in the statement 'Selected Financial Data' at page 39 of the Company's 1995 Annual Report to shareowners, and such information is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information included under the captions 'For the Year' and 'At Year-End' in the statement 'Selected Financial Data' at page 39 of the Company's 1995 Annual Report to shareowners is incorporated herein by reference.

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

'Management's Discussion and Analysis' on pages 19 through 25 of the Company's 1995 Annual Report to shareowners is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements, together with the report thereon of Price Waterhouse LLP dated February 1, 1996 appearing on pages 26 through 38 of the Company's 1995 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 1995 Annual Report to shareowners is not to be deemed filed as part of this Form 10-K Annual Report.

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

Not Applicable

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information relating to directors of the Registrant, as well as information relating to compliance with Section 16(a) of the Securities Exchange Act of 1934, will be contained in a definitive Proxy Statement involving the election of directors which the Registrant will file with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after December 31, 1995, and such information is incorporated herein by reference. Certain other information relating to Executive Officers of the Registrant appears at pages 15 and 16 of this Form 10-K Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not Applicable

PART IV.

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

	PAGE IN ANNUAL REPORT TO SHAREOWNERS
(a)(1.) Index to Consolidated Financial Statements:	
Incorporated by reference to the 1995 Annual Report to shareowners:	
Report of Independent Accountants	38
Consolidated Statement of Income for the years ended December 31, 1995, 1994 and 1993	26
Consolidated Statement of Retained Earnings for the years ended December 31, 1995, 1994 and 1993	26
Consolidated Balance Sheet at December 31, 1995 and 1994	27
Consolidated Statement of Cash Flows for the years ended December 31, 1995, 1994 and 1993	28
Notes to Financial Statements	29

(a)(2.) Consolidated Financial Statement Schedules

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

(a)(3.) Exhibits

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

EXHIBIT NO.	DESCRIPTION
13	Pages 19 through 39 (except for the data included under the captions 'Financial Statistics' on page 39) of the Company's 1995 Annual Report to shareowners
21	Subsidiaries of the Registrant
23	Consent of Independent Accountants
24	Powers of Attorney
27	Financial Data Schedule

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

(b) Reports on Form 8-K

No reports on Form 8-K were filed for the three months ended December 31, 1995.

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.

February 27, 1996

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	* Russell E. Palmer, Director
* Hans W. Becherer, Director	* Ivan G. Seidenberg, Director
* Eugene E. Covert, Director	* Andrew C. Sigler, Director
* Ann M. Fudge, Director	* John R. Stafford, Director
* Paul X. Kelley, Director	* Thomas P. Stafford, Director
* Robert P. Luciano, Director	* Robert C. Winters, Director
* Robert B. Palmer, Director	
/s/ RICHARD F. WALLMAN Richard F. Wallman, 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/ RICHARD F. WALLMAN

(Richard F. Wallman
Attorney-in-fact)

February 27, 1996

STATEMENT OF DIFFERENCES

The registered trademark symbol shall be expressed as 'r'
The trademark symbol shall be expressed as 'tm'
The subscript numerics in chemistry notation shall be expressed as baseline numerics, e.g., sulfur hexafluoride would be expressed SF6.

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3(i)	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 99.1 to the Company's Form 10-Q for the quarter ended March 31, 1993)
3(ii)	By-laws of the Company, as amended (incorporated by reference to Exhibit 99.2 to the Company's Form 10-Q for the quarter ended March 31, 1993)
4	The Company is a party to several long-term debt instruments under which, in each case, the total amount of securities authorized does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, the Company agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
9	Omitted (Inapplicable)
10.1	Master Support Agreement, dated as of February 26, 1986 as amended and restated as of January 27, 1987, as further amended as of July 1, 1987 and as again amended and restated as of December 7, 1988, by and among the Company, Wheelabrator Technologies Inc., certain subsidiaries of Wheelabrator Technologies Inc., The Henley Group, Inc. and Henley Newco Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-K for the year ended December 31, 1988)
10.2*	Deferred Compensation Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit 10.2 to the Company's Form 10-K for the year ended December 31, 1993)
10.3*	Retirement Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit 19.2 to the Company's Form 10-Q for the quarter ended June 30, 1990)
10.4*	Stock Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit C to the Company's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934)
10.5*	1985 Stock Plan for Employees of Allied-Signal Inc. and its Subsidiaries, as amended (incorporated by reference to Exhibit 19.3 to the Company's Form 10-Q for the quarter ended September 30, 1991)
10.6*	AlliedSignal Inc. Incentive Compensation Plan for Executive Employees, as amended (incorporated by reference to Exhibit B to the Company's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934)
10.7*	Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of AlliedSignal Inc. and its Subsidiaries, as amended (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 1995)
10.8*	1982 Stock Option Plan for Executive Employees of Allied Corporation and its Subsidiaries, as amended (incorporated by reference to Exhibit 19.4 to the Company's Form 10-Q for the quarter ended September 30, 1991)
10.9*	AlliedSignal Inc. Severance Plan for Senior Executives, as amended (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 1994)
10.10*	Salary Deferral Plan for Selected Employees of AlliedSignal Inc. and its Affiliates, as amended (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended March 31, 1995)

EXHIBIT NO.	DESCRIPTION
10.11*	1993 Stock Plan for Employees of AlliedSignal Inc. and its Affiliates (incorporated by reference to Exhibit A to the Company's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934)
10.12*	Amended and restated Agreement dated May 6, 1994 between the Company and Lawrence A. Bossidy (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended June 30, 1994)
10.13	Five-Year Credit Agreement dated as of June 30, 1995 by and between AlliedSignal Inc., a Delaware corporation, the banks, financial institutions and other institutional lenders listed on the signature pages thereof (the 'Lenders'), Citibank, N.A., as agent, and ABN Amro Bank N.V. and Morgan Guaranty Trust Company of New York, as co-agents, for the Lenders (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 1995)
10.14	364-Day Credit Agreement dated as of June 30, 1995 by and between AlliedSignal Inc., a Delaware corporation, the banks, financial institutions and other institutional lenders listed on the signature pages thereof (the 'Lenders'), Citibank, N.A., as agent, and ABN Amro Bank N.V. and Morgan Guaranty Trust Company of New York, as co-agents, for the Lenders (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended June 30, 1995)
11	Omitted (Inapplicable)
12	Omitted (Inapplicable)
13	Pages 19 through 39 (except for the data included under the captions 'Financial Statistics' on page 39) of the Company's 1995 Annual Report to shareowners (filed herewith)
16	Omitted (Inapplicable)
18	Omitted (Inapplicable)
21	Subsidiaries of the Registrant (filed herewith)
22	Omitted (Inapplicable)
23	Consent of Independent Accountants (filed herewith)
24	Powers of Attorney (filed herewith)
27	Financial Data Schedule (filed herewith)
28	Omitted (Inapplicable)
99	Omitted (Inapplicable)

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

1995 Compared with 1994

IN 1995 THE COMPANY DEDICATED SUBSTANTIAL RESOURCES TO LINKING A PROGRESSION OF INNOVATIVE PROCESS IMPROVEMENTS TO FOCUS MORE ON CUSTOMER SATISFACTION. The initiatives focus our efforts to provide our customers with a quality product, delivered on time, without defects, at a highly competitive price. The Company continued to grow its businesses through the introduction of new products, market expansion, niche acquisitions and globalization. The Company accelerated its aggressive global growth strategy, and international customers provided 40% of the Company's total 1995 sales. These process improvements and growth initiatives contributed to strong operating results in 1995 despite increased customer-driven price constraints and unfavorable results by Automotive's anti-lock braking systems (ABS) business.

IN 1995 THE COMPANY TOOK FURTHER ACTIONS TO IMPROVE PROFITABILITY, INTRODUCED SEVERAL NEW PRODUCTS AND GLOBALIZED A NUMBER OF KEY BUSINESSES THROUGH INTERNAL GROWTH AND ACQUISITIONS:

Aerospace made a significant contribution toward making aircraft safer with the development of an early warning system for windshear and a ground proximity warning system. In addition, the Company's traffic alert and collision avoidance system (TCAS), initially developed for large aircraft, had strong sales to the regional airlines in 1995. In January 1996 the Company completed the acquisition of Northrop Grumman Corporation's precision products business based in Norwood, Massachusetts. The acquisition, which has annual sales of approximately $39 million, is expected to bolster Aerospace's navigation and guidance systems business for military and space applications. During 1995 the Company also increased its investment in Societe D'Etudes et de Constructions Aero-Navales to 83% by purchasing an additional 34% interest in Europe's leading supplier of aircraft heat exchange equipment. To facilitate future growth and further establish a global presence, Aerospace formed a joint venture in Russia to market wheels, brakes and brake systems for civilian aircraft and has agreed to form other joint ventures in Russia and China.

Automotive, as previously announced, has decided to exit the light-vehicle ABS business and is conducting discussions concerning the future of its light-vehicle braking business. Exiting the ABS business could hinder the Company's ability to remain a first tier supplier of complete braking systems. The Company expects that neither exiting the ABS business nor the absence of an agreement regarding the light-vehicle braking business would have a material impact on the Company's results of operations or financial position in 1996. See Note 3 of Notes to Financial Statements for additional information. In addition, a reduction in the Automotive workforce was announced and substantially completed in the fourth quarter of 1995. The reduction eliminates approximately 3,100 salaried and hourly full-time-equivalent positions and is expected to be completed by the end of 1996. In April 1995 the Company acquired the Budd Company's Wheel & Brake Division (Budd Wheel & Brake), which has annual sales of more than $300 million. In June 1995 the Company acquired Fiat Auto Poland S.A. (Fiat)'s braking business, which is expected to continue to supply Fiat's two automotive assembly facilities in Poland. Annual sales approximate $30 million. In October 1995 Automotive increased to 80% its ownership in the Turkish brake manufacturer, Transturk Fren Donanim Industriesi AS. Annual sales approximate $27 million. Also in 1995 a new joint venture began manufacturing hybrid inflators for driver- and passenger-side air bag modules that are being assembled at the Company's new plant in Italy. Production also began at a new turbocharger plant in Shanghai, China.

