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

Form 10-Q

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

For the quarterly period ended June 30, 1999

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)

(973)455-2000
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at June 30, 1999
$1 par value	550,220,660 shares

AlliedSignal Inc.

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AlliedSignal Inc.
Consolidated Balance Sheet
(Unaudited)

	June 30, 1999	December 31, 1998
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 648	$ 712
Accounts and notes receivable	1,838	1,993
Inventories	2,345	2,332
Other current assets	552	556
Total current assets	5,383	5,593
Investments and long-term receivables	433	1,488
Property, plant and equipment	9,189	9,358
Accumulated depreciation and amortization	(4,974)	(4,961)
Cost in excess of net assets of acquired companies - net	2,910	2,999
Other assets	1,148	1,083
Total assets	$14,089	$15,560
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,346	$ 1,423
Short-term borrowings	79	80
Commercial paper	979	1,773
Current maturities of long-term debt	41	158
Accrued liabilities	1,647	1,751
Total current liabilities	4,092	5,185
Long-term debt	1,453	1,476
Deferred income taxes	784	795
Postretirement benefit obligations other than pensions	1,716	1,732
Other liabilities	1,018	1,075
SHAREOWNERS' EQUITY		
Capital - common stock issued	716	716
- additional paid-in capital	3,242	2,982
Common stock held in treasury, at cost	(4,285)	(3,413)
Accumulated other nonowner changes	(275)	(70)
Retained earnings	5,628	5,082
Total shareowners' equity	5,026	5,297
Total liabilities and shareowners' equity	$14,089	$15,560

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

AlliedSignal Inc.
Consolidated Statement of Income
(Unaudited)

	Three Months Ended June 30, 1999	Three Months Ended June 30, 1998	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
	(Dollars in millions except per share amounts)			
Net sales	$3,818	$3,869	$7,414	$7,515
Cost of goods sold	3,045	2,949	5,754	5,758
Selling, general and administrative expenses	418	406	799	804
Total costs and expenses	3,463	3,355	6,553	6,562
Income from operations	355	514	861	953
Equity in income of affiliated companies	(16)	29	(4)	63
Other income (expense)	277	--	292	(1)
Interest and other financial charges	(30)	(32)	(74)	(66)
Income before taxes on income	586	511	1,075	949
Taxes on income	186	161	340	299
Net income	$ 400	$ 350	$ 735	$ 650
Earnings per share of common stock - basic	$ .72	$ .62	$ 1.33	$ 1.15
Earnings per share of common stock - assuming dilution	$ .71	$ .61	$ 1.30	$ 1.13
Cash dividends per share of common stock	$ .17	$ .15	$ .34	$ .30

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

AlliedSignal Inc.
Consolidated Statement of Cash Flows
(Unaudited)

	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
	(Dollars in millions)	
Cash flows from operating activities:		
Net income	$ 735	$ 650
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on disposition of investment in AMP Incorporated	(268)	--
Repositioning and other charges	258	--
Depreciation and amortization	295	302
Undistributed earnings of equity affiliates	(7)	(4)
Deferred income taxes	71	38
Decrease in accounts and notes receivable	33	96
(Increase) in inventories	(45)	(128)
Decrease in other current assets	17	28
(Decrease) increase in accounts payable	(50)	21
(Decrease) in accrued liabilities	(183)	(334)
Net taxes paid on sales of businesses and investments	(87)	(165)
Other	(22)	(6)
Net cash provided by operating activities	747	498
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(248)	(280)
Proceeds from disposals of property, plant and equipment	31	51
(Increase) in investments	(3)	--
Cash paid for acquisitions	(9)	(316)
Disposition of investment in AMP Incorporated	1,164	--
Proceeds from sales of businesses	199	202
Decrease in short-term investments	-	408
Net cash provided by investing activities	1,134	65
Cash flows from financing activities:		
Net (decrease) in commercial paper	(794)	(226)
Net increase in short-term borrowings	2	3
Proceeds from issuance of common stock	193	91
Proceeds from issuance of long-term debt	3	413
Payments of long-term debt	(154)	(159)
Repurchases of common stock	(1,006)	(619)
Cash dividends on common stock	(189)	(170)
Net cash (used for) financing activities	(1,945)	(667)
Net (decrease) in cash and cash equivalents	(64)	(104)
Cash and cash equivalents at beginning of year	712	611
Cash and cash equivalents at end of period	$ 648	$ 507

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

AlliedSignal Inc.
Notes to Financial Statements
(Unaudited)
(Dollars in millions except per share amounts)

Note 1. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting only of normal adjustments, necessary to present fairly the financial position of AlliedSignal Inc. and its consolidated subsidiaries at June 30, 1999 and the results of operations for the three and six months ended June 30, 1999 and 1998 and cash flows for the six months ended June 30, 1999 and 1998. The results of operations for the three- and six-month periods ended June 30, 1999 should not necessarily be taken as indicative of the results of operations that may be expected for the entire year 1999.

The financial information as of June 30, 1999 should be read in conjunction with the financial statements contained in AlliedSignal's Form 10-K Annual Report for 1998.

