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

PLAINTIFF'S EXHIBIT BS-249

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, 1998**
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 (973)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 Exchange
Money Multiplier Notes due 1999-2000	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 1999-2009	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 London stock exchange.

SCF-EC-5150

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

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

The aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately $21.7 billion at January 31, 1999.

There were 557,130,797 shares of Common Stock outstanding at January 31, 1999.

Documents Incorporated by Reference

Part I and II: Annual Report to Shareowners for the Year Ended December 31, 1998.

Part III: Proxy Statement for Annual Meeting of Shareowners to be held April 26, 1999.

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ALLIEDSIGNAL INC.

CROSS REFERENCE SHEET

• 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, 1998.

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, 1998. 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 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.

MAJOR BUSINESSES

AlliedSignal Inc. is an advanced technology and manufacturing company serving customers worldwide with aerospace and automotive products, chemicals, fibers, plastics and advanced materials. The Company's operations are conducted by eleven strategic business units, which have been aggregated under five reportable segments: Aerospace Systems, Specialty Chemicals & Electronic Solutions, Turbine Technologies, Performance Polymers and Transportation Products.

Following is a description of the Company's strategic business units:

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
AEROSPACE SYSTEMS				
Aerospace Equipment Systems	Environmental control systems	Air conditioning systems Bleed air control systems Cabin pressure systems Environmental and thermal control for spacecraft Smoke detection systems Repair, overhaul and spare parts	Commercial, regional and general aviation aircraft Military aircraft Spacecraft	Barber Colman Hamilton Standard Liebherr Parker Hannifin Sundstrand TAT
	Engine systems and accessories	Electronic and hydromechanical fuel controls Engine start systems Pressure transducers Repair, overhaul and spare parts	Commercial air transport, regional and general aviation Military aircraft	Chandler-Evans Hamilton Standard Lockheed Martin Lucas Parker
	Power management and generation systems	Electric, hydraulic and pneumatic power generation systems Exterior and interior lighting systems Power distribution and power management systems Pumps, starters, converters, controls, electrical actuation for flight surfaces Repair, overhaul and spare parts	Commercial, military, regional and general aviation aircraft Ground vehicles	Auxilec B.F. Goodrich Hella Lucas Parker Bertea Smiths Sundstrand Teleflex
	Aircraft landing systems	Wheels and brakes Friction products Brake control systems Wheel and brake overhaul services Aircraft landing systems integration	Commercial and military aircraft	Aircraft Braking Systems Dunlop B.F. Goodrich Messier-Bugatti Messier-Dowty

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
Electronic & Avionics Systems	Avionics systems	Flight safety systems: Enhanced Ground Proximity Warning Systems (EGPWS) Traffic Alert and Collision Avoidance Systems (TCAS) Windshear detection systems and weather radar Flight data and cockpit voice recorders Communication and navigation systems: Flight management systems Data management and aircraft performance monitoring systems Air-to-ground telephones Global positioning systems Automatic flight control systems Navigation systems Identification systems Integrated systems Vehicle management systems Cockpit display systems	Commercial, business and general aviation aircraft Government aviation	Century Garmin B.F. Goodrich Honeywell Litton Lockheed Martin Narco Rockwell/Collins Sextant Smiths S-tec Trimble/Terra Universal
	Automatic test systems	Computer-controlled automatic test systems Functional testers and ancillaries Portable test and diagnostic systems Advanced battery analyzer/charger	U.S. Government and international logistics centers Military aviation	GDE Systems Honeywell Litton Lockheed Martin Northrop Grumman
	Inertial sensor	Inertial sensor systems for guidance, stabilization, navigation and control Gyroscopes, accelerometers, inertial measurement units and thermal switches	Military and commercial vehicles Commercial spacecraft and launch vehicles Energy utility boring Transportation Missiles Munitions	Astronautics-Kearfott Ball BEI GEC Honeywell Litton Rockwell/Collins
	Radar systems	Aircraft precision landing Ground surveillance Target detection devices	Global and U.S. airspace agencies Military aviation Military missiles	Hughes Motorola Raytheon Rockwell Thomson-CSF
Aerospace Marketing, Sales & Service(1)	Management and technical services	Maintenance/operation of space systems and facilities Systems engineering, integration and information technology services	U.S. and foreign government space and communications services Commercial space ground segment systems and services	Computer Sciences Dyncorp Lockheed Martin Raytheon SAIC
	Aircraft hardware distribution	Consumable hardware, including fasteners, bearings, bolts and	Commercial and military aviation and space programs	Wesco Aircraft Tristar Aerospace M&M Aerospace

	o-rings Adhesives, sealants, lubricants, cleaners and paints Value-added services, repair and overhaul kitting and point-of-use replenishment	Aviall W.S. Wilson Jamaica Bearings