Engineered Materials purchased Hoechst AG's 95.8% interest in Riedel-de Haen AG (Riedel-de Haen), a German specialty chemicals manufacturer in October 1995. Riedel-de Haen manufactures chemicals for the pharmaceutical and electronics industries, as well as the coatings, photo dyes and specialty pigments markets. Annual sales approximate $250 million. Also in October the Company acquired a nylon plastics and industrial fibers manufacturing facility in Rudolstadt, Germany with annual sales of approximately $60 million. The Company plans to invest about $100 million during the next three years to expand and upgrade the facility. In November 1995 the Company acquired Bridgestone/Firestone's 50 million-pound industrial polyester fiber plant in Hopewell, Virginia. With anticipated modernization, the Company believes that the Hopewell plant will have annual sales of approximately $100 million. In December 1995 the Company exited its high-density polyethylene (HDPE) business. Paxon Polymer Company, L.P. (Paxon), a partnership of the Company and Exxon Chemical Company (Exxon), transferred the HDPE business to Exxon. See Note 3 of Notes to Financial Statements for additional information.

THE BOARD OF DIRECTORS VOTED TO INCREASE THE REGULAR QUARTERLY DIVIDEND ON THE COMMON STOCK BY 15%, FROM $0.195 TO $0.225 PER SHARE. The dividend increase will be effective in the first quarter of 1996. The Company had previously increased its regular quarterly dividend by 16% in the first quarter of 1995.

RESULTS OF OPERATIONS. Record sales and net income were achieved again in 1995 as gains were realized in all business segments through growth, strong demand and productivity initiatives.

NET SALES in 1995 were $14,346 million, an increase of 12% over 1994. Of the $1,529 million increase, $613 million was the result of strong volume gains by the Engineered Materials and Aerospace segments and $760 million from the consolidation of recent acquisitions offset in part by a $91 million reduction for disposed businesses, $181 million was the result of favorable foreign exchange rate fluctuations in the Automotive segment and $66 million was due to higher prices in the Engineered Materials segment. Automotive's sales increased $627 million, or 13%, Engineered Materials was $441 million, or 13%, higher and Aerospace had a $461 million, or 10%, gain.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES as a percent of net sales decreased from 10.7% in 1994 to 10.5% in 1995.

Expenses increased by $137 million, or 10%, reflecting in part the impact of acquisitions.

INCOME FROM OPERATIONS of $1,260 million in 1995 improved by $108 million, or 9%, compared with last year. Excluding the nonrecurring items in 1995 (see Note 3 of Notes to Financial Statements for information), income from operations improved by $152 million, or 13%. Engineered Materials' and Aerospace's income from operations both increased 20%; while Automotive had a 1% decrease. Operating margins increased slightly, from 9.0% in 1994 to 9.1% in 1995, and productivity (the constant dollar basis relationship of sales to costs) of the Company's businesses increased 5.2% over last year reflecting manufacturing and materials management initiatives and unit sales increases. See the detailed discussion of net income below for information by industry segment.

EQUITY IN INCOME OF AFFILIATED COMPANIES of $191 million increased by $62 million, or 48%, compared with last year mainly because of improved joint venture earnings for Paxon, UOP process technology (UOP), Knorr-Bremse AG (Knorr-Bremse)'s European truck brake systems and Converdyn conversion services.

OTHER INCOME (EXPENSE), a $22 million loss, improved by $5 million, or 19%, compared with a loss of $27 million in 1994 primarily reflecting a gain on the sale of an investment and lower foreign exchange losses. Higher minority interest was a partial offset.

INTEREST AND OTHER FINANCIAL CHARGES of $168 million increased by $25 million, or 17%, from 1994 largely due to higher average interest rates and an increased level of debt.

NET INCOME in 1995 was $875 million, or $3.09 a share, an increase of 15% compared with $759 million, or $2.68 a share, for 1994. The higher income in 1995 was the result of strong operating performance by the Engineered Materials and Aerospace segments and a small increase by Automotive.

A DISCUSSION OF THE OPERATIONS OF THE BUSINESS SEGMENTS follows. Adjusted net income for the Automotive and Engineered Materials segments excludes the impact of the 1995 nonrecurring items. (Dollars in millions)

Aerospace	NET SALES	NET INCOME
1995	$ 5,084	$ 303
1994	4,623	260
Increase	$ 461	$ 43

Aerospace's sales increased 10% reflecting the acquisition of Textron's Lycoming Turbine Engine Division (Lycoming Engine) in October 1994, continued strong demand for safety-related commercial avionics systems, such as predictive windshear, ground proximity warning, global positioning and TCAS, and higher sales of auxiliary power units (APUs). TCAS sales were particularly strong as U.S. operators of 10-to-30-seat aircraft complied with the Federal Aviation Administration's mandate to install TCAS by the end of 1995. Commercial and military aftermarket showed strong growth. Equipment Systems' repair and overhaul services and environmental control systems also had higher sales. This increase was somewhat offset by lower sales for Government Electronics Systems, where comparisons were adversely affected by one-time contract settlements in 1994 and the closeout of certain programs.

Overall, the Company's 1995 sales to the Department of Defense (DoD), as a prime contractor and subcontractor, declined 7% compared with 1994 because of reduced defense spending. Sales to the commercial and foreign government markets increased 19%, while sales to the National Aeronautics and Space Administration (NASA) and other U.S. government agencies increased 2% in 1995. Sales to the DoD accounted for 24% of Aerospace's total sales, a decrease of 4 percentage points compared with 1994.

Aerospace's net income improved 17% compared with last year. Synergies from the Lycoming Engine acquisition, process improvements, organizational efficiencies, higher sales of APUs and continued strong demand for safety-related Commercial Avionics Systems contributed to significantly higher income. Profit margins benefited by the early product development and marketing of the safety-related avionics systems. Strong sales of higher margin commercial and military aftermarket products also contributed to higher income. Equipment Systems had higher earnings from improved sales of environmental control systems as well as from increased repair and overhaul business. Earnings related to government services also improved, but Government Electronic Systems had lower income primarily due to earnings related to one-time contract settlements in 1994 and manufacturing difficulties.

The U.S. defense budget is expected to continue to decline for a number of years, but at a progressively slower rate. A number of the Company's military and space programs may be stretched out, curtailed or canceled. However, the Company does not expect that its defense-related sales will decline as rapidly as the defense budget because of recent acquisitions, opportunities to grow in certain markets and the Company's strong competitive position on various programs. The Company's ability to successfully retain and compete for such business is highly dependent on continually advancing its technology base, management procifiency, strategic alliances and cost-effective performance.

The Company believes that the cyclical downturn for the commercial aircraft industry reached bottom in 1995 and a small improvement is expected in 1996. Regional airline traffic continues to grow significantly and new regional aircraft orders were higher in 1995. The commercial aftermarket showed strong growth during 1995.

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

At December 31, 1995 and 1994 the Company had firm orders for its aerospace products from the U.S. and foreign governments of $1,871 and $1,803 million, respectively. Total backlog, including commercial contracts, at year-end 1995 and 1994 was $4,523 and $4,730 million, respectively. The Company anticipates that approximately $3,010 million of the total 1995 backlog will be filled during 1996.

Automotive	NET SALES	NET INCOME	ADJUSTED NET INCOME
1995	$ 5,549	$ 146	$ 217
1994	4,922	215	215
Increase/(Decrease)	$ 627	$ (69)	$ 2

Automotive's sales were up 13% compared with 1994 reflecting improvements in all major business units. Automotive's sales benefited from the acquisition of Budd Wheel & Brake as well as growing demand for braking systems in Europe. Although North American vehicle production volumes decreased slightly in 1995, North American braking systems' content per vehicle

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

1993	1994	1995
11.8	12.8	14.3

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

1993	1994	1995
656*	759	875

- ----------
* Before cumulative effect of 1993 change in accounting principle.

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

1993	1994	1995
2.31*	2.68	3.09

- ----------
* Before cumulative effect of 1993 change in accounting principle.

increased as a result of key business wins with the Ford Motor Company (Ford) and the Chrysler Corporation (Chrysler). ABS sales were significantly lower during the year. The acquisition of the seat belt business of the General Safety Corporation in late 1994 resulted in significant sales gains. Safety restraints also experienced increased sales due to higher air bag demand in North America and the startup of an air bag plant in Italy. European spark plug sales increased largely due to the acquisition of a spark plug plant in the U.K. in 1994. Record production levels of heavy trucks translated into increased sales for North American truck braking systems and turbochargers. The continuation of the trend toward producing diesel-powered cars in Europe and penetration into the Asian market also favorably impacted turbocharger sales. Turbocharger plants continue to operate at capacity levels. The segments sales improvement also reflects the impact of favorable foreign exchange rate fluctuations.

Automotive's adjusted net income improved by 1% compared with 1994. Net income was substantially higher for North American safety restraints principally reflecting materials management and operational initiatives and for the European aftermarket largely due to cost savings, improved distribution and pricing improvements. Turbochargers and truck braking systems had significantly higher income on strong sales growth. In addition, turbochargers experienced higher operating margins due to operational excellence and other manufacturing initiatives. Rapid growth in the European turbodiesel passenger car market and growth initiatives in the Asia/Pacific region have strained our turbocharger manufacturing capacity. Process improvements and a planned expansion are expected to alleviate the capacity constraints. Offsets included significant losses for ABS and reduced profit margins on North American light-vehicle braking systems.

Engineered Materials	NET SALES	NET INCOME	ADJUSTED NET INCOME
1995	$ 3,713	$ 473	$ 402
1994	3,272	330	330
Increase	$ 441	$ 143	$ 72

Engineered Materials sales increased 13% compared with 1994. Sales were higher for all Engineered Materials business units, especially polymers, performance materials and laminate systems. In the polymers business, sales were significantly higher because of price improvement for intermediate chemicals and increased sales volumes and prices for industrial polyester, especially in Europe. Plastics had strong sales growth in all product lines. Carpet fibers experienced price pressure and lower volumes throughout the fourth quarter of 1995 as the industry attempted to correct high levels of inventory. Performance materials had substantially higher sales reflecting increased sales of performance additives, advanced microelectronic materials and performance chemicals, in part reflecting the acquisition of Riedel-de Haen in late 1995. Laminate systems had significantly higher sales volumes mainly in the U.S. and Asia/Pacific region.