Note 2. Accounts and notes receivable consist of the following:

	June 30, 1999	December 31, 1998
Trade	$1,525	$1,554
Other	348	476
	1,873	2,030
Less - Allowance for doubtful accounts and refunds	(35)	(37)
	$1,838	$1,993

Note 3. Inventories consist of the following:

	June 30, 1999	December 31, 1998
Raw materials	$ 628	$ 568
Work in process	604	655
Finished products	1,170	1,174
Supplies and containers	90	96
	2,492	2,493
Less - Progress payments	(45)	(54)
Reduction to LIFO cost basis	(102)	(107)
	$2,345	$2,332

Note 4. Total nonowner changes in shareowners' equity for the three and six months ended June 30, 1999 and 1998 were $261 and $530 million and $351 and $609 million, respectively. Nonowner changes in shareowners' equity consists of net income, foreign currency translation adjustments and unrealized holding gains and losses on marketable securities.

Note 5. Segment financial data follows:

	Three Months Ended June 30,			
	Net Sales		Income from Operations	
	1999	1998	1999	1998
Aerospace Systems	$1,202	$1,204	$ 245	$ 201
Specialty Chemicals & Electronic Solutions	517	589	75	112
Turbine Technologies	1,002	921	177	103
Performance Polymers	469	531	70	92
Transportation Products	615	609(a)	47	35(a)
Corporate & Unallocated	13	15(a)	(37)	(29)(a)
Other	-	-	(222)(b)	-
	$3,818	$3,869	$ 355	$ 514

	Six Months Ended June 30,			
	Net Sales		Income from Operations	
	1999	1998	1999	1998
Aerospace Systems	$2,352	$2,334	$ 450	$ 396
Specialty Chemicals & Electronic Solutions	1,045	1,187	160	211
Turbine Technologies	1,865	1,741	311	191
Performance Polymers	924	1,058	134	165
Transportation Products	1,208	1,155(a)	90	51(a)
Corporate & Unallocated	20	40(a)	(62)	(61)(a)
Other	-	-	(222)(b)	-
	$7,414	$7,515	$ 861	$ 953

(a) Reclassified to conform with 1999 presentation. Net sales and income from operations related to residual contracts of the divested Safety Restraints business are now reported in Corporate & Unallocated.
(b) Represents the provision for repositioning and other charges. See Note 8.

Note 6. The details of the earnings per share calculations for the three- and six-month periods ended June 30, 1999 and 1998 follow:

	Three Months			Six Months		
	Income	Average Shares	Per Share Amount	Income	Average Shares	Per Share Amount
1999						
Earnings per share of common stock - basic	$400	551.9	$.72	$735	554.2	$ 1.33
Dilutive securities:						
Stock options		12.6			12.0	
Restricted stock units		.5			.4	
Earnings per share of common stock - assuming dilution	$400	565.0	$.71	$735	566.6	$ 1.30

	Three Months			Six Months		
	Income	Average Shares	Per Share Amount	Income	Average Shares	Per Share Amount
1998						
Earnings per share of common stock - basic	$350	563.2	$.62	$650	563.7	$1.15
Dilutive securities:						
Stock options		13.2			13.4	
Restricted stock units		.7			.7	
Earnings per share of common stock - assuming dilution	$350	577.1	$.61	$650	577.8	$1.13

The diluted earnings per share calculation excludes the effect of stock options when the options' exercise prices exceed the average market price of the common shares during the period. For the three- and six-month periods ended June 30, 1999, all stock options were included in the computations. For the three- and six-month periods ended June 30, 1998, the number of stock options not included in the computations were 1.0 million and 1.1 million, respectively.

Note 7. In April 1999, AlliedSignal reached an agreement with Tyco International Ltd. (Tyco) and AMP Incorporated (AMP), settling AMP's claim to the gain AlliedSignal realizes on the disposition of its investment in AMP common stock. AlliedSignal made a payment to AMP of $50 million, and the parties released all claims that they had against each other relating to AMP. Subsequently, AlliedSignal converted its investment in AMP common stock into Tyco common stock and sold the Tyco common stock for net cash proceeds of $1.2 billion. The resulting second-quarter pre-tax gain of $268 million (after-tax $161 million, or $0.29 per share), net of the settlement payment is included as part of Other Income (Expense).

Note 8. In the second quarter of 1999, AlliedSignal approved a repositioning plan designed to enhance our competitiveness and productivity and improve future profitability. The repositioning plan includes the organizational realignment of our aerospace businesses to strengthen market and customer focus and simplify its business structure; the elimination of an unprofitable product line and rationalization of manufacturing capacity in the Polymers business; and related workforce reductions in these businesses. The plan also includes workforce reductions in the Friction Materials, Specialty Chemicals and Turbocharging Systems businesses. In total, the Company will be eliminating approximately 1,200 positions worldwide, primarily in manufacturing and administrative functions. The repositioning plan is expected to be completed by December 31, 1999. In connection with the repositioning plan, in the second quarter of 1999, the Company recorded a pretax charge of $75 million. The components of this charge include severance costs of $38 million, asset writedowns of $36 million, and other exit costs of $1 million. The following summarizes the status of the repositioning reserve:

	Repositioning Reserve	Charges Against Reserve	June 30, 1999 Balance
Severance costs	$38	$ (5)	$33
Asset writedowns	36	(17)	19
Other exit costs	1	--	1
Total	$75	$(22)	$53

In the second quarter of 1999, we also recognized other charges consisting of losses on aerospace engine maintenance contracts and a cancellation penalty totaling $45 million, customer and employee claims of $29 million, and other asset impairments and write-offs, including inventory, of $73 million.