(1) Aerospace-related businesses have organized their marketing, sales, service, technical support, repair and overhaul and distribution capabilities into this business unit.

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
SPECIALTY CHEMICALS & ELECTRONIC SOLUTIONS				
Specialty Chemicals	Fluorocarbons	Genetron'r' refrigerants, aerosol and insulation foam blowing agents Genesolv'r' solvents Oxyfume sterilant gases	Refrigeration Air conditioning Polyurethane foam Precision cleaning Optical Metalworking Hospitals Medical equipment manufacturers	Atochem DuPont ICI
	Hydrofluoric acid (HF)	Anhydrous and aqueous hydrofluoric acid	Fluorocarbons Steel Oil refining Chemical intermediates	Ashland Atochem DuPont Hashimoto Merck Norfluor Quimaco Fluoi
	Fluorine specialties	Sulfur hexafluoride (SF6) Iodine pentafluoride (IF5) Antimony pentafluoride (SbF5)	Electric utilities Magnesium Gear manufacturers	Air Products Asahi Glass Atochem Ausimont Kanto Denko Kogyo Solvay Fluor
	Nuclear services	UF6 conversion services	Nuclear fuel Electric utilities	British Nuclear Fuels Cameco (Canada) Cogema (France) Tennex (Russia)
	Pharmaceutical and agricultural chemicals	Active pharmaceutical ingredients Oxime-based fine chemicals Fluoroaromatics Bromoaromatics	Agrichemicals Pharmaceuticals	Cambrex DSM Lonza Zeneca
	High purity chemicals	Ultra high purity HF Solvents Inorganic acids High purity solvents	Semiconductors	LaPorte Merck Olin
	Industrial specialties Imaging Luminescence and plastic additives Chemical processing Materials and surface treatment Sealants	Hydrofluoric acid (HF) HF derivatives Fluoroaromatics Photodyes Phosphors Catalysts Oxime silanes	Diverse by product type	Varies by product line
	Specialty waxes	Polyethylene waxes Petroleum waxes and blends	Coatings Inks Candles Tire/Rubber Personal care Packaging	BASF Clariant Eastman Exxon IGI Leuna Schumann-Sasol
	Specialty additives	Polyethylene waxes Petroleum waxes and blends PVC lubricant systems Plastic additives	PVC Plastics	Eastman Geon Henkel
	UOP (joint venture)	Processes Catalysts Molecular sieves Adsorbents Design of process plants and equipment Customer catalyst manufacturing	Petroleum, petrochemical, gas processing and chemical industries	ABB Lummus Criterion IFP (France) Mobil Procatalyse (France) Stone & Webster Zeochem