Engineered Materials' adjusted net income increased 22% compared with the same period last year. Net income was substantially higher for polymers as a result of price improvement for intermediate chemicals and increased sales volume and prices for plastics and higher sales volumes of industrial polyester fibers. Carpet fibers and textile nylon also had higher income largely the result of productivity improvements. Performance materials improved substantially due to higher sales of performance chemicals and advanced microelectronic materials. Uranium ore processing operations also improved. Laminate systems had higher income on significantly higher sales. Environmental catalysts and carbon materials also had income gains. There was also a substantial increase in net income from the Paxon and UOP joint ventures. Fluorine products had slightly lower net income, in part because of lower selling prices and costs associated with the transition to mandated chlorofluorocarbon (CFC) substitutes in the U.S. and other developed countries. Income from CFC substitutes was higher as the Company's proprietary refrigerants gained acceptance among original equipment (OE) manufacturers.

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, like other companies engaged in similar businesses, is a party to lawsuits and claims and has incurred remedial response and voluntary cleanup costs associated with environ-

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

	1993	1994	1995
Capital expenditures	718	639	746
Company-funded R&D	313	318	353
Total	1,031	957	1,099

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

1993	1994	1995
37.9	30.4	25.6

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

1993	1994	1995
30.6	28.9	26.7

mental matters. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future. The Company continually conducts studies, individually at Company-owned sites, and jointly as a member of industry groups at non-owned sites, to determine the feasibility of various remedial techniques to address environmental matters. It is the Company's policy to record appropriate liabilities for such matters when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated. The timing of these accruals is generally on the completion of feasibility studies or the settlement of claims, but in no event later than the Company's commitment to a plan of action.

Remedial response and voluntary cleanup expenditures were $72 and $66 million in 1995 and 1994, respectively, and are currently estimated to increase to approximately $90 million in 1996. 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 1995 the Company charged $25 million against pretax income for remedial response and voluntary cleanup costs. At December 31, 1995 the recorded liability for environmental matters was $454 million. In addition, in 1995 the Company incurred operating costs for ongoing businesses of approximately $85 million and capital expenditures of $44 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.

REGARDING FINANCIAL INSTRUMENTS, the Company, with operating and financing activities in numerous countries and sales throughout the world, is exposed to fluctuations in interest rates and foreign currency exchange rates. The Company manages exposure to changes in interest rates through its regular borrowing and investing decisions and, when deemed appropriate, through the use of interest rate swap agreements. The objective of such risk management activity is to minimize the cost of the Company's debt financing over an extended period of time. The Company manages exposure to foreign currency exchange rates for transactional items by matching and offsetting assets and liabilities and thereafter through financial hedge contracts with third parties. The Company does not use financial instruments for trading or other speculative purposes. See Note 15 of Notes to Financial Statements for further information on financial instruments.

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

THE FINANCIAL ACCOUNTING STANDARDS BOARD (FASB) issued Statement No. 121 - "Accounting for the Impairment of Long-lived Assets to Be Disposed Of" (FASB No.

121), effective for 1996. The Company is completing an analysis of FASB No. 121 which is not expected to have a material impact on the Company's results of operations or financial position.

The FASB issued Statement No. 123 - "Accounting for Stock-based Compensation" (FASB No. 123), which is also effective for 1996. The Company plans to continue to account for stock compensation in accordance with the provisions of the Accounting Principles Board Opinion No. 25 - "Accounting for Stock Issued to Employees", and will provide the pro-forma disclosures required by FASB No. 123 in the notes to the 1996 financial statements.

FINANCIAL CONDITION. Significant improvement in operating cash flows and strong earnings growth resulted in continued improvement in the Company's financial condition.

TOTAL ASSETS at December 31, 1995 were $12,465 million, an increase of $1,144 million from December 31, 1994, primarily due to acquisitions. Cash and cash equivalents at year-end 1995 were $540 million, an increase of $32 million compared with

December 31, 1994. Cash flows from operating activities increased by $173 million, or 17%, because of improved earnings and lower trade accounts receivable, partially offset by higher inventories to meet the Company's increased sales level. The current ratio at year-end 1995 was 1.3x, down slightly from 1.4x last year. The Company's working capital turnover was also down slightly to 5.2x at December 31, 1995 from 5.5x a year earlier.

THE MAXIMUM AMOUNT OF BORROWING available under the Company's revolving credit agreements (Credit Agreements) was reduced by the Company in June 1995 from $900 million to $750 million because the floating rate Employee Stock Ownership Plan (ESOP) notes were refinanced in 1995 and are no longer supported by the Credit Agreements. The Credit Agreements support the issuance of commercial paper. There was $58 million of commercial paper outstanding at year-end 1995 and no commercial paper outstanding at the end of 1994. Commercial paper borrowing reached a high of $900 million during 1995.

TOTAL DEBT at year-end 1995 of $2,010 million increased $323 million primarily as a result of increased short-term borrowing mainly due to acquisitions. Long-term debt of $1,366 million was reduced by $58 million during the year. The Company's total debt as a percent of capital was 33.7% at December 31, 1995, down from 34.1% at year-end 1994. Long-term debt to capital was 25.6% at year-end 1995, down from 30.4% at year-end 1994. See Note 13 of Notes to Financial Statements for details of long-term debt and a discussion of the Credit Agreements.

THE COMPANY REPURCHASED 5.5 MILLION SHARES OF COMMON STOCK for $239 million in 1995. Common stock was repurchased in 1995 to meet expected requirements for shares issued under employee benefit plans and a shareowner dividend reinvestment plan. At year-end 1995 the Company had 75.5 million shares of common stock held in treasury carried at $1,658 million. As of year-end 1995 the Company was authorized to repurchase 8.1 million shares of common stock.

CAPITAL EXPENDITURES during 1995 were $746 million, an increase of $107 million from the $639 million spent in 1994, mainly due to capacity expansions in the Engineered Materials segment. Spending by the segments and Corporate since 1993 is shown in Note 23 of Notes to Financial Statements. The Company's total capital expenditures in 1996 are currently projected at about $765 million. These expenditures are expected to be financed by internally generated funds. Approximately 67% of the projected 1996 expenditures are planned for expansion and cost reduction, 27% for replacement and maintenance and 6% for environmental projects.

1994 COMPARED WITH 1993

IN 1994 THE COMPANY DEVELOPED NEW INITIATIVES TO IMPROVE EFFICIENCY AND ELIMINATE WASTE, SHARPEN ITS FOCUS ON CUSTOMER SATISFACTION AND TARGET FOREIGN GROWTH OPPORTUNITIES. PRODUCTIVITY PROGRAMS STARTED SINCE 1991 CONTINUED TO ENHANCE AND GROW THE BUSINESS. One new initiative - Operational Excellence - will enhance productivity programs by redesigning the Company's basic processes to remove variations and improve manufacturing yields as well as by implementing measurement tools to monitor our progress. Another initiative - Customer Partnerships - involves customers in designing the Company's products, while reducing cycle times in engineering, manufacturing and product support. The Company will start training employees in 1995 in Total Quality Leadership Phase II to provide natural work teams with analytical tools for achieving process improvements.

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

Aerospace acquired Lycoming Engine in October 1994. This acquisition extends the Engines group's product offerings in the robust regional aircraft market as well as into helicopter and other commercial and military applications for turbine engines. To reduce costs and improve competitiveness in its core product lines, Aerospace consolidated 12 businesses into four integrated units and merged its sales and service organizations into a single group. During the year Aerospace introduced new high-technology products to enhance flight safety and also agreed to form a number of strategic alliances in Japan and China to better position itself as a global supplier and to secure a share of the fast-growing markets in the Asia/Pacific region.

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

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

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

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

INCOME FROM OPERATIONS of $1,152 million in 1994 improved by $198 million, or 21%. Excluding the nonrecurring items in 1993 (see Note 3 of Notes to Financial Statements for information), income from operations improved by $214 million, or 23%. Aerospace's income increased 12%; Automotive was 17% higher and Engineered Materials had a 30% gain. Operating margins increased from 7.9% in 1993 to 9.0% in 1994 and productivity increased by 6.2% over last year reflecting business consoli-

dations, cycle time reductions, materials management initiatives and unit sales increases. See the detailed discussion of net income below for information by industry segment.

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

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

THE EFFECTIVE TAX RATE in 1994 was 31.7% compared with 27.9% in 1993. The 3.8 percentage point increase in 1994 was due to a higher level of earnings subject to the U.S. statutory rate, additional non-deductible expenses in 1994 and the absence of the favorable impact of a rate increase on the 1993 beginning-of-the-year deferred tax balances as a result of the 1993 Tax Act. See Note 6 of Notes to Financial Statements for further information.

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

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

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

Aerospace	NET SALES	NET INCOME	ADJUSTED NET INCOME
1994	$ 4,623	$ 260	$ 260
1993	4,530	225	229
Increase	$ 93	$ 35	$ 31

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

Overall, the Company's 1994 sales to the DoD, as a prime contractor and subcontractor, declined by 7% compared with 1993 because of reduced defense spending. Sales to the commercial and foreign government markets increased by 5%, while sales to NASA and other U.S. government agencies increased by 13% in 1994. Sales to the DoD accounted for 28% of Aerospace's total sales, a decrease of 3 percentage points compared with 1993.

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

At December 31, 1994 and 1993 the Company had firm orders for its aerospace products from the U.S. and foreign governments of $1,803 and $1,861 million, respectively. Total backlog, including commercial contracts, at year-end 1994 and 1993 was $4,730 and $4,773 million, respectively.

Automotive	NET SALES	NET INCOME	ADJUSTED NET INCOME
1994	$ 4,922	$ 215	$ 215
1993	4,506	228	186

Increase/(Decrease)	$ 416	$ (13)	$ 29

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

Automotive's adjusted net income increased 16% reflecting higher sales for turbochargers, braking systems, truck brakes and air bags. OE sales were very strong in the North American market, and European businesses strengthened due to the economic turnaround occurring mainly in France and Spain. Income growth was limited by temporary capacity constraints in the turbocharger business. Productivity improvements, plant rationalization and materials management throughout the segment also contributed to the significantly higher earnings.