Repositioning and other charges totaling $222 million are included as part of cost of goods sold. Equity in income of affiliated companies also includes a $36 million charge resulting from an other than temporary decline in value of an equity investment due to a significant deterioration in market conditions. The total pretax impact of the repositioning and other charges are $258 million (after-tax $156 million, or $0.28 per share).

Note 9. On June 4, 1999, AlliedSignal entered into a merger agreement with Honeywell Inc. (Honeywell). The merger is subject to shareholder approval, regulatory reviews and other conditions. Under the terms of the merger agreement, each share of Honeywell common stock will be exchanged for 1.875 shares of AlliedSignal common stock. As of the end of the second quarter of 1999, based on approximately 127 million Honeywell shares outstanding and AlliedSignal's stock price, the transaction is valued at approximately $15 billion. The new company will have annual revenues of about $25 billion and will assume approximately $1.5 billion of Honeywell debt. The transaction will be accounted for as a pooling of interests and is expected to close by the fourth quarter of 1999. Upon completion of the merger, the name of AlliedSignal Inc. will be changed to Honeywell International Inc. The merger agreement provides for payment of termination fees of up to $350 million under certain circumstances. AlliedSignal and Honeywell also have entered into option agreements pursuant to which, under certain circumstances, AlliedSignal may purchase approximately 19.9% of Honeywell's outstanding common stock for $109.453 per share and Honeywell may purchase approximately 19.9% of AlliedSignal's outstanding common stock for $58.375 per share.

Report on Review by Independent Accountants

To the Shareowners and Directors
of AlliedSignal Inc.

We have reviewed the accompanying consolidated balance sheet of AlliedSignal Inc. and its subsidiaries as of June 30, 1999, and the related consolidated statements of income for each of the three-month and six-month periods ended June 30, 1999 and 1998 and the consolidated statements of cash flows for the six-month periods ended June 30, 1999 and 1998. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with generally accepted accounting principles.

We previously audited in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1998, and the related consolidated statements of income, of shareowners' equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 1, 1999 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 1998, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP
Florham Park, NJ 07932

August 11, 1999

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. Results of Operations - Second Quarter 1999 Compared with Second Quarter 1998

Net sales in the second quarter of 1999 were $3,818 million, a decrease of $51 million, or 1%, compared with the second quarter of 1998. The decrease resulted from divested businesses of $199 million, lower selling prices of $61 million and the impact of foreign exchange of $14 million. Higher sales resulting from volume gains of $126 million and from acquisitions of $97 million were a partial offset.

Income from operations in the second quarter of 1999 was $355 million. As discussed in Note 8 on page 8 of this Form 10-Q, $222 million relating to a provision for repositioning actions and certain other charges reduced income from operations in the current quarter. Income from operations in the second quarter of 1998 was $514 million. Operating margin for the second quarter of 1999 was 9.3%. The impact of the provision for repositioning actions and other charges reduced operating margin by 5.8%. Operating margin for the second quarter of 1998 was 13.3%. Income from operations is discussed in detail by segment in the Review of Business Segments section below.

The repositioning charge of $75 million represents the cost of actions designed to enhance our competitiveness and productivity and improve future profitability. The repositioning plan includes the organizational realignment of our aerospace businesses to strengthen market and customer focus and simplify its business structure; the elimination of an unprofitable product line and rationalization of manufacturing capacity in the Polymers business; and related workforce reductions in these businesses. The plan also includes workforce reductions in the Friction Materials, Specialty Chemicals and Turbocharging Systems businesses. The cost of the repositioning actions will be financed through the net cash proceeds from the disposition of our investment in AMP and we do not anticipate any significant impact on liquidity as a result of the repositioning plan. The repositioning actions are expected to be completed by December 31, 1999 and are expected to generate improvements in pretax income of approximately $75 million annually primarily from lower personnel-related costs.

Equity in income of affiliated companies, a loss of $16 million in the second quarter of 1999, was $45 million lower compared with the second quarter of 1998. The decrease relates to a $36 million charge in the second quarter of 1999 resulting from an other than temporary decline in the value of an equity investment and lower earnings from the UOP process technology joint venture (UOP).

Other income (expense), $277 million of income in the second quarter of 1999, includes the net gain of $268 million on the disposition of our investment in AMP.

Interest and other financial charges of $30 million in the second quarter of 1999 decreased by $2 million, or 6%, compared with the second quarter of 1998. The decrease reflects higher average debt outstanding during the current quarter versus the comparable period in the prior year which was more than offset by lower interest rates and tax interest expense.