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
Electronic Materials	Multilayer circuitry materials	Laminates Prepregs Copper foil	Military Telecommunications Automotive Computers Consumer electronics	ADI/Isola Nanya Nelco Polyclad
	Copper-clad rigid laminates for circuitry	Laminates	Military Telecommunications Automotive Computers Consumer electronics	ADI/Isola General Electric Nanya Nelco Polyclad
	Advanced microelectronic materials	Spin-on dielectrics for semiconductor manufacturing	Semiconductors Microelectronics	Dow Corning Applied Materials Tokyo-Ohka
	Equipment for semiconductor and related electronics manufacturing	Electron beam curing equipment Mini clean room environments	Semiconductor and thin film head manufacturing Seimconductor and related electronics manufacturing	Fusion Systems Asyst
	Engineering design services	Printed circuit board MultiChip fabricators	Semiconductor manufacturing	N/A
	Amorphous metals	Amorphous metal ribbons and components	Electrical distribution transformers High frequency electronics Metal joining Theft deterrent systems	Allegheny-Ludlum Steel Armco Steel Kawasaki Steel Nippon Steel
TURBINE TECHNOLOGIES Engines	Turbine propulsion engines	TFE731 turbofan TPE331 turboprop TFE1042 turbofan F124 turbofan LF502 turbofan LF507 turbofan CFE738 turbofan T53, T55 turboshaft LT101 turboshaft T800 turboshaft TF40 turboshaft AGT1500 turboshaft Repair, overhaul and spare parts	Business, regional and military trainer aircraft Commercial and military helicopters Military vehicles Commercial and military marine craft	Pratt & Whitney Canada Rolls-Royce/ Allison Engine Company Turbomeca
	Auxiliary power units (APUs)	Airborne auxiliary power units Jet fuel starters Secondary power systems Ground power units Repair, overhaul and spare parts	Commercial and military aircraft Ground power	Pratt & Whitney Canada Sundstrand Power Systems
	Industrial power	ASE 8 turboshaft ASE 40/50 turboshaft ASE 120 turboshaft	Ground based utilities, industrial or mechanical drives	Solar Rolls-Royce/ Allison Engine Company European Gas Turbines

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STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
Turbocharging Systems	Charge-air systems Thermal systems	Turbochargers Charge-air coolers Aluminum radiators Aluminum cooling modules Superchargers Remanufactured components	Passenger car, truck and off-highway original equipment manufacturers (OEMs) Engine manufacturers Aftermarket distributors and dealers	Aisin Seiki Behr/McCord GE/Elliott General Motors Hitachi Holset IHI KKK Mitsubishi/MHI Modine Schwitzer Valeo Williams International
	Power generation	Turbogenerators	Users of electricity	Capstone Turbine Electric Utilities
PERFORMANCE POLYMERS Polymers	Carpet fibers	Nylon filament and staple yarns Bulk continuous filament Nylon polymer	Commercial, residential and specialty carpet markets	BASF DuPont Solutia Rhodia
	Performance fibers	Industrial nylon and polyester yarns Extended-chain polyethylene composites Fine denier nylon yarns	Passenger car and truck tires Passenger car and light truck seatbelts and airbags Broad woven fabrics Ropes and mechanical rubber goods Luggage Sports gear Bullet resistant vests, helmets and heavy armor Cut-resistant industrial gloves Sailcloth	Akra Akzo BASF DSM DuPont Hoechst/Celanese Hyosung Kolon Nylstar Rhodia
	Engineering plastics	Thermoplastic nylon Thermoplastic alloys and blends Post-consumer recycled PET resins Recycled nylon resins	Food and pharmaceutical packaging Housings (e.g., electric hand tools, chain saws) Automotive components Office furniture Electrical and electronics	BASF Bayer DuPont Hoechst/Celanese Monsanto
	Specialty films	Cast nylon Biaxially oriented nylon film Fluoropolymer film	Food Pharmaceuticals Packaging and industrial applications	DuPont of Canada Kolon Rexam Custom Toyobo
	Chemical intermediates	Caprolactam Ammonium sulfate Hydroxylamine Cyclohexanol Cyclohexanone Adipic acid	Nylon for fibers, engineered resins and film Fertilizer ingredients Specialty chemicals Vitamins	BASF DSM DuPont Enichem Solutia Rhodia Ube