Engineered Materials	NET SALES	NET INCOME	ADJUSTED NET INCOME
1994	$ 3,272	$ 330	$ 330
1993	2,791	273	276
Increase	$ 481	$ 57	$ 54

Engineered Materials' sales increased 17% because of strong automotive, housing, industrial and electronics markets. Higher

sales volumes of industrial and carpet fibers also reflect shipments from the new polyester facility in France and the acquisition of a carpet nylon business in Europe. Laminates grew significantly through continued globalization and market share gains. Fluorine products had improved sales of environmentally-safer CFC substitutes as additional capacity was added during the year and as a result of recent acquisitions. Environmental catalysts had strong sales to the OE automotive industry. Plastics had higher sales to the automotive, packaging and distributor markets. Amorphous metals expanded sales to the article surveillance and transformer markets.

Adjusted net income for Engineered Materials was up 20% reflecting higher sales volumes for all businesses as well as operating efficiencies. The laminate systems business had strong earnings on substantially higher sales. Fluorine products had higher income reflecting increased CFC substitute capacity and cost reductions, although pricing pressures limited gains. The amorphous metals, performance chemicals and uranium hexafluoride businesses had increased income on higher sales. Carpet and industrial fibers had substantially higher earnings on increased sales volumes and prices, but these gains were mostly offset by higher raw material costs and by start-up costs at the Longlaville facility. Higher profit contributions were also realized from Engineered Materials' joint ventures - Paxon and UOP.

REGARDING ENVIRONMENTAL MATTERS, remedial response and voluntary cleanup expenditures were $66 and $65 million in 1994 and 1993, respectively.

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

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

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

THE MAXIMUM AMOUNT OF BORROWING available under the Company's Credit Agreements was $900 million. The Credit Agreements support the issuance of commercial paper as well as outstanding floating rate ESOP notes. There was no commercial paper outstanding at year-end 1994 and $164 million at the end of 1993. Commercial paper borrowing reached a high of $516 million during 1994. Outstanding ESOP notes, at favorable floating interest rates, totaled $217 and $259 million at December 31, 1994 and 1993, respectively.

TOTAL DEBT at year-end 1994 was $1,687 million, a decrease of $273 million, primarily as a result of paying down commercial paper and a redemption of a deutsche mark bond issue. Long-term debt was reduced by $178 million. The Company's total debt as a percent of capital was 34.1% at December 31, 1994, down from 42.7% at year-end 1993. Long-term debt to capital was 30.4% at year-end 1994, down from 37.9% at year-end 1993. See Note 13 of Notes to Financial Statements for details of long-term debt and a discussion of the Credit Agreements.

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

CAPITAL EXPENDITURES during 1994 were $639 million, a decrease of $79 million from the $718 million spent in 1993. Spending by the segments and Corporate since 1993 is shown in Note 23 of Notes to Financial Statements.

SAFE HARBOR STATEMENT under the Private Securities Litigation Reform Act of 1995: Except for the historical information contained herein, the matters discussed in this annual report are forward-looking statements which involve risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices, and other factors discussed in the Company's filings with the Securities and Exchange Commission.

Consolidated Statement of Income   AlliedSignal Inc.

Years ended December 31 (dollars in millions except per share amounts)	1995	1994	1993
Net sales	$ 14,346	$ 12,817	$ 11,827
Cost of goods sold	11,539	10,299	9,551
Selling, general and administrative expenses	1,503	1,366	1,338
Nonrecurring items	44	--	(16)
Total costs and expenses	13,086	11,665	10,873
Income from operations	1,260	1,152	954
Equity in income of affiliated companies	191	129	122
Other income (expense)	(22)	(27)	(9)
Interest and other financial charges	(168)	(143)	(157)
Income before taxes on income	1,261	1,111	910
Taxes on income	386	352	254
Income before cumulative effect of change in accounting principle	875	759	656
Cumulative effect of change in accounting principle	--	--	(245)
Net income	$ 875	$ 759	$ 411
Earnings per share of common stock: (a)			
Before cumulative effect of change in accounting principle	$ 3.09	$ 2.68	$ 2.31
Cumulative effect of change in accounting principle	--	--	(.86)
Net earnings	$ 3.09	$ 2.68	$ 1.45

(a) Earnings per share of common stock are based upon the following weighted average number of shares: 1995, 283,437,773 shares; 1994, 283,446,399 shares and 1993, 283,233,078 shares. No dilution results from outstanding common stock equivalents.

Consolidated Statement of Retained Earnings

Years ended December 31 (dollars in millions except per share amounts)	1995	1994	1993
Balance at beginning of year	$ 1,613	$ 1,023	$ 747
Net income	875	759	411
Other	44	11	27
Common stock dividends			
(1995--$.78 per share; 1994--$.6475 per share; 1993--$.58 per share)	(217)	(180)	(162)
Balance at end of year	$ 2,315	$ 1,613	$ 1,023

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

Consolidated Balance Sheet AlliedSignal Inc.

December 31 (dollars in millions)	1995	1994
ASSETS		
Current assets:		
Cash and cash equivalents	$ 540	$ 508
Accounts and notes receivable	1,751	1,697
Inventories	1,991	1,743
Other current assets	608	637
Total current assets	4,890	4,585
Investments and long-term receivables	479	475
Property, plant and equipment--net	4,742	4,260
Cost in excess of net assets of acquired companies--net	1,572	1,349
Other assets	782	652
Total assets	$ 12,465	$ 11,321
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,385	$ 1,296
Short-term borrowings	397	133
Commercial paper	58	--
Current maturities of long-term debt	189	130
Accrued liabilities	1,775	1,832
Total current liabilities	3,804	3,391
Long-term debt	1,366	1,424
Deferred income taxes	551	406
Postretirement benefit obligations other than pensions	1,864	1,790
Other liabilities	1,288	1,328
SHAREOWNERS' EQUITY		
Capital--common stock--Authorized 500,000,000 shares (par value $1 per share); issued: 358,228,742 shares	358	358
--additional paid-in capital	2,489	2,458
Common stock held in treasury, at cost: 1995--75,459,178 shares; 1994--75,096,896 shares	(1,658)	(1,505)
Cumulative foreign exchange translation adjustment	61	18
Unrealized holding gain on equity securities	27	40
Retained earnings	2,315	1,613
Total shareowners' equity	3,592	2,982
Total liabilities and shareowners' equity	$ 12,465	$ 11,321

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

Consolidated Statement of Cash Flows AlliedSignal Inc.

Years ended December 31 (dollars in millions)	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 875	$ 759	$ 411
Adjustments to reconcile net income to net cash flows from operating activities:			
Cumulative effect of change in accounting principle	--	--	245
Nonrecurring items	39	--	(59)
Streamlining and restructuring	--	(180)	(217)
Depreciation and amortization (includes goodwill)	612	560	547
Undistributed earnings of equity affiliates	(59)	(10)	(34)
Deferred taxes	198	180	110
Decrease (increase) in accounts and notes receivable	134	(195)	91
Decrease (increase) in inventories	(141)	134	123
Decrease (increase) in other current assets	35	(65)	14
Increase in accounts payable	16	113	20
Increase (decrease) in accrued liabilities	(245)	(56)	151
Other	(248)	(197)	(222)
Net cash flow provided by operating activities	1,216	1,043	1,180
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(746)	(639)	(718)
Proceeds from disposals of property, plant and equipment	46	54	37
Decrease in investments and long-term receivables	27	32	48
(Increase) in other investments	(4)	(8)	(31)
Cash paid for acquisitions	(499)	(531)	(244)
Proceeds from sales of businesses	72	130	129
Decrease (increase) in marketable securities	--	90	(40)
Net cash flow (used for) investing activities	(1,104)	(872)	(819)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in commercial paper	58	(164)	160
Net increase (decrease) in short-term borrowings	253	64	(88)
Proceeds from issuance of common stock	104	43	143
Proceeds from issuance of long-term debt	108	7	131
Payments of long-term debt	(147)	(215)	(355)
Repurchases of common stock	(239)	(103)	(229)
Cash dividends on common stock	(217)	(180)	(162)
Redemption of common stock purchase rights	--	(7)	--
Net cash flow (used for) financing activities	(80)	(555)	(400)
Net increase (decrease) in cash and cash equivalents	32	(384)	(39)
Cash and cash equivalents at beginning of year	508	892	931
Cash and cash equivalents at end of year	$ 540	$ 508	$ 892

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

(dollars in millions except per share amounts)

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ALLIEDSIGNAL INC. is a global, advanced technology and manufacturing company. The Company's principal lines of business are aerospace, automotive and engineered materials (chemicals, fibers, plastics and advanced materials). The principal markets for aerospace products are the U.S. and foreign governments, aircraft manufacturers, commercial airlines and dealers and distributors of general aviation products. Automotive products are sold to worldwide manufacturers of passenger cars, light, medium and heavy trucks, buses and off-highway vehicles and the independent aftermarket and passenger car/truck dealers. Engineered materials have applications for numerous industries including automotive, carpeting, refrigeration, construction, electronics, computer and utilities, among others.

CONSOLIDATED FINANCIAL STATEMENTS include the accounts of AlliedSignal Inc. and majority-owned subsidiaries. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

INVESTMENTS AND LONG-TERM RECEIVABLES are carried at market value if readily determinable or cost. Investments in affiliates over which significant influence is exercised are accounted for using the equity method of accounting.

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

COST IN EXCESS OF NET ASSETS OF ACQUIRED COMPANIES is being amortized on a straight-line basis over appropriate periods ranging from 20 to 40 years. The cumulative amount of goodwill amortized at December 31, 1995 and 1994 is $407 and $358 million, respectively.

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

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

ENVIRONMENTAL expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated. The timing of these accruals is generally on the completion of feasibility studies or the settlement of claims, but in no event later than the Company's commitment to a plan of action. The liabilities for environmental costs recorded in Accrued Liabilities and Other Liabilities at December 31, 1995 and 1994 were $90 and $364 million and $78 and $416 million, respectively.