Net income of $400 million, or $0.71 per share, in the second quarter of 1999 was 14% higher than the prior year's second quarter net income of $350 million, or $0.61 per share. Net income in the second quarter of 1999, adjusted for the gain on the disposition of our investment in AMP and the repositioning and other charges, was $395 million, or $0.70 per share, an increase of 13% over the prior year. The higher net income in the second quarter of 1999 was the result of improved earnings for Turbine Technologies, Aerospace Systems and Transportation Products. Specialty Chemicals & Electronic Solutions and Performance Polymers had lower earnings.

Review of Business Segments

The results of the Business Segments do not include the gain on the disposition of our investment in AMP and the repositioning and other charges.

Aerospace Systems sales were $1,202 million in the second quarter of 1999 compared with $1,204 million in the second quarter of 1998. Excluding the adverse impact on sales resulting from a change from prime contractor to sub-contractor on a government technical services contract and the prior year divestiture of the communications business, sales in the second quarter of 1999 increased by 6% compared with the second quarter of 1998. The increase reflects continued strong sales of flight safety products; higher aftermarket sales and improved engineering services revenues. The acquisition of a controlling interest in the Normalair-Garrett Ltd. (NGL) environmental controls joint venture in June 1998 also contributed to higher sales.

Aerospace Systems income from operations of $245 million in the second quarter of 1999 increased by $44 million, or 22%, compared with the second quarter of 1998 due principally to an improved cost structure and increased sales of higher margin aftermarket and flight safety products.

Specialty Chemicals & Electronic Solutions sales of $517 million in the second quarter of 1999 were $72 million, or 12%, lower compared with the comparable quarter of 1998 due to divestitures, primarily the environmental catalyst business. Higher sales of pharmaceutical intermediates, due mainly to the prior year acquisition of Pharmaceutical Fine Chemicals S.A., and specialty waxes and additives were a partial offset.

Specialty Chemicals & Electronic Solutions income from operations of $75 million in the second quarter of 1999 decreased by $37 million, or 33%, compared with the second quarter of 1998. The decrease resulted primarily from divestitures. The negative impact of pricing pressures and higher expenses associated with the development of new products also contributed to the decrease. Lower raw material costs were a partial offset.

Turbine Technologies sales of $1,002 million in the second quarter of 1999 were $81 million, or 9%, higher compared with the second quarter of 1998. The increase reflects continued strong growth in Europe for the company's turbochargers used in turbo-diesel-powered passenger cars, as well as a growing demand for turbochargers in the North American light-truck market. Sales for aircraft engines increased moderately due to higher sales of propulsion engines to the business aviation market and increased aftermarket sales to the military. Lower original equipment sales of propulsion engines to the military were a partial offset.

Turbine Technologies income from operations of $177 million in the second quarter of 1999 increased by $74 million, or 72%, compared with the second quarter of 1998 driven by a significantly lower cost structure, higher sales volume, a more profitable product mix and technology licensing.

Performance Polymers sales of $469 million in the second quarter of 1999 were $62 million, or 12%, lower compared with the same period in the prior year. Sales increases for specialty films and engineering plastics were more than offset by the loss of sales resulting from the divestiture of the phenol business and exiting of the European carpet fibers business in 1998. Sales for performance fibers were also lower.

Performance Polymers income from operations of $70 million in the second quarter of 1999 was lower by $22 million, or 24%, compared with the same period in the prior year. The decrease principally reflects pricing pressures, particularly in performance fibers, weak demand for textile nylon and prior year divestitures. The benefit of sales increases in engineering plastics and specialty films and cost structure improvements were a partial offset.

Transportation Products sales were $615 million in the second quarter of 1999 compared with $609 million in the second quarter of 1998. Truck Brake Systems sales improved significantly driven by strong truck builds and mandated installations of anti-lock brake systems. Sales of Fram filters also increased, benefiting from a positive response to increased advertising and new products. Lower sales for Friction Materials were a partial offset.

Transportation Products income from operations of $47 million in the second quarter of 1999 improved by $12 million, or 34%, compared with the second quarter of 1998. The increase reflects higher sales for truck brakes and filters, cost structure improvements and the benefits of Six Sigma initiatives.

B. Results of Operations - Six Months 1999 Compared with Six Months 1998

Net sales in the first six months of 1999 were $7,414 million, a decrease of $101 million, or 1%, compared with the first six months of 1998. The decrease resulted from divested businesses of $370 million, lower selling prices of $111 million and the impact of foreign exchange of $12 million. Higher sales resulting from volume gains of $200 million and from acquisitions of $192 million were a partial offset.

Income from operations in the first six months of 1999 was $861 million. As discussed on page 11 of Management's Discussion and Analysis of Results of Operations, $222 million relating to a provision for repositioning actions and certain other charges reduced income from operations in the first six months of 1999. Income from operations in the first six months of 1998 was $953 million. Operating margin for the first six months of 1999 was 11.6%. The impact of the provision for repositioning actions and other charges reduced operating margin by 3.0%. Operating margin for the first six months of 1998 was 12.7%. Income from operations is discussed in detail by segment in the Review of Business Segments section below.