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
TRANSPORTATION PRODUCTS				
Consumer Products Group	Aftermarket filters, electronic components and car care products	Oil, air, fuel, transmission and coolant filters PCV valves Spark plugs Wire and cable Antifreeze/coolant Ice-fighter products Windshield washer fluids Waxes, washes and specialty cleaners	Automotive and heavy vehicle aftermarket channels and original equipment service (OES) Mass merchandisers	AC Delco/Delphi/GM ArmorAll/STP/Clorox Autoglym Baldwin Bosch Champion Labs Champion/Cooper Ind. Cummins Diesel Donaldson Gold Eagle Gonher Havoline/Texaco Labinal Mac Quair Mann & Hummel NGK Peak Pennzoil/Quaker State Purolator/Arvin Ind Pyroil/Valvoline Turtle Wax Various Prival Label Wix/Dana Zerex/Valvoline
Friction Materials	Friction materials Aftermarket brake hard parts	Disc brake pads Drum brake linings Brake blocks Disc and drum brake components Brake hydraulic components Brake fluid Aircraft brake linings Railway linings	Automotive and heavy vehicle OEMs, OES, brake manufacturers and aftermarket channels Mass merchandisers Installers Railway and commercial/ military aircraft OEMs and brake manufacturers	Akebono BBA Group Dana Delphi Federal-Mogul ITT/Galfer JBI Nisshinbo Pagid Sumitomo
Truck Brake Systems (joint venture)	Air brake systems	Anti-lock brake systems (ABS) Air disc brakes Air compressors Air valves Air dryers Actuators Truck electronics Competitive remanufactured products	On-highway medium and heavy truck, bus and trailer OEMs Off-highway equipment OEMs Aftermarket distributors and dealers/OES	Eaton Midland-Haldex Meritor WABCO

RECENT DEVELOPMENTS

Activity in Aerospace Systems included the acquisition, in January 1998, of substantially all the assets of Banner Aerospace, distributors of FAA-certified aircraft hardware, for common stock valued at approximately $350 million. The acquired operations have annual sales of about $250 million, principally to commercial air transport and general aviation customers. In June 1998, the Company acquired a controlling interest in the Normalair-Garrett Ltd environmental controls joint venture. The acquired operations have annual sales of approximately $240 million. Several smaller acquisitions were also completed. In the first quarter of 1998, the Company sold its underwater detection systems business to L-3 Communications Corporation for approximately $70 million in cash and, in September 1998, the Company sold its communications systems business to Raytheon Company for approximately $60 million in cash. The divested businesses had annual sales of about $190 million. Aerospace Systems also strengthened its leadership in flight safety products by winning several major contracts for its new FAA-approved Enhanced Ground Proximity Warning System which gives pilots advance warning time of a collision with terrain.

In June 1998, the Company acquired Pharmaceutical Fine Chemicals S.A. (PFC) of Lugano, Switzerland, for approximately $390 million, including assumed liabilities, as part of the Specialty Chemicals & Electronic Solutions segment. PFC manufactures and distributes active and intermediate

pharmaceutical chemicals and had sales of about $110 million in 1997. Several other smaller acquisitions were also completed during the year. In April 1998, the European laminates business of Electronic Materials was sold.

Turbine Technologies began development of the AS900, its first new turbofan engine platform in more than 20 years, for the rapidly growing general and regional aviation market. It is scheduled for FAA certification in the first quarter of 2001. Turbocharging Systems is entering the small-scale power generation business to serve a growing demand for low cost, highly reliable and efficient independent power units. International distribution alliances for the power systems were formed in 1998. Initial product shipments are scheduled for mid-1999.

Performance Polymers formed a joint venture with DSM Chemicals North America to construct and operate an $80 million recycling facility to convert nylon carpet into caprolactam, the raw material used in carpeting and automobile parts. Performance Polymers exited its European carpet fibers business and a portion of the North American textile business in 1998. Performance Polymers also sold its phenol facility to Sun Company, Inc. in 1998, and as part of the sale the Company retained a phenol supply arrangement for its nylon business.

In Transportation Products, Truck Brake Systems and its partner, Knorr-Bremse AG, established a joint venture company with Robert Bosch GmbH (Bosch) combining their European commercial heavy-duty brake systems businesses. Bosch contributed its commercial vehicle brake product division to the European joint venture, in exchange for a 20% interest in the joint venture. The Company will also have a 20% ownership interest in the European joint venture. Knorr-Bremse, AlliedSignal's joint venture partner since 1993, will have the remaining 60% interest.

In June 1998, the Company sold its interest in its automotive catalyst business to a unit of General Motors Corporation for approximately $50 million in cash. This business had annual sales of about $250 million.

In 1998, the Company was unsuccessful in its $10 billion unsolicited offer for AMP Incorporated (AMP), a manufacturer of electrical connection devices. In connection with this transaction, the Company acquired approximately a 9% interest in AMP for $890 million. The fair market value of the investment at December 31, 1998 was $1,041 million.

In January 1999, the Company announced that it will commence realignment of its aerospace businesses in the first quarter to strengthen their market and customer focus, simplify the business structure and reduce costs.