INTEREST RATE AND FOREIGN CURRENCY FORWARD, OPTION AND SWAP AGREEMENTS are accounted for as a hedge of the related asset, liability, firm commitment or anticipated transaction when designated and effective as a hedge of such items. Agreements qualifying for hedge accounting are accounted for as follows:

Changes in the amount to be received or paid under interest rate swap agreements are recognized in Interest and Other Financial Charges.

Gains and losses on foreign currency agreements used to hedge assets and liabilities, or net investments in foreign subsidiaries, are recognized in Other Income (Expense) or Cumulative Foreign Exchange Translation Adjustment, respectively.

Gains and losses on foreign currency agreements used to hedge firm foreign currency commitments, and purchased foreign currency options used to hedge anticipated foreign currency transactions, are recognized in the measurement of the hedged transaction when the transaction occurs.

Changes in the fair value of agreements not qualifying for hedge accounting are recognized in Other Income (Expense).

The carrying value of each agreement is reported in Accounts and Notes Receivable, Other Current Assets, Accounts Payable or Accrued Liabilities, as appropriate.

INCOME TAXES are based on the asset and liability approach. Deferred tax liabilities or assets reflect the impact of temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts are subsequently adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established for any deferred tax asset for which realization is not likely. Deferred income taxes have not been provided on approximately $278 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 1995 the Company acquired The Budd Company's Wheel & Brake Division (Budd Wheel & Brake) for approximately $160 million in cash. Budd Wheel & Brake manufactures rotors, hubs, drums and related assemblies for passenger cars and light trucks; steel disc wheels for heavy trucks; demountable rims; and hub and drum assemblies for medium- and heavy-duty vehicles and had 1994 sales of over $300 million. In addition, the Company acquired a 95.8% interest in Riedel-de Haen AG from Hoechst AG for $245 million in cash. Riedel-de Haen AG is a specialty chemicals manufacturer located in Germany. The business had 1994 sales of approximately $250 million.

In 1994 the Company acquired the Lycoming Turbine Engine Division of Textron Inc. (Lycoming Engine) for $375 million in cash and the assumption of certain liabilities. During 1995 the Company received $28 million in final settlement of the purchase price. The business had 1994 sales of $550 million. Lycoming Engine manufactures turbofan engines for regional airlines, helicopter engines for commercial, military and utility aircraft, military tank engines and marine propulsion engines.

In 1993 the Company acquired the data control business of Sundstrand Corporation (Data Controls) for $195 million in cash. The business had sales of $194 million in 1992. Data Controls manufactures a wide range of avionics such as ground proximity warning systems, reactive windshear detection systems, flight data and voice recorders, general aviation in-flight phone systems and aircraft condition monitoring systems.

The Company also made a number of smaller acquisitions in 1995, 1994 and 1993.

Note 3

NONRECURRING ITEMS

The 1995 nonrecurring items consist of a provision of $115 million (after-tax $71 million, or $0.25 a share) relating to management's decision to exit the anti-lock braking systems (ABS) business. The provision consists of the revaluation of the Company's ABS assets to their fair market value and certain other closure costs. Also included is a gain of $71 million (after-tax $71 million, or $0.25 a share) from the transfer of the assets of the Company's high-density polyethylene (HDPE) business joint venture, Paxon Polymer Company, L.P. (Paxon), to Exxon Chemical Company (Exxon).

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

OTHER INCOME (EXPENSE)

Years ended December 31	1995	1994	1993
Interest income and other	$ 35	$ 29	$ 41
Minority interests	(36)	(30)	(7)
Foreign exchange (loss) (1)	(21)	(26)	(43)
	$ (22)	$ (27)	$ (9)

(1) Includes the amortization of premiums for foreign currency forward exchange contracts of $(3), $(12) and $(38) million, in each of the respective years. In part, the contracts, in conjunction with domestic borrowings, were utilized to finance certain foreign operations and contributed to lower expense on the "Interest and Other Financial Charges" line.

Note 5

INTEREST AND OTHER FINANCIAL CHARGES

Years ended December 31	1995	1994	1993
Total interest and other financial charges	$ 189	$ 166	$ 186
Less--Capitalized interest	(21)	(23)	(29)
	$ 168	$ 143	$ 157

Note 6

TAXES ON INCOME

Years ended December 31	1995	1994	1993
INCOME BEFORE TAXES ON INCOME			
United States	$ 1,101	$ 973	$ 799
Foreign	160	138	111
	$ 1,261	$ 1,111	$ 910

Years ended December 31	1995	1994	1993
TAXES ON INCOME			
United States	$ 347	$ 297	$ 244
Foreign	39	55	10
	$ 386	$ 352	$ 254

Years ended December 31	1995	1994	1993
Taxes on income consist of:			
Current:			
United States	$ 118	$ 98	$ 95
State	25	34	25
Foreign	44	40	24
	187	172	144
Deferred:			
United States	192	129	99
State	12	36	25
Foreign	(5)	15	(14)
	199	180	110
	$ 386	$ 352	$ 254

Years ended December 31	1995	1994	1993
The principal items accounting for the difference in taxes on income computed at the U.S. statutory rate and as recorded on an overall basis are as follows:			
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Taxes on foreign earnings (under) U.S. tax rate	(1.7)	(.6)	(2.4)
Asset basis differences	(2.0)	(3.3)	(1.7)
Nondeductible amortization	1.1	1.0	1.2
State income taxes	1.6	3.9	3.3
Tax benefits of Foreign Sales Corporation	(1.5)	(1.4)	(1.9)
Dividends received deduction	(.1)	(.1)	(.2)
ESOP dividend tax benefit	(.8)	(.9)	(.9)
Impact of rate change on beginning-of-the-year deferred tax balances	--	--	(1.5)
All other items--net	(1.0)	(1.9)	(3.0)
	30.6%	31.7%	27.9%

December 31	1995	1994
DEFERRED INCOME TAXES		
Included in the following balance sheet accounts:		
Other current assets	$ 431	$ 483
Other assets	180	124
Accrued liabilities	(16)	--
Deferred income taxes	(551)	(406)
	$ 44	$ 201

December 31	1995	1994
DEFERRED TAX ASSETS/(LIABILITIES)		
The temporary differences and carryforwards which give rise to deferred tax assets and liabilities are as follows:		
Property, plant and equipment basis differences	$ (844)	$ (793)
Postretirement benefits other than pensions	750	741
Postemployment benefits	76	106
Investment and other asset basis differences	(496)	(515)
Nonrecurring items	252	265
Other accrued items	389	423
Other tax credits	--	31
Alternative minimum tax credit	--	12
Foreign net operating losses	241	181
U.S. capital loss	16	22
All other items--net	(285)	(199)
	99	274
Valuation allowance	(55)	(73)
	$ 44	$ 201

The foreign net operating losses relate to several countries. Such losses are available to reduce income tax payments in the future, subject to varying expiration rules. The U.S. capital loss is available to offset income tax payments on capital gains through 1997.

Note 7

ACCOUNTS AND NOTES RECEIVABLE

December 31	1995	1994
Trade	$1,477	$1,526
Other	308	204
	1,785	1,730
Less--Allowance for doubtful accounts and refunds	(34)	(33)

	$1,751	$1,697

The Company is a party to agreements under which it can sell undivided interests in designated pools of trade accounts receivable up to $500 million (average outstanding was $500 million during 1995 and 1994). New receivables are sold under the agreements as previously sold receivables are collected. During 1995 this represented an average collection period of 47 days or a replacement of receivables of approximately eight times. At both December 31, 1995 and 1994 customer accounts receivable on the Consolidated Balance Sheet have been reduced by $500 million reflecting such sales. The Company acts as an agent for the purchasers in the collection and administration of the receivables.

Note 8

INVENTORIES

December 31	1995	1994
Raw materials	$ 650	$ 488
Work in process	769	761
Finished products	747	711
Supplies and containers	98	70
	2,264	2,030
Less--		
Progress payments	(145)	(160)
Reduction to LIFO cost basis	(128)	(127)
	$ 1,991	$ 1,743

Inventories valued at LIFO amounted to $286 million at December 31, 1995 and $267 million at December 31, 1994, which amounts were below estimated replacement cost by $128 and $127 million, respectively.

Note 9

OTHER CURRENT ASSETS

December 31	1995	1994
Current-deferred taxes	$ 431	$ 483
Other	177	154
	$ 608	$ 637

Note 10

INVESTMENTS AND LONG-TERM RECEIVABLES

December 31	1995	1994
Affiliates (1)	$ 382	$ 416
Long-term receivables	97	59
	$ 479	$ 475

(1) Includes unrealized holding gains of $44 and $66 million at December 31, 1995 and 1994, respectively, on equity securities in accordance with FASB No. 115. The cost basis of the equity securities was $25 and $44 million at December 31, 1995 and 1994, respectively.

At December 31, 1995 the Company had a partnership interest in UOP, a significant joint venture accounted for under the equity method. UOP, a 50% joint venture, is in the process technology and catalyst business. Prior to December 28, 1995 the Company also had a 50% partnership interest in Paxon, a significant joint venture accounted for under the equity method. Paxon manufactures and sells high-density polyethylene resins. On that date, Paxon transferred the HDPE business to Exxon.