Equity in income of affiliated companies, a loss of $4 million in the first six months of 1999, was $67 million lower compared with the first six months of 1998. The decrease relates to a $36 million charge in the second quarter of 1999 resulting from an other than temporary decline in the value of an equity investment and lower earnings from UOP.

Other income (expense), $292 million of income in the first six months of 1999, increased by $293 million compared with the first six months of 1998. The increase reflects the net gain on the disposition of our investment in AMP, higher investment income and a favorable impact of foreign exchange hedging.

Interest and other financial charges of $74 million in the first six months of 1999 increased by $8 million, or 12%, compared with the first six months of 1998. The increase reflects higher average debt outstanding during the first six months of 1999 versus the comparable period in the prior year partially offset by lower interest rates and tax interest expense.

Net income of $735 million, or $1.30 per share, in the first six months of 1999 was 13% higher than the prior year's first six months net income of $650 million, or $1.13 per share. Net income in the first six months of 1999, adjusted for the gain on the disposition of our investment in AMP and the repositioning and other charges, was $730 million, or $1.29 per share, an increase of 12% over the prior year. The higher net income in the first six months of 1999 was the result of improved earnings for Turbine Technologies, Aerospace Systems and Transportation Products. Specialty Chemicals & Electronic Solutions and Performance Polymers had lower earnings.

Review of Business Segments

The results of the Business Segments do not include the gain on the disposition of our investment in AMP and the repositioning and other charges.

Aerospace Systems sales of $2,352 million in the first six months of 1999 increased by $18 million, or 1%, compared with the first six months of 1998. The increase reflects strong sales of flight safety products, higher aftermarket sales and the acquisition of NGL. The increase was partially offset by the adverse impact on sales resulting from a restructuring of a government technical services contract and the divestiture of the communications business.

Aerospace Systems income from operations of $450 million in the first six months of 1999 increased by $54 million, or 14%, compared with the first six months of 1998 due principally to an improved cost structure and increased sales of higher margin products.

Specialty Chemicals & Electronic Solutions sales of $1,045 million in the first six months of 1999 decreased by $142 million, or 12%, compared with the first six months of 1998 due to divestitures, principally the environmental catalyst business.

Specialty Chemicals & Electronic Solutions income from operations of $160 million in the first six months of 1999 decreased by $51 million, or 24%, compared with the first six months of 1998. The decrease resulted primarily from divestitures, the negative impact of pricing pressures and higher expenses associated with new product development. An improved cost structure was a partial offset.

Turbine Technologies sales of $1,865 million in the first six months of 1999 were $124 million, or 7%, higher compared with the first six months of 1998. The increase principally reflects strong sales of turbochargers,particularly in Europe, and higher sales of aircraft propulsion engines to the business aviation market. Lower original equipment sales of propulsion engines to the military were a partial offset.

Turbine Technologies income from operations of $311 million in the first six months of 1999 increased by $120 million, or 63%, compared with the first six months of 1998. The increase reflects an improved cost structure, higher sales, the redeployment of assets to support development of the turbogenerator and AS900 engine and technology licensing.

Performance Polymers sales of $924 million in the first six months of 1999 were $134 million, or 13%, lower compared with the same period in the prior year. The decrease primarily reflects the loss of sales resulting from the divestiture of the phenol business and the exiting of the European carpet fibers business in 1998 and lower sales for performance fibers. Higher sales for specialty films were a partial offset.

Performance Polymers income from operations of $134 million in the first six months of 1999 was lower by $31 million, or 19%, compared with the same period in the prior year. The decrease principally reflects weak demand for textile nylon, pricing pressures in performance fibers and prior year divestitures.

Transportation Products sales of $1,208 million in the first six months of 1999 increased by $53 million, or 5%, compared with the first six months of 1998 due to increased sales for truck brakes, Fram filters and Prestone car care products. Lower sales for Friction Materials were a partial offset.

Transportation Products income from operations of $90 million in the first six months of 1999 improved by $39 million, or 76%, compared with the first six months of 1998 due to higher sales for truck brakes, Fram filters and Prestone car care products and cost structure improvements for these business.

C. Financial Condition, Liquidity and Capital Resources

Total assets at June 30, 1999 were $14,089 million, a decrease of $1,471 million, or 9%, from December 31, 1998 principally from the disposition of our investment in AMP in April 1999.

Cash provided by operating activities of $747 million during the first six months of 1999 increased by $249 million compared with the first six months of 1998. The increase was due principally to higher net income and the decrease in net taxes paid on sales of businesses and investments.

Cash provided by investing activities of $1,134 million during the first six months of 1999 increased by $1,069 million compared with the first six months of 1998. The increase relates principally to the disposition of our investment in AMP and a decrease in spending for acquisitions. The liquidation in the prior year of short-term investments to fund acquisitions and repurchases of AlliedSignal's common stock was a partial offset.

