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, 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)

(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 30,1998
$1 par value	561,264,881 shares

AlliedSignal Inc.

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AlliedSignal Inc.
Consolidated Balance Sheet
(Unaudited)

	June 30, 1998	December 31, 1997
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 507	$ 611
Short-term investments	22	430
Accounts and notes receivable	1,809	1,886
Inventories	2,409	2,093
Other current assets	565	553
Total current assets	5,312	5,573
Investments and long-term receivables	526	480
Property, plant and equipment	9,106	9,189
Accumulated depreciation and amortization	(4,909)	(4,938)
Cost in excess of net assets of acquired companies - net	2,881	2,426
Other assets	981	977
Total assets	$13,897	$13,707
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,386	$ 1,345
Short-term borrowings	84	47
Commercial paper	595	821
Current maturities of long-term debt	185	224
Accrued liabilities	1,668	1,999
Total current liabilities	3,918	4,436
Long-term debt	1,638	1,215
Deferred income taxes	601	694
Postretirement benefit obligations other than pensions	1,760	1,775
Other liabilities	1,157	1,201
SHAREOWNERS' EQUITY		
Capital - common stock issued	716	716
- additional paid-in capital	2,866	2,425
Common stock held in treasury, at cost	(3,108)	(2,665)
Accumulated other nonowner changes	(220)	(179)
Retained earnings	4,569	4,089
Total shareowners' equity	4,823	4,386
Total liabilities and shareowners' equity	$13,897	$13,707

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

AlliedSignal Inc.
Consolidated Statement of Income
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	1998	1997	1998	1997
	(Dollars in millions except per share amounts)			
Net sales	$3,869	$3,578	$7,515	$6,905
Cost of goods sold	2,949	2,764	5,758	5,369
Selling, general and administrative expenses	406	386	804	751
Total costs and expenses	3,355	3,150	6,562	6,120
Income from operations	514	428	953	785
Equity in income of affiliated companies	29	55	63	96
Other income (expense)	--	14	(1)	48
Interest and other financial charges	(32)	(39)	(66)	(81)
Income before taxes on income	511	458	949	848
Taxes on income	161	153	299	284
Net income	$ 350	$ 305	$ 650	$ 564
Earnings per share of common stock - basic	$ .62	$ .54	$ 1.15	$ 1.00
Earnings per share of common stock - assuming dilution	$ .61	$ .52	$ 1.13	$ .97
Cash dividends per share of common stock	$ .15	$ .13	$ .30	$ .26

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

AlliedSignal Inc.
Consolidated Statement of Cash Flows
(Unaudited)

	Six Months Ended June 30 1998	Six Months Ended June 30 1997
	(Dollars in millions)	
Cash flows from operating activities:		
Net income	$ 650	$ 564
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (includes goodwill)	302	305
Undistributed earnings of equity affiliates	(4)	(22)
Deferred income taxes	38	67
Decrease in accounts and notes receivable	96	76
(Increase) in inventories	(128)	(158)
Decrease in other current assets	28	16
Increase in accounts payable	21	6
(Decrease) in accrued liabilities	(334)	(345)
Taxes paid on sales of businesses	(165)	(5)
Other	(6)	(40)
Net cash provided by operating activities	498	464
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(280)	(309)
Proceeds from disposals of property, plant and equipment	51	16
Decrease in investments and long-term receivables	-	17
(Increase) in other investments	-	(5)
Cash paid for acquisitions	(316)	(382)
Proceeds from sales of businesses	202	34
Decrease(increase) in short-term investments	408	(164)
Net cash provided by (used for) investing activities	65	(793)
Cash flows from financing activities:		
Net (decrease) increase in commercial paper	(226)	192
Net increase (decrease) in short-term borrowings	3	(5)
Proceeds from issuance of preferred stock of subsidiary	-	112
Proceeds from issuance of common stock	91	101
Proceeds from issuance of long-term debt	413	12
Payments of long-term debt	(159)	(65)
Repurchases of common stock	(619)	(290)
Cash dividends on common stock	(170)	(148)
Other	-	(45)
Net cash (used for) financing activities	(667)	(136)
Net (decrease) in cash and cash equivalents	(104)	(465)
Cash and cash equivalents at beginning of year	611	1,465
Cash and cash equivalents at end of period	$ 507	$1,000