Combined selected financial data for these two entities are summarized as follows (Paxon amounts are not included in the 1995 balance sheet below):

Years ended December 31	1995	1994	1993
Net sales	$1,516	$1,251	$1,238
Income from operations	265	165	151
Income before cumulative effect of changes in accounting principles (1)	219	147	149
Net income (1) (2)	219	132	90

December 31	1995	1994
Current assets	$ 419	$ 854
Total assets	986	1,523
Current liabilities	373	304
Noncurrent liabilities	325	351
Equity	288	868

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

Note 11

PROPERTY, PLANT & EQUIPMENT

December 31	1995	1994
Land and land improvements	$ 370	$ 333
Machinery and equipment	6,528	5,862
Buildings	1,545	1,371
Office furniture and equipment	781	702
Transportation equipment	173	145
Construction in progress	388	379
	9,785	8,792
Less--Accumulated depreciation and amortization	(5,043)	(4,532)
	$4,742	$4,260

Note 12

ACCRUED LIABILITIES

December 31	1995	1994
Customer advance payments/deposits	$ 182	$ 235
Insurance	113	132
Postretirement benefits other than pensions	122	128
Wages	267	304
Other	1,091	1,033
	$1,775	$1,832

Note 13

LONG-TERM DEBT AND CREDIT AGREEMENTS

December 31	1995	1994
Employee stock ownership plan refunding notes, 6.957% and 7.016%, due 1996-1997	$ 44	$ 120
Employee stock ownership plan floating rate notes, 4.82%-5.32%, due 1996-1999	203	212
6.75% notes, due August 15, 2000	100	--
9 7/8% debentures due June 1, 2002	250	250
9.20% debentures due February 15, 2003	100	100
Medium term notes, 8.93%-9.28%, due 1997-2001	129	129
Zero coupon bonds and money multiplier notes, 13.0%-14.26%, due 1996-2009	214	278
9 1/2% debentures due June 1, 2016	100	100
Industrial development bond obligations, 4.1%-6.75%, maturing at various dates through 2026	105	105
Other (including capitalized leases), 2.0%-15.3%, maturing at various dates through 2016	122	131
	1,367	1,425
Less--Unamortized discount	(1)	(1)
	$ 1,366	$ 1,424

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

At December 31, 1995	LONG-TERM DEBT(1)
1996	$ 189
1997	119
1998	214
1999	165
2000	160
Thereafter	708
	1,555
Less--Current portion	(189)
	$ 1,366

(1) Amounts are net of repurchases.

The Company has two credit agreements (Credit Agreements) with a group of 21 banks (Five-Year and 364-Day Credit Agreements) with commitments aggregating $750 million. The funds available under the Credit Agreements may be used for any corporate purpose. Loans under the $375 million Five-Year Credit Agreement are required to be repaid no later than June 30, 2000. Annually, the Company may request that the maturity of the Five-Year Credit Agreement be extended by another year. The Company intends to request an extension of this agreement in 1996. The banks' commitments to lend under the $375 million 364-Day Credit Agreement terminate on June 28, 1996. The Company intends to renegotiate this agreement in 1996. The Company has agreed to pay facility fees of 0.095% per annum and 0.065% per annum on the aggregate commitments for the Five-Year and 364-Day Credit Agreements, respectively, subject to increase or decrease on the Five-Year Agreement in the event of changes in the Company's long-term debt ratings. The Credit Agreements do not restrict the Company's ability to pay dividends or require the Company to maintain a specific net worth. However, they do contain other customary conditions and events of default, the failure to com-

ply with, or occurrence of, which would prevent any further borrowings and would generally require the repayment of any outstanding borrowings under either Credit Agreement. Such conditions include the absence of any material adverse change in the ability of the Company to pay its indebtedness when due, and such events of default include (a) non-payment of Credit Agreement debt and interest thereon, (b) non-compliance with the terms of the covenants, (c) cross-default with other debt in certain circumstances, (d) bankruptcy and (e) defaults upon obligations under the Employee Retirement Income Security Act. Additionally, each of the banks has the right to terminate its commitment to lend under the Credit Agreements if any person or group acquires beneficial ownership of 30% or more of the Company's voting stock or during any 12-month period individuals who were directors of the Company at the beginning of the period cease to constitute a majority of the Board of Directors (the Board).

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 floating base rate of the agent bank, 0.5% above the average CD rate, or 0.5% above the Federal funds rate; or (c) a spread (equal to 15.5 and 18.5 basis points for the Five-Year and 364-Day Credit Agreements, respectively), over the average Eurocurrency rate of three reference banks. The spread over the Eurocurrency rate on the Five-Year Agreement is 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, 1995. The Credit Agreements presently serve as support for the issuance of commercial paper.

Note 14

LEASE COMMITMENTS

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

At December 31, 1995	LEASE PAYMENTS
1996	$ 79
1997	62
1998	54
1999	45
2000	39
Thereafter	164
Total	$ 443

Rent expense of $121, $135 and $128 million was included in costs and expenses for 1995, 1994 and 1993, respectively.

Note 15

FINANCIAL INSTRUMENTS

The Company, as a result of its global operating and financing activities, is exposed to changes in interest rates and foreign currency exchange rates which may adversely affect its results of operations and financial condition. In seeking to minimize the risks and/or costs associated with such activities, the Company manages exposure to changes in interest rates and foreign currency exchange rates through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The instruments utilized include forward, option and swap agreements. The Company does not use financial instruments for trading or other speculative purposes. The Company had no leveraged financial instruments at December 31, 1995.

At December 31, 1995 the Company held interest rate swap agreements maturing through the year 2000. At December 31, 1995 interest rate swap agreements effectively changed $300 million of fixed-rate debt (average 9.53%) to U.S. commercial paper based floating rate debt (average 8.24%). Based on their terms, these agreements will be terminated by the counterparty if short-term interest rates drop below a predetermined level. Additional interest rate swaps effectively changed $74 million of London Interbank Offer Rate (LIBOR) based floating rate debt (average 5.26%) to fixed rate debt (average 6.92%). At December 31, 1994 interest rate swap agreements effectively changed $82 million of LIBOR based floating rate debt (average 5.21%) to fixed rate debt (average 7.12%).

The Company's exposure to changes in foreign currency exchange rates arises from intercompany loans utilized to finance foreign subsidiaries, receivables, payables and firm commitments arising from international transactions. The Company attempts to have all such transaction exposures hedged with internal natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through derivative financial instruments with third parties using forward or option agreements. The Company currently also uses derivative financial instruments to hedge the Company's exposure to changes in foreign currency exchange rates for the translated U.S. dollar value of the net income of a number of foreign subsidiaries. Forward and option agreements used to hedge net income are reflected at fair value. The Company's principal foreign currency exposures relate to the French franc, the German deutsche mark, the British pound and the U.S. dollar. At December 31, 1995 the Company held or had written foreign currency forward agreements maturing through 1997. The Company uses some of these agreements to reduce exposures to changes in foreign currency exchange rates and to reduce the risk that such changes would adversely affect its results of operations or financial condition. In addition, some of these instruments are hedges of firmly committed transactions and forecasted transactions that will or are expected to occur through 1996.

Financial instruments expose the Company to counterparty credit risk for nonperformance and to market risk for changes in interest and currency rates. The Company manages exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties and procedures to monitor the amount of credit exposure. The Company's financial instrument counterparties are substantial investment or commercial banks with significant experience with such instruments. The Company also has procedures to monitor the impact of market risk on the fair value and costs of its financial instruments considering reasonably possible changes in interest and currency rates. The Company manages market risk by restricting the use of derivative financial instruments to hedging activities and by limiting potential interest and currency rate exposures to amounts that are not material to the Company's consolidated results of operations and cash flows. Because of the above practices and procedures, management believes that the Company's credit and market risk exposures from financial instruments are not significant at December 31, 1995.

The values of the Company's outstanding derivative financial instruments at December 31, 1995 and 1994 are as follows:

December 31, 1995	NOTIONAL PRINCIPAL AMOUNT	FAIR VALUE	CARRYING VALUE
Interest rate swap agreements held	$ 374	$ (4)	$ --
Foreign currency forward agreements held	630	(4)	(4)
Foreign currency forward agreements written	1,311	(11)	(13)
December 31, 1994			
Interest rate swap agreements held	$ 82	$ 6	$ 1
Foreign currency forward agreements held	953	21	18
Foreign currency forward agreements written	1,130	(24)	(28)
Foreign currency options held	276	2	2

The only other material financial instruments that are not carried on the Consolidated Balance Sheet at amounts which approximate fair values are certain debt instruments. The carrying values of long-term debt and related current maturities (excluding capitalized leases of $43 and $47 million at year-end 1995 and 1994, respectively) are $1,512 and $1,507 million and the fair values are $1,733 and $1,590 million at December 31, 1995 and 1994, respectively. The fair values are estimated based on the quoted market price for the issues (if traded) or based on current rates offered to the Company for debt of the same remaining maturity and characteristics.

Note 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, 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 8.1 million shares of common stock.

	SHARES OUTSTANDING (IN MILLIONS)	COMMON STOCK/ PAID-IN CAPITAL	TREASURY STOCK
Balance December 31, 1992	283.8	$ 2,782	$ (1,336)
Purchased under repurchase programs	(6.7)	--	(220)
Used for Dividend Reinvestment Plan	.1	--	3
Used for employee benefit plans (including related tax benefits)	6.6	29	116
Balance December 31, 1993	283.8	2,811	(1,437)
Purchased under repurchase programs	(2.9)	--	(103)
Used for Dividend Reinvestment Plan	.2	--	3
Used for employee benefit plans (including related tax benefits)	2.0	12	32
Redemption of common stock purchase rights	--	(7)	--
Balance December 31, 1994	283.1	2,816	(1,505)
Purchased under repurchase programs	(5.5)	--	(239)
Used for Dividend Reinvestment Plan	.2	--	3
Used for employee benefit plans (including related tax benefits)	5.0	31	83
Balance December 31, 1995	282.8	$ 2,847	$ (1,658)

Note 17

STOCK OPTIONS AND AWARDS

The Company has a 1993 Stock Plan and a 1985 Stock Plan available to grant options and other related benefits to employees. Under both plans, the Company may grant incentive and non-qualified stock options, stock appreciation rights (SARs), restricted shares and restricted units (Units) to officers and other employees. SARs entitle an optionee to surrender unexercised stock options for cash or stock equal to the excess of the fair market value of the surrendered shares over the option value of such shares. The 1993 Stock Plan provides for the annual grant of awards in an amount not in excess of 1.5% of the total shares issued (including shares held in treasury) on December 31 of the year preceding the year of the award. Any shares that are available for awards that are not utilized in a given year will be available for use in subsequent years. Units have been granted to certain employees, which entitle the holder to receive shares of common stock. At December 31, 1995 there were 1,261,688 Units outstanding, including 304,500 Units granted in 1995, the restrictions on which generally lapse over periods not exceeding ten 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, 1992	18,830,264
Granted at $29.13 - $36.94 per share	5,949,990
Less --	
Exercised at $10.34 - $34.35 per share	4,986,618
Lapsed or canceled	145,190
Surrendered upon exercise of SARs	30,000
Outstanding at December 31, 1993	19,618,446
Granted at $33.57 - $39.07 per share	6,809,010
Less --	
Exercised at $13.75 - $35.91 per share	1,693,567
Lapsed or canceled	344,720
Surrendered upon exercise of SARs	17,450
Outstanding at December 31, 1994	24,371,719
Granted at $35.57 -$48.63 per share	5,944,090
Less --	
Exercised at $13.75 - $39.07 per share	4,199,415
Lapsed or canceled	358,567
Outstanding at December 31, 1995, $14.35 - $48.63 per share	25,757,827
Exercisable at December 31, 1995	14,052,739
Available for grant at December 31, 1994	4,739,240
Available for grant at December 31, 1995	4,052,748

The Company also has a Stock Plan for Non-Employee Directors (Directors) under which restricted shares and options are granted. New Directors receive grants of 1,500 shares of common stock, subject to certain restrictions. In addition, each Director will be granted an option to purchase 1,000 shares of common stock each year on the date of the annual meeting of shareowners. The Company has set aside 225,000 shares for issuance under the Directors plan. Options generally become exercisable over a three-year period and have a term of ten years. All options were granted at not less than fair market value at dates of grant.