On June 4, 1999, AlliedSignal entered into a merger agreement with Honeywell Inc. (Honeywell). The merger is subject to shareholder approval, regulatory reviews and other conditions. Under the terms of the merger agreement, each share of Honeywell common stock will be exchanged for 1.875 shares of AlliedSignal common stock. As of the end of the second quarter of 1999, based on approximately 127 million Honeywell shares outstanding and AlliedSignal's stock price, the transaction is valued at approximately $15 billion. The new company will have annual revenues of about $25 billion and will assume approximately $1.5 billion of Honeywell debt. The transaction will be accounted for as a pooling of interests and is expected to close by the fourth quarter of 1999. Upon completion of the merger, the name of AlliedSignal Inc. will be changed to Honeywell International Inc. The merger agreement provides for payment of termination fees of up to $350 million under certain circumstances. AlliedSignal and Honeywell also have entered into option agreements pursuant to which, under certain circumstances, AlliedSignal may purchase approximately 19.9% of Honeywell's outstanding common stock for $109.453 per share and Honeywell may purchase approximately 19.9% of AlliedSignal's outstanding common stock for $58.375 per share.

In July 1999, AlliedSignal announced the sale of its laminate systems business to Rutgers AG for approximately $425 million in cash. The laminate systems business has annual revenues of about $400 million. Also in July 1999, AlliedSignal announced the acquisition of Johnson Matthey Electronics, a division of Johnson Matthey Plc, for approximately $655 million in cash. Johnson Matthey Electronics is a leading supplier of materials to the semiconductor and micro electronics industries and has annual sales of approximately $670 million.

AlliedSignal continuously assesses the relative strength of each business in its portfolio as to strategic fit, market position and profit contribution in order to upgrade its combined portfolio and identify operating units that will most benefit from increased investment. AlliedSignal identifies acquisition candidates that will further its strategic plan and strengthen its existing core businesses. AlliedSignal also identifies operating units that do not fit into its long-term strategic plan based on their market position, relative profitability or growth potential. These operating units are considered for potential divestiture, restructuring or other repositioning action. During the first six months of 1999, AlliedSignal sold certain non-strategic businesses and other assets.

Cash used for financing activities of $1,945 million during the first six months of 1999 increased by $1,278 million compared with the comparable period in the prior year. The increase relates to higher net payments of debt of $974 million and an increase of $285 million in net stock repurchases. AlliedSignal's long-term debt on June 30, 1999 was $1,453 million, a decrease of $23 million, or 2%, compared with year-end 1998. Total debt of $2,552 million at June 30, 1999 was $935 million, or 27%, lower than at December 31, 1998. The decrease relates to the repayment of debt with the net proceeds from the liquidation of our investment in AMP. AlliedSignal's total debt as a percent of capital at June 30, 1999 was 30.8%, compared with 36.7% at year-end 1998.

During the first six months of 1999, AlliedSignal repurchased 18.9 million shares of common stock for $966 million in connection with its stock repurchase programs. As a result of the pending merger with Honeywell, effective June 4, 1999, AlliedSignal rescinded its share repurchase programs.

D. Other Matters

Year 2000

Computer programs and embedded computer chips that are not Year 2000 compliant are unable to distinguish between the calendar year 1900 and the calendar year 2000. AlliedSignal has recognized the need to ensure that its business operations will not be adversely affected by the upcoming calendar year 2000 and is cognizant of the time sensitive nature of the Year 2000 problem.

We have assessed how our businesses may be impacted by the Year 2000 problem and have implemented a comprehensive plan to address all known aspects of the Year 2000 problem: information systems (both critical information systems, which are systems the failure of which could have a material effect on our operations, and noncritical information systems), production and facilities equipment, products, customers and suppliers (both high-impact suppliers, suppliers who would materially impact our operations if they were unable to provide supplies or services on a timely basis, and other suppliers).

We have substantially completed the assessment, development of remediation plans and remediation with respect to the various aspects of the Year 2000 problem.

We completed an inventory of and assessed the impact of the Year 2000 problem with respect to our information systems, production and facilities equipment, products, customers and suppliers. Based on the results of the assessment, we prioritized the various projects to remedy potential Year 2000 problems. We developed and implemented plans to remediate known Year 2000 problems. Testing to ensure that the remediation was successfully completed was part of the remediation process. We have developed contingency plans and trained specialist teams to implement such contingency plans to address any Year 2000 problems which are unexpected or have not been remedied in a timely manner under our remediation plans.

The remediation plans for information systems involved a combination of software modifications, upgrades and replacements. The remediation plans for production and facilities equipment involved a combination of software or hardware modifications, upgrades and replacements, or changes to operating procedures to circumvent equipment failures caused by the Year 2000 problem. The remediation plans for products involved modifying software and/or hardware contained in products, or issuing service letters or other industry standard communications providing customers with instructions on correcting Year 2000 issues in our products. The remediation plans for suppliers (including financial institutions, governmental agencies and public utilities) and customers involved obtaining information about their Year 2000 programs through surveys, meetings and other communication, the evaluation of the information received, and the development of appropriate responses. While remediation with respect to customers, high impact suppliers and other suppliers is substantially complete, we can provide no assurance that the Year 2000 problems will be successfully corrected by suppliers and customers in a timely manner.