U.S. GOVERNMENT SALES

Sales to the U.S. Government (primarily aerospace-related), acting through its various departments and agencies and through prime contractors, amounted to $1,891 million for 1998 and $1,851 million for 1997, which includes sales to the U.S. Department of Defense (DoD) of $1,366 million in 1998 and $1,338 million in 1997. Approximately 58% and 59% of sales to the U.S. Government in 1998 and 1997, respectively, were made under fixed-price contracts in which the Company agrees to perform a contract for a fixed price, retaining any benefits of cost savings and absorbing any cost overruns. The Company is affected by U.S. Government budget restraints for defense and space programs. After years of decline, U.S. defense spending increased slightly in 1998 and is expected to increase over the next several years.

In addition to normal business risks, companies engaged in supplying military and other equipment to the U.S. Government are subject to unusual risks, including dependence on Congressional appropriations and administrative allotment of funds, changes in governmental procurement legislation and regulations and other policies that may reflect military and political developments, significant changes in contract scheduling, complexity of designs and the rapidity with which they become obsolete, necessity for constant design improvements, intense competition for U.S. Government business necessitating increases in time and investment for design and development, difficulty of forecasting costs and schedules when bidding on developmental and highly sophisticated technical work and other factors characteristic of the industry. Changes are customary over the life of U.S. Government contracts, particularly development contracts, and generally result in adjustments of contract prices.

The Company, like 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 currently aware of any such investigations that it expects, individually or in the aggregate, will have a material adverse effect on the Company. In addition, the Company has a proactive business compliance program designed to ensure compliance and sound business practices.

BACKLOG

Orders for certain aerospace-related 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 (principally for aerospace-related products and services) for both government and commercial contracts was $5,012 million at December 31, 1998 and $5,087 million at December 31, 1997 of which U.S. and foreign government orders were $1,511 million and $1,908 million for the respective years. The Company anticipates that approximately $3,553 million of the total 1998 backlog will be filled during 1999.

Backlog information may not be an accurate indicator of future sales. Government contracts and, in general, subcontracts thereunder are terminable, in whole or in part, for default or for convenience by the government or the higher level contractor if deemed in their best interest. Upon termination for convenience, 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.

In addition to the right of the government to terminate, government contracts are conditioned upon the continuing availability of Congressional appropriations. Congress usually appropriates funds on a fiscal-year basis even though contract performance may extend over many years. Consequently, at the outset of a program, the prime contract is usually partially funded and additional funds are normally only appropriated to the contract by Congress in future years. Fixed-price subcontracts are normally fully funded, but are subject to convenience termination if the prime contract is not funded.

SEGMENT FINANCIAL DATA

Note 23 (Segment Financial Data) of Notes to Financial Statements in the

Company's 1998 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 1998 Annual Report to shareowners is incorporated herein by reference.

COMPETITION

The Company encounters substantial competition, in each of its product areas, from businesses producing the same or similar products and businesses producing different products designed for the same uses. Such competition is expected to continue in all geographic markets. Depending on the particular market involved, the Company's businesses compete on a variety of factors, such as price, quality, delivery, customer service, performance, product innovation and product recognition. Other competitive factors for certain products include breadth of product line, research and development efforts and technical and managerial capability. While the Company's competitive position varies among its products, the Company believes it is a significant factor in each of its major product classes.

Certain products and services of the Company are sold in competition with those of a large number of other companies, some of which have substantial financial resources and significant technological capabilities. Other products compete with independent suppliers or with the captive

component divisions of the vehicle manufacturers. Still other businesses are aligned around markets, customers and common technologies. Brand identity, service to customers and quality are important competitive factors in the market and there is considerable price competition.

INTERNATIONAL OPERATIONS

The Company is engaged in manufacturing, sales and/or research and development mainly in the U.S., Europe, Canada, Asia and Latin America. U.S. exports and foreign manufactured products are significant to the Company's operations. U.S. exports comprised 17% of total Company net sales in both 1998 and 1997. Foreign manufactured products and services, mainly in Europe, were 21% and 22% of total Company net sales in 1998 and 1997, respectively.