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

Note 18

CUMULATIVE FOREIGN EXCHANGE TRANSLATION ADJUSTMENT

December 31	1995	1994	1993
Balance at beginning of year	$ 18	$ (7)	$ 58
Translation adjustment and impact of hedges and intercompany balances	43	25	(65)
	$ 61	$ 18	$ (7)

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. One such lawsuit was brought by the B.F. Goodrich Company (Goodrich) in the U.S. District Court for Delaware alleging infringement by the Company of two patents relating to aircraft brakes and seeking injunctive relief and damages. The allegation against the Company related only to brakes for the Boeing 777, which was introduced in 1995, and not to any other brake program of the Company. At trial, Goodrich claimed damages of approximately $350 million before trebling. On November 10, 1994, after a full trial on the merits, the District Court ruled the Goodrich patents were invalid, turned down Goodrich's claim for damages and denied its request for an injunction. On January 4, 1996, the United States Court of Appeals for the Federal Circuit affirmed the District Court's ruling.

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

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

Note 20

SUPPLEMENTAL CASH FLOW AND OTHER INFORMATION

Cash and cash equivalents includes cash on hand and on deposit as well as highly liquid debt instruments with maturities generally of three months or less. Cash payments during the years 1995, 1994 and 1993 included interest of $183, $121 and $180 million and income taxes of $185, $164 and $130 million, respectively.

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

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

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

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

The weighted average interest rate on short-term borrowings and commercial paper outstanding at December 31, 1995 and 1994 was approximately 7%.

Note 21

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company's U.S. retiree medical programs cover employees who retire with pension eligibility for hospital, professional and other medical services (programs). Most of the programs require deductibles and copayments and virtually all are integrated with Medicare. Retiree contributions are generally required based on coverage type, plan and Medicare eligibility. The Company also sponsors retiree life insurance programs which generally provide a flat benefit of at least two thousand dollars or a benefit as a percent of pay. The retiree medical and life insurance programs are not funded. Claims and expenses are paid from the general assets of the Company.

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

In 1995, 1994 and 1993 the Company's cost for providing other postretirement benefits aggregated $142, $150 and $153 million, respectively. The Company uses the services of an enrolled actuary to calculate postretirement benefit costs.

For measurement purposes, the assumed annual rates of increase in the per capita cost of covered health care benefits for 1995 were 7% to 10% for indemnity programs and 6% for managed care programs which reduce to 6% for all programs in the year 2000 and remain 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, 1995 by $170 million and the aggregate of the service and interest cost component of net periodic postretirement benefit cost for the year then ended by $16 million. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7.25% and 8.75% at December 31, 1995 and 1994, respectively.

Net periodic postretirement benefit cost for 1995, 1994 and 1993 included the following components:

Years ended December 31	1995	1994	1993
Service cost-benefits attributed to service during the period	$ 20	$ 27	$ 23
Interest cost on accumulated postretirement benefit obligation	133	133	137
Net amortization	(12)	(10)	(7)
	141	150	153
Foreign plans	1	--	--
Net periodic postretirement benefit cost	$ 142	$ 150	$ 153

Presented below are the plans' status and amounts recognized in the Company's Consolidated Balance Sheet at December 31, 1995 and 1994:

December 31	1995	1994

Accumulated postretirement benefit obligation:		
Retirees	$ 1,310	$ 1,120
Fully eligible active plan participants	184	172
Other active plan participants	455	393
	1,949	1,685
Unrecognized prior service cost	161	139
Unrecognized net gain (loss)	(124)	94
Accrued postretirement benefit cost	$ 1,986	$ 1,918

Note 22

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 as a flat dollar benefit. Benefits are generally paid from funds previously provided to trustees. In the Company's principal U.S. plans, funds are contributed to a trustee as necessary to provide for current service and for any unfunded projected benefit obligation over a reasonable period. To the extent that these requirements are fully covered by assets on hand for a plan, a contribution may not be made in a particular year. As of year-end 1995 approximately 59% of the assets of U.S. plans were held in equity securities, with the balance primarily in fixed income-type securities.

Pension expense in 1995, 1994 and 1993 was $115, $109 and $104 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 1995, 1994 and 1993 included the following components:

Years ended December 31	1995	1994	1993
Service cost-benefits earned during the period	$ 107	$ 132	$ 115
Interest cost on projected benefit obligation	395	363	369
Actual return on plan assets	(1,019)	(65)	(663)
Net amortization and deferral	616	(338)	269
Net periodic pension cost for defined benefit plans	99	92	90
Foreign plans and other	16	17	14
Net periodic pension cost	$ 115	$ 109	$ 104

The assumed rate of return for the Company's U.S. defined benefit pension plans was 9% in 1995, 1994 and 1993. The assumed discount rate used in calculating the projected benefit obligations at December 31, 1995, 1994 and 1993 was 7.25%, 8.75% and 7.25%, respectively. In addition, the assumed annual increase in compensation over employees' estimated remaining working lives was 5% in 1995 and 1994 and 5.5% in 1993.

Presented below are the plans' funded status and amounts recognized in the Company's Consolidated Balance Sheet at December 31, 1995 and 1994 for its significant defined benefit pension plans:

	1995		1994	
December 31	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS
Actuarial present value of benefit obligation:				
Vested	$ 3,813	$ 805	$ 3,252	$ 678
Nonvested	244	113	228	82
Accumulated benefit obligation	$ 4,057	$ 918	$ 3,480	$ 760
Projected benefit obligation	$ 4,703	$ 953	$ 3,911	$ 802
Less--Fair value of assets	4,694	699	4,127	617
Over (under) funded plans	(9)	(254)(a)	216	(185)
Unrecognized transition (asset) liability	--	(34)	8	(45)
Unrecognized net (gain) loss	85	26	(79)	(13)
Unrecognized prior service cost	(11)	86	(16)	93
Prepaid (accrued) pension cost	$ 65	$(176)	$ 129	$(150)

(a) Includes $191 million for unfunded foreign and supplemental domestic pension plans.

Note 23

SEGMENT FINANCIAL DATA

		AEROSPACE	AUTOMOTIVE	ENGINEERED MATERIALS	CORPORATE AND UNALLOCATED(1)	TOTAL
Net sales (2)	1995	$ 5,084	$ 5,549	$3,713	$ --	$14,346
	1994	4,623	4,922	3,272	--	12,817
	1993	4,530	4,506	2,791	--	11,827
Research and development expense	1995	154	80	109	10	353
	1994	126	73	110	9	318
	1993	127	63	113	10	313
Depreciation and amortization	1995	186	164	185	28	563
	1994	183	148	171	21	523
	1993	184	156	153	21	514
Income from operations (3)	1995	551	292	563	(146)	1,260
	1994	458	411	409	(126)	1,152
	1993	402	432	309	(189)	954
Income before cumulative effect of change in accounting principle (3,4)	1995	303	146	473	(47)	875
	1994	260	215	330	(46)	759
	1993	225	228	273	(70)	656
Capital expenditures	1995	131	214	334	67	746
	1994	148	245	232	14	639
	1993	139	205	354	20	718
Identifiable assets	1995	5,079	3,813	3,302	271	12,465
	1994	5,104	3,276	2,562	379	11,321
	1993	4,502	2,838	2,502	987	10,829

Intersegment sales approximate market and are not significant.
(1) The "Corporate and Unallocated" column includes amounts for businesses sold and Corporate items.
(2) Sales to the U.S. Government and its agencies, mainly for the Aerospace segment, were $1,107, $1,089 and $1,096 million for each of the respective years.
(3) Includes in 1995 pre- and after-tax impact of nonrecurring items for Automotive of a charge of $115 and $71 million and a gain of $71 and $71 million for Engineered Materials, respectively. Includes in 1993 pre- and after-tax impact of nonrecurring items for Aerospace of a charge of $6 and $4 million, a net 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.
(4) An interest charge is made by Corporate Office to the segments on the basis of relative investment. Taxes on income are generally included in the segments

which gave rise to the tax effects and equity in income of affiliated companies is included in the segments in which these companies operate.

Note 24

GEOGRAPHIC AREAS--FINANCIAL DATA

		UNITED STATES(1)	CANADA	EUROPE	OTHER INTERNATIONAL	ADJUSTMENTS AND ELIMINATIONS	TOTAL
Net sales (2)	1995	$10,734	$ 230	$2,740	$ 642	$ --	$14,346
	1994	9,739	202	2,283	593	--	12,817
	1993	9,220	225	1,897	485	--	11,827
Income before cumulative effect of change in acccounting principle (3)	1995	734	31	58	52	--	875
	1994	654	23	65	17	--	759
	1993	570	26	55	5	--	656
Assets	1995	9,378	219	2,964	588	(684)	12,465
	1994	8,977	205	2,295	543	(699)	11,321
	1993	8,517	199	1,967	548	(402)	10,829
Liabilities	1995	7,623	106	1,535	293	(684)	8,873
	1994	7,290	87	1,319	342	(699)	8,339
	1993	7,175	98	1,235	333	(402)	8,439

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 $2,119, $1,818 and $1,699 million for each of the respective years.
(3) Includes in 1995 after-tax nonrecurring items of a gain for the United States of $42 million and a loss for Europe of $42 million. 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.