Our estimate of the total cost for Year 2000 compliance has been reduced from $150 million to $135 million, of which approximately $129 million has been incurred through June 30, 1999. This estimate does not include our potential share of costs for Year 2000 issues by partnerships and joint ventures in which we participate but are not the operator. Incremental spending has not been and is not expected to be material because most Year 2000 compliance costs have been met with amounts that are normally budgeted for procurement and maintenance of our information systems and production and facilities equipment. The redirection of spending from procurement of information systems and production and facilities equipment to implementation of Year 2000 compliance plans may have in some instances delayed productivity improvements.

We believe that the Year 2000 issue will not cause material operational problems for us. However, if we have not been successful in identifying all material Year 2000 problems, or the assessment and remediation of identified Year 2000 problems has not corrected such problems in a timely manner, there may be an interruption in, or failure of, certain normal business activities or operations. Such interruptions or failures could have a material adverse impact on our consolidated results of operations and financial position or on our relationships with customers, suppliers or others.

Euro Conversion

On January 1, 1999, certain member countries of the European Union established fixed conversion rates between their existing currencies and the

European Union's common currency (Euro). The transition period for the introduction of the Euro will be between January 1, 1999 and January 1, 2002. AlliedSignal is presently identifying and ensuring that all Euro conversion compliance issues are addressed. Although we cannot predict the overall impact of the Euro conversion at this time, we do not expect that the Euro conversion will have a material adverse effect on our consolidated results of operations.

Review by Independent Accountants

The "Independent Accountants' Report" included herein is not a "report" or "part of a Registration Statement" prepared or certified by an independent accountant within the meanings of Section 7 and 11 of the Securities Act of 1933, and the accountants' Section 11 liability does not extend to such report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

See AlliedSignal's most recent annual report filed on Form 10-K (Item 7A). Except for the disposition of our investment in AMP, discussed in Note 7 on page 8 of this Form 10-Q, there has been no material change in this information.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. The following exhibits are filed with this Form 10-Q:

10.5 Amendment to the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees

10.9 Amendment to the Salary Deferral Plan for Selected Employees of AlliedSignal Inc. and its Affiliates

15 Independent Accountants' Acknowledgment Letter as to the incorporation of their report relating to unaudited interim financial statements

27 Financial Data Schedule

(b) Reports on Form 8-K. The following reports on Form 8-K were filed during the three months ended June 30, 1999:

1. On June 8, 1999, a report was filed reporting that an Agreement and Plan of Merger was entered into by AlliedSignal Inc. and Honeywell Inc. This report was amended by Form 8-K/A filed on July 16, 1999.

SIGNATURES

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

AlliedSignal Inc.

Date: August 12, 1999

By: /s/ Richard J. Diemer, Jr.

Richard J. Diemer Jr.
Vice President and Controller
(on behalf of the Registrant
and as the Registrant's
Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description
2	Omitted (Inapplicable)
3	Omitted (Inapplicable)
4	Omitted (Inapplicable)
10.5	Amendment to the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees
10.9	Amendment to the Salary Deferral Plan for Selected Employees of AlliedSignal Inc. and its Affiliates
11	Omitted (Inapplicable)
15	Independent Accountants' Acknowledgment Letter as to the incorporation of their report relating to unaudited interim financial statements
18	Omitted (Inapplicable)
19	Omitted (Inapplicable)
22	Omitted (Inapplicable)
23	Omitted (Inapplicable)
24	Omitted (Inapplicable)
27	Financial Data Schedule
99	Omitted (Inapplicable)

AMENDMENT OF THE ALLIEDSIGNAL INC. INCENTIVE COMPENSATION PLAN FOR EXECUTIVE EMPLOYEES

WITNESSETH

WHEREAS, AlliedSignal Inc. (the "Corporation") maintains the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees (the "Plan"), an incentive compensation plan for a select group of highly compensated employees; and

WHEREAS, the Corporation is desirous of amending the Plan in certain particulars; and

WHEREAS, Article XI of the Plan reserves to the Corporation's Board of Directors the right to amend the Plan at any time;

NOW, THEREFORE, the Plan is hereby amended, effective January 1, 1999, as follows:

1. Article VIII.A is amended by adding the following paragraph thereto:

   The rate of notional established by the Committee shall be set forth on Schedule A attached hereto and made a part hereof. Any portion of such rate designated as "Vested Rate" on such Schedule A shall be nonforfeitable at all times. Any portion of such rate designated as "Contingent Rate" on such Schedule A shall become nonforfeitable only if the Employee is still employed by the Company at the end of the third full calendar year following the calendar year to which the Award relates; provided, however, that in the event an Employee terminates employment with the Company as a result of early or normal retirement (as defined in the qualified pension plan in which the Employee participates), death or disability (determined in the same manner as under the AlliedSignal Voluntary Employees Beneficiary Association Long-Term Disability Income Plan), no portion of such rate shall be treated as "Contingent", even if such retirement, death or disability occurs prior to the end of the third full calendar year following the calendar year to which the Award relates. The rate established by the Committee and set forth on Schedule A shall remain in effect until superceded by action of the Committee and amendment of such Schedule A.