The Company's international operations, including U.S. exports, are potentially subject to a number of unique risks and limitations, including: fluctuations in currency value; exchange control regulations; wage and price controls; employment regulations; foreign investment laws; import and trade restrictions, including embargoes; and governmental instability.

Approximately 25% of total sales of aerospace-related products and services were exports of U.S. manufactured products and systems, performance of services such as aircraft repair and overhaul, and licensing activities. Exports were principally made to Europe, Asia and Canada. The principal manufacturing facilities outside of the U.S. are in Europe and Canada. Foreign manufactured products comprised 11% of total sales of aerospace-related products and services.

Exports of U.S. manufactured automotive products comprised 5% of total sales of automotive products. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Asia, Latin America and Canada. Foreign manufactured products accounted for 47% of total sales of automotive products.

Approximately 13% of total sales of chemicals, fibers, plastics and advanced materials were exports of U.S. manufactured products. Exports were principally made to Asia, Europe, Latin America and Canada. The principal manufacturing facilities outside the U.S. are in Europe, with less significant operations in Asia and Canada. Foreign manufactured products comprised 19% of total sales of chemicals, fibers, plastics and advanced materials.

RAW MATERIALS

The principal raw materials used to produce the Company's products include: aerospace products -- carbon fiber; electronic, optical and mechanical component parts and assemblies; electronic and electromechanical devices and metallic products; automotive products -- castings, forgings, steel and bar stock, copper, aluminum, platinum and titanium and chemicals, fibers, plastics and advanced materials -- cumene, natural gas, sulfur, terephthalic acid, ethylene and ethylene glycol, fluorspar, HF, carbon tetrachloride, chloroform, nylon resins, fiberglass, copper foil, platinum, rhodium, polyester chips, lubricating oil by-products and butylrubber. The Company is producing virtually all of its HF and nylon resin requirements. The principal raw materials used in the Company's operations are generally readily available. Major requirements for key raw materials and fuels are typically purchased pursuant to multi-year contracts. The Company is not dependent on any one supplier for a material amount of its raw material or fuel requirements. However, the Company is highly dependent on its suppliers and subcontractors in order to meet commitments to its customers. In addition, many major components and product equipment items are procured or subcontracted on a sole-source basis with a number of domestic and foreign companies. The Company maintains a qualification and performance surveillance process to control risk associated with such reliance on third parties. The Company believes that sources of supply for raw materials and components are generally adequate, although, temporary shortages may occur from time to time.

PATENTS AND TRADEMARKS

The Company owns approximately 9,000 patents or 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

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that any patent or patent license agreement 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, Holts, Prestone and Redex.

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 $394, $349 and $345 million in 1998, 1997 and 1996, respectively. Customer-sponsored (principally the U.S. Government) research and development activities amounted to an additional $418, $527 and $536 million in 1998, 1997 and 1996, respectively.

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 certain operations and products of the Company, as it is with other companies engaged in similar businesses.

The Company is and has been engaged in the handling, manufacture, use or disposal of many substances 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 or 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 that 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 $52 million in 1998. The Company estimates that during each of the years 1999 and 2000 such capital expenditures will be in the $60 to $65 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 22 of the Company's 1998 Annual Report to shareowners, incorporated herein by reference, for further information regarding environmental matters.

EMPLOYEES

The Company had an aggregate of 70,400 employees at December 31, 1998. Approximately 49,900 were located in the United States, and, of these employees, about 23% were unionized employees represented by various local or national unions.

ITEM 2. PROPERTIES

The Company has approximately 340 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 is located at Morris Township, New Jersey.

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

AEROSPACE SYSTEMS

Anniston, AL
Tempe, AZ
Torrance, CA (partially leased)
Tucson, AZ
South Bend, IN
Olathe, KS (leased)
Columbia, MD
Teterboro, NJ
Rocky Mount, NC
Urbana, OH
Redmond, WA
Mississauga, Ontario Canada
Yeovil, Somerset United Kingdom

SPECIALTY CHEMICALS & ELECTRONIC SOLUTIONS

Baton Rouge, LA
Geismar, LA
Orange, TX
Seelze, Germany

TURBINE TECHNOLOGIES

Phoenix, AZ (4 plants, 1 owned, 3 partially leased)
Torrance, CA
Thaon-Les-Vosges, France
Raunheim, Germany
Singapore
Skelmersdale, United Kingdom