Note 25

UNAUDITED QUARTERLY FINANCIAL INFORMATION

	1995					1994				
	MAR. 31	JUNE 30	SEPT. 30	DEC. 31	YEAR	MAR. 31	JUNE 30	SEPT. 30	DEC. 31	YEAR
Net sales	$ 3,419	$ 3,630	$ 3,499	$ 3,798	$14,346	$ 2,986	$ 3,187	$ 3,110	$3,534	$12,817
Gross profit	672	728	699	708	2,807	584	646	607	681	2,518
Net income	198	227	217	233	875	169	196	189	205	759
Per share	.70	.80	.77	.83	3.09	.60	.69	.67	.73	2.68
Dividends paid	.195	.195	.195	.195	.78	.145	.1675	.1675	.1675	.6475
Market price (a)										
High	39.88	44.50	47.13	49.88	49.88	40.75	37.63	38.75	36.00	40.75
Low	33.38	38.38	43.13	41.13	33.38	34.25	33.13	33.63	30.38	30.38

(a) From composite tape--stock is primarily traded on the New York Stock Exchange.

Report of Independent Accountants

PRICE WATERHOUSE LLP [LOGO]

February 1, 1996

To the Shareowners and Directors of AlliedSignal Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of retained earnings and of cash flows present fairly, in all material respects, the financial position of AlliedSignal Inc. and its subsidiaries at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for postemployment benefits in 1993.

PRICE WATERHOUSE LLP
Morristown, NJ

Years ended December 31	1995	1994	1993	1992	1991	1990	1989	1988	1987
(dollars in millions except per share amounts)									
FOR THE YEAR									
Net sales	$ 14,346	$ 12,817	$ 11,827	$ 12,042	$ 11,831	$ 12,343	$ 11,942	$ 11,909	$ 11,116
Income (loss) from continuing operations	875	759	656	535 (a)	(273)(a)	462	528	463(a)	515(a)
Net income (loss)	875	759	411(b)	(712)(b)	(273)	462	528	463	656
Per share of common stock:									
Earnings (loss) from continuing operations	3.09	2.68	2.31	1.90	(1.00)	1.67	1.78	1.55	1.53
Net earnings (loss)	3.09	2.68	1.45	(2.52)	(1.00)	1.67	1.78	1.55	1.95
Dividends	.78	.6475	.58	.50	.80	.90	.90	.90	.90
AT YEAR-END									
Net working capital	$ 1,086	$ 1,194	$ 1,078	$ 1,414	$ 526	$ 892	$ 1,065	$ 1,040	$ 722
Property, plant and equipment-net	4,742	4,260	4,094	3,897	3,638	3,584	3,321	3,214	3,330
Total assets	12,465	11,321	10,829	10,756	10,382	10,456	10,342	10,069	10,321
Long-term debt	1,366	1,424	1,602	1,777	1,914	2,051	1,903	2,044	2,017
Shareowners' equity	3,592	2,982	2,390	2,251	2,983	3,380	3,412	3,268	3,129
Book value per share of common stock	12.70	10.53	8.42	7.93	10.79	12.55	11.77	11.05	10.44
Average investment (c)	5,598	4,848	4,506	4,939	6,771	6,723	6,520	6,629	6,859
Common shares outstanding (in millions)	282.8	283.1	283.8	283.8	276.3	269.4	290.0	295.9	299.9
Common shareowners of record	79,046	82,095	84,248	84,254	91,492	97,210	102,042	111,402	109,322
Employees (d)	88,500	87,500	86,400	89,300	98,300	105,800	107,100	109,550	115,300
FINANCIAL STATISTICS (e)									
Return on sales (income from operations)	8.8	9.0	8.1	3.4	(2.5)	5.9	8.0	5.7	6.8
Return on sales (after-tax)	6.1	5.9	5.5	4.4	(2.3)	3.7	4.4	3.9	4.6
Return on average investment (after-tax)	17.4	17.5	16.6	13.8	(1.3)	9.6	11.0	10.3	10.1
Return on average shareowners' equity (after-tax)	26.7	28.9	30.6	26.4	(8.4)	13.9	15.6	14.5	14.5
Interest coverage ratio	6.5	6.8	5.1	3.3	(.9)	2.6	3.0	2.8	3.6
Long-term debt as a percent of total capital	25.6	30.4	37.9	40.5	34.9	33.6	30.8	33.2	33.9
Total debt as a percent of total capital	33.7	34.1	42.7	44.7	43.9	40.4	35.7	35.9	39.0
FINANCIAL STATISTICS (e)(f)									
Return on sales (income from operations)	9.1	9.0	7.9	6.5	4.7	5.9	8.0	7.4	6.8
Return on sales (after-tax)	6.1	5.9	5.5	4.5	2.9	3.7	4.4	4.3	3.9
Return on average investment (after-tax)	17.4	17.5	16.6	13.9	7.8	9.6	11.0	10.9	8.9
Return on average shareowners' equity (after-tax)	26.7	28.9	30.5	26.7	10.5	13.9	15.6	15.9	12.2
Interest coverage ratio	6.8	6.8	5.0	3.3	2.1	2.6	3.0	2.9	3.2
Long-term debt as a percent of total capital	25.6	30.4	37.9	40.5	34.9	33.6	30.8	33.2	33.9
Total debt as a percent of total capital	33.7	34.1	42.7	44.7	43.9	40.4	35.7	35.9	39.0

(a) Includes in 1992 the effect of a provision for Streamlining and Restructuring charges as well as a gain on the sale of common stock of Union Texas Petroleum Holdings, Inc. (Union Texas) resulting in a net charge of $11 million (after-tax $6 million, or $0.02 a share). In 1991, includes the effect of a provision for Streamlining and Restructuring charges as well as gains on asset sales by Union Texas resulting in a net charge of $838 million (after-tax $615 million, or $2.25 a share). In 1988, includes an after-tax provision of $125 million, or $0.42 a share, to cover Streamlining and Restructuring charges, an after-tax gain of $36 million, or $0.12 a share, from the sale of the Company's investment in Akebono Brake Industry Company Ltd. and an after-tax gain of $81 million, or $0.27 a share, from nonrecurring items. Includes in 1987 the effect of the sale of common stock by Union Texas which resulted in the Company recording a gain of $108 million (after-tax $82 million, or $0.24 a share), reflecting the Company's share of an increase in Union Texas' equity.
(b) 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.
(c) Investment is defined as shareowners' equity and noncurrent deferred taxes-net plus total debt.
(d) Includes employees at facilities operated for the U.S. Department of Energy.
(e) The returns and interest coverage ratio exclude the impact of the cumulative effect of changes in accounting principles on income.
(f) The returns and interest coverage ratio exclude the impact of nonrecurring items in 1995 and 1993, provisions for Streamlining and Restructuring charges in 1992, 1991 and 1988, gain on sale of common stock of Union Texas in 1992, gains on asset sales by Union Texas in 1991, nonrecurring income in 1988 and Union Texas' equity transaction in 1987.

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

NAME	COUNTRY OR STATE OF INCORPORATION	SECURITIES OWNED CLASS	SECURITIES OWNED PERCENT OWNERSHIP
AlliedSignal International Finance Corporation..................	Delaware	Common Stock	100
EM Sector Holdings Inc..	Delaware	Common Stock	100
AlliedSignal Avionics Inc.......................................	Kansas	Common Stock	100
AlliedSignal Technologies Inc...................................	Arizona	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, 33-51031, 33-51455, 33-55410, 33-58345, 33-58347, 33-60261, 33-62963, 33-64295 and 33-65792), on Forms S-3 (Nos. 33-13211, 33-14071 and 33-55425) and on Form S-8 (filed as an amendment to Form S-14, No. 2-99416-01) of our report dated February 1, 1996 appearing on page 38 of the 1995 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, 1995.

PRICE WATERHOUSE LLP

PRICE WATERHOUSE LLP

Morristown, New Jersey
February 27, 1996

EXHIBIT 24

POWER OF ATTORNEY

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

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1995,

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

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

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

LAWRENCE A. BOSSIDY

Lawrence A. Bossidy

Dated: February 1, 1996

POWER OF ATTORNEY

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

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1995,

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

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

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

HANS W. BECHERER

Hans W. Becherer

Dated: February 1, 1996

POWER OF ATTORNEY

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

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1995,

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

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

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

EUGENE E. COVERT

Eugene E. Covert

Dated: February 1, 1996

POWER OF ATTORNEY

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

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

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ANN M. FUDGE

Ann M. Fudge

Dated: February 1, 1996

POWER OF ATTORNEY

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

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PAUL X. KELLEY

Paul X. Kelley

Dated: February 1, 1996

POWER OF ATTORNEY

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

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ROBERT P. LUCIANO

Robert P. Luciano

Dated: February 1, 1996

POWER OF ATTORNEY

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

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ROBERT B. PALMER

Robert B. Palmer

Dated: February 1, 1996

POWER OF ATTORNEY

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

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RUSSELL E. PALMER

Russell E. Palmer

Dated: February 1, 1996

POWER OF ATTORNEY

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

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

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IVAN G. SEIDENBERG

Ivan G. Seidenberg

Dated: February 1, 1996

POWER OF ATTORNEY

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

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1995,

(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,

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ANDREW C. SIGLER

Andrew C. Sigler

Dated: February 1, 1996

POWER OF ATTORNEY

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

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JOHN R. STAFFORD

John R. Stafford

Dated: February 1, 1996

POWER OF ATTORNEY

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

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THOMAS P. STAFFORD

Thomas P. Stafford

Dated: February 1, 1996

POWER OF ATTORNEY

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

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ROBERT C. WINTERS

Robert C. Winters

Dated: February 1, 1996

This schedule contains summary financial information extracted from the consolidated balance sheet at December 31, 1995 and the consolidated statement of income for the year ended December 31, 1995 and is qualified in its entirety by reference to such financial statements.

1,000,000

YEAR
DEC-31-1995
DEC-31-1995
540
0
1,477
34
1,991
4,890
9,785
5,043
12,465
3,804
1,366
358
0
0
3,234
12,465
14,346
14,346
11,539
11,539
0
0
168
1,261
386
875
0
0
0
875
3.09
0