2. Article VIII is amended by adding the following Section E. thereto:

   E. Notwithstanding the foregoing, in the event an Employee's employment with the Company is terminated either voluntarily or for "gross cause" (as defined in the Severance Pay Plan for Designated Career Band 5 Employees of AlliedSignal Inc. or in the AlliedSignal Severance Pay Plan for Senior Executives, as applicable), the nonforfeitable portion of such Employee's Deferred Awards shall be distributed in a lump sum as soon as practicable after such termination of employment.

3. The Plan is amended by adding the attached Schedule A thereto.

SCHEDULE A
Notional Interest Rate

Award Year	Vested Rate	Contingent Rate	Total Rate
1998 (Bands 5 and below)	6%	3%	9%
1998 (Bands 6 and above)	8%	3%	11%

AMENDMENT OF THE SALARY DEFERRAL PLAN FOR SELECTED EMPLOYEES OF ALLIEDSIGNAL INC. AND ITS AFFILIATES (CAREER BAND 6 AND ABOVE OR EMPLOYEES WHO OCCUPY POSITIONS EQUIVALENT THERETO)

WITNESSETH

WHEREAS, AlliedSignal Inc. (the "Corporation") maintains the Salary Deferral Plan for Selected Employees of AlliedSignal Inc. and its Affiliates (Career Band 6 and Above or Employees Who Occupy Positions Equivalent Thereto) (the "Plan"), a nonqualified deferred compensation plan for a select group of highly compensated employees; and

WHEREAS, the Corporation is desirous of amending the Plan in certain particulars; and

WHEREAS, Section 11(d) of the Plan reserves to the Corporation the right to amend the Plan at any time;

NOW, THEREFORE, the Plan is hereby amended, effective January 1, 1999, as follows:

1. Section 5 is amended by adding the following paragraph thereto:

   The rate established by the Committee for calculating Interest Equivalents on such Deferral Amounts shall be set forth on Schedule A attached hereto and made a part hereof. Any portion of such rate designated as "Vested Rate" on such Schedule A shall be nonforfeitable at all times. Any portion of such rate designated as "Contingent Rate" on such Schedule A shall become nonforfeitable only if the Participant is still employed by the Corporation or an affiliate on the third January 1 following the calendar year to which the applicable Deferral Amounts relate; provided, however, that in the event a Participant terminates employment with the Corporation or an affiliate as a result of early or normal retirement (as defined in the qualified pension plan in which the Participant participates), death or disability (determined in the same manner as under the AlliedSignal Voluntary Employees Beneficiary Association Long-Term Disability Income Plan), no portion of such rate shall be treated as "Contingent", even if such retirement, death or disability occurs prior to the third January 1 following the calendar year to which the applicable Deferral Amounts relate. The rate established by the Committee and set forth on Schedule A shall remain in effect until superceded by action of the Committee and amendment of such Schedule A.

2. Section 7 is amended by adding the following paragraph thereto:

   Notwithstanding the foregoing, in the event a Participant's employment with the Corporation or an affiliate is terminated either voluntarily or for "gross cause" (as defined in the AlliedSignal Inc. Severance Plan for Senior Executives), the nonforfeitable portion of such Participant's Account shall be distributed in a lump sum as soon as practicable after such termination of employment.

3. The Plan is amended by adding the attached Schedule A thereto.

SCHEDULE A
Interest Equivalents

Calendar Year	Vested Rate	Contingent Rate	Total Rate
1999	8%	3%	11%

Exhibit 15

August 12, 1999

Securities and Exchange Commission
450 Fifth Street
Washington, D.C. 20549

Commissioners:

We are aware that our report dated August 11, 1999 on our review of interim financial information of AlliedSignal Inc. for the period ended June 30, 1999 and included in AlliedSignal's quarterly report on Form 10-Q for the quarter then ended is incorporated by reference in its Registration Statements on Forms S-8 (Nos. 33-09896, 33-51455, 33-55410, 33-58347, 33-60261, 33-62963, 33-64295, 333-14673, 333-57509, 333-57515, 333-57517, 333-57519 and 333-83511), on Forms S-3 (Nos. 33-13211, 33-14071, 33-55425, 33-64245, 333-22355, 333-44523, 333-45555, 333-49455, 33-68847 and 333-74075), on Form S-4 (No. 333-82049) and on Form S-8 (filed as an amendment to Form S-14, No. 2-99416-01).

Very truly yours,

PricewaterhouseCoopers LLP

This schedule contains summary financial information extracted from the consolidated balance sheet at June 30, 1999 and the consolidated statement of income for the six months ended June 30, 1999 and is qualified in its entirety by reference to such financial statements.

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6-MOS
DEC-31-1999
JUN-30-1999
648
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