PERFORMANCE POLYMERS

Moncure, NC
Pottsville, PA
Columbia, SC
Sparta, TN
Chesterfield, VA
Churchill, VA
Hopewell, VA
Longlaville, France
Rudolstadt, Germany

TRANSPORTATION PRODUCTS

Huntington, IN
Fostoria, OH
Greenville, OH
Glinde, Germany

ITEM 3. LEGAL PROCEEDINGS

The first four paragraphs of Note 20 (Commitments and Contingencies) of Notes to Financial Statements at page 39 of the Company's 1998 Annual Report to shareowners are incorporated herein by reference.

The Indiana Department of Environmental Management issued a Notice of Violation (NOV) to the Company on August 18, 1997 alleging, principally, that the Company had failed to obtain certain air emissions permits required for the construction and operation of various equipment at its South Bend, Indiana plant. The Company could be subject to monetary sanctions which may exceed $100,000. Management does not believe that any such monetary sanctions, if imposed, will have a material adverse effect on the consolidated results of operations or financial position of the Company.

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

Not Applicable

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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), 63 1991	Chairman of the Board since January 1992. Chief Executive Officer of the Company since July 1991.
Frederic M. Poses (a), 56 1988	President and Chief Operating Officer since June 1998. Vice Chairman from October 1997 to May 1998. Executive Vice President and President, AlliedSignal Engineered Materials from April 1988 to September 1997.
Larry E. Kittelberger, 50 1996	Senior Vice President and Chief Information Officer since February 1999. Vice President and Chief Information Officer from August 1995 to January 1999. Corporate Chairman -- Information Officer Leadership Committee of Tenneco Inc. (diversified industrial concern) from June 1989 to July 1995.
Peter M. Kreindler, 53 1992	Senior Vice President, General Counsel and Secretary since December 1994. Senior Vice President and General Counsel from March 1992 to November 1994.
Donald J. Redlinger, 54 1991	Senior Vice President -- Human Resources and Communications since February 1995. Senior Vice President -- Human Resources from January 1991 to January 1995.
Richard F. Wallman, 47 1995	Senior Vice President and Chief Financial Officer since March 1995. Vice President and Controller of International Business Machines Corp. (IBM) from April 1994 to February 1995. General Assistant Controller of IBM from October 1993 to March 1994.
William J. Amelio, 41 1998	President -- Turbocharging Systems since April 1997. Vice President, Re-Engineering and Information Systems of IBM Personal Computer Company from 1996 to 1997. Vice President, Operations, IBM Personal Computer Company from 1994 to 1995.
David E. Berges, 49 1998	President -- Consumer Products Group since January 1998. President, Bendix/Jurid unit of Friction Materials from November 1997 to December 1997. Vice President and General Manager, Engine Systems and Accessories unit of Aerospace Equipment Systems from July 1994 to October 1997.
Mark H. Breedlove, 42 1998	President -- Friction Materials since October 1998. President, Bendix/Jurid unit of Friction Materials from February 1998 to September 1998. President, Asia Operations, Automotive from June 1996 to January 1998. President, Braking Systems -- Asia, from July 1995 to May 1996. Vice President, Product Management, Braking Systems -- Americas from August 1994 to June 1995. Vice President, Finance, Braking Systems North America from June 1993 to July 1994.
Gary A. Cappeline, 49 1998	President -- Specialty Chemicals since December 1998. Group Vice President, Pigments and Additives, Engelhard Corporation (chemical manufacturer) from January 1997 to November 1998; Group Vice President, Specialty Chemicals of Ashland Chemical from January 1993 to December 1996.

(a) Also a director.

(list continued on next page)

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(list continued from previous page)

NAME, AGE, DATE FIRST ELECTED AN OFFICER	BUSINESS EXPERIENCE
Karen K. Clegg, 50 1998	President -- Federal Manufacturing & Technologies (FM&T) since May 1995. Vice President of FM&T from February 1995 to April 1995. Vice President, Field Services and New Markets, AlliedSignal Technical Services Corporation from January 1994 to January 1995.
Robert D. Johnson, 51 1998	President -- Aerospace Marketing, Sales and Service since January 1999. President -- Electronic & Avionics Systems from October 1997 to December 1998. Vice President and General Manager, Aerospace Services from 1994 to 1997. Group Vice President, Manufacturing and Services of AAR Corp. from 1993 to 1994.
Steven R. Loranger, 47 1998	President -- Engines since July 1997. President -- Truck Brake Systems from February 1995 to June 1997. Vice President, Air Transport unit of Engines from May 1993 to January 1995.
Jeffrey I. Sinclair, 49 1998	President -- Truck Brake Systems since October 1997. Vice President, Global Sales and Marketing, Friction Materials from September 1996 to September 1997. Principal of A.T. Kearney (management consulting company) from September 1995 to August 1996. President of St. James Group (marketing consulting company) from March 1991 to August 1995.
David N. Weidman, 43 1998	President -- Polymers since March 1998. President -- Fluorine Products unit of Specialty Chemicals from May 1995 to February 1998. Vice President and General Manager, Performance Additives unit of Specialty Chemicals from May 1994 to April 1995. Vice President and General Manager of American Cyanamid's Fibers business from 1990 to 1994.
Geoffrey Wild, 42 1998	President -- Electronic Materials since February 1997. President of Electronic Materials of Johnson Matthey plc from August 1992 to January 1997.

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 42 of the Company's 1998 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 18 of the Company's 1998 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 18 of the Company's 1998 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 27 of the Company's 1998 Annual Report to shareowners is incorporated herein by reference.

This Report contains, or incorporates by reference, certain statements that may be deemed 'forward-looking statements' within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, that address activities, events or developments that the Company or management intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by management of the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes to be appropriate. The forward-looking statements included in this Report are also subject to a number of material risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices. Such forward-looking statements are not guarantees of future performance and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Information relating to market risk is included under the caption 'Financial Instruments' in 'Management's Discussion and Analysis' on pages 22 and 23 of the Company's 1998 Annual Report to shareowners, and such information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 1, 1999 appearing on pages 27 through 42 of the Company's 1998 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, 7 and 7A, the 1998 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, 1998, 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 1998 Annual Report to shareowners:	
Report of Independent Accountants	27
Consolidated Statement of Income for the years ended December 31, 1998, 1997 and 1996	28
Consolidated Balance Sheet at December 31, 1998 and 1997	29
Consolidated Statement of Cash Flows for the years ended December 31, 1998, 1997 and 1996	30
Consolidated Statement of Shareowners' Equity for the years ended December 31, 1998, 1997 and 1996	31
Notes to Financial Statements	32

(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 18 through 42 (except for the data included under the captions 'Financial Statistics' on page 18) of the Company's 1998 Annual Report to shareowners
21	Subsidiaries of the Registrant
23	Consent of Independent Accountants
24	Powers of Attorney
27	Financial Data Schedule

(b) Reports on Form 8-K

During the three months ended December 31, 1998, a report on Form 8-K was filed on October 21, 1998 disclosing certain earnings data, updated Year 2000 information and certain new credit facilities.

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SIGNATURES

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

AlliedSignal Inc.

March 4, 1999

By: /s/ RICHARD J. DIEMER, JR.

Richard J. Diemer, Jr.
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
*	*
Frederic M. Poses Director	Ivan G. Seidenberg Director
*	*
Hans W. Becherer Director	Andrew C. Sigler Director
	*
Marshall N. Carter Director (Joined Board of Directors March 1, 1999)	John R. Stafford Director
*	*
Ann M. Fudge Director	Thomas P. Stafford Director
*	*
Paul X. Kelley Director	Robert C. Winters Director
*	*
Robert P. Luciano Director	Henry T. Yang Director
*	/s/ RICHARD J. DIEMER, JR.
Robert B. Palmer Director	Richard J. Diemer, Jr. Vice President and Controller (Principal Accounting Officer)
/s/ RICHARD F. WALLMAN	
Richard F. Wallman Senior Vice President and Chief Financial Officer (Principal Financial Officer)	

*By: /s/ RICHARD F. WALLMAN

(Richard F. Wallman
Attorney-in-fact)

March 4, 1999

ALLIEDSIGNAL INC

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