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, 1998 and the results of operations for the three and six months ended June 30, 1998 and 1997 and cash flows for the six months ended June 30, 1998 and 1997. The results of operations for the three- and six-month periods ended June 30, 1998 should not necessarily be taken as indicative of the results of operations that may be expected for the entire year 1998.

The financial information as of June 30, 1998 should be read in conjunction with the financial statements contained in the Company's Form 10-K Annual Report for 1997.

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

	June 30, 1998	December 31, 1997
Trade	$1,474	$1,466
Other	367	457
	1,841	1,923
Less-Allowance for doubtful accounts and refunds	(32)	(37)
	$1,809	$1,886

Note 3. Inventories consist of the following:

	June 30, 1998	December 31, 1997(a)
Raw materials	$ 623	$ 605
Work in process	807	722
Finished products	1,081	905
Supplies and containers	91	89
	2,602	2,321
Less - Progress payments	(73)	(88)
Reduction to LIFO cost basis	(120)	(140)
	$2,409	$2,093

(a) Reclassified for comparative purposes.

Note 4. Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 - "Reporting Comprehensive Income" (SFAS No. 130), which establishes standards for reporting and display of changes in equity from nonowner sources in the financial statements. Total nonowner changes in shareowners' equity for the six months ended June 30, 1998 and 1997 are $609 and $444 million, respectively, which principally represent net income and foreign currency translation adjustments.

Note 5. The details of the earnings per share calculations for the three- and six-month periods ending June 30, 1998 and 1997 follow:

	Three Months			Six Months		
	Income	Shares	Per Share Amount	Income	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
1997						
Earnings per share of common stock - basic	$305	565.4	$.54	$564	566.2	$1.00
Dilutive securities:						
Stock options		13.8			14.1	
Restricted stock units		1.1			1.1	
Earnings per share of common stock - assuming dilution	$305	580.3	$.52	$564	581.4	$.97

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, 1998, options for 1.0 million and 1.1 million, respectively, were excluded.

Note 6. During the first quarter of 1998, the Company issued $200 million of 6.20% notes due February 1, 2008, and $200 million of 5-3/4% dealer remarketable securities due March 15, 2011. During the second quarter of 1998, the Company made two exchange offers to holders of certain of its outstanding debt securities. In the first such exchange offer, holders of approximately $52 million principal amount of the Company's 9 1/2% Debentures due June 1, 2016 tendered debentures for a like principal amount of the Company's 9.065% Debentures due June 1, 2033. In the second such exchange offer, holders of approximately $79 million principal amount of the Company's 9 7/8% Debentures due June 1, 2002 and approximately $39 million principal amount of the Company's 9.20% Debentures due February 15, 2003 tendered debentures for approximately $133 million principal amount of the Company's 6 1/8% Notes due July 1, 2005. The debt exchange did not result in a substantial modification of the original debt terms.

Note 7. During the first quarter of 1998, the Company issued 10.7 million shares of its common stock, valued at approximately $400 million, for acquisitions.

Report on Review by Independent Accountants

To the Board of Directors
of AlliedSignal Inc.

We have reviewed the accompanying consolidated balance sheet of AlliedSignal Inc. and its subsidiaries as of June 30, 1998, and the consolidated statements of income for the three-month and six-month periods ended June 30, 1998 and 1997 and of cash flows for the six-month periods ended June 30, 1998 and 1997. This financial information is 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 financial information referred to above for it to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1997, and the related consolidated statements of income, of retained earnings, and of cash flows for the year then ended (not presented herein); and in our report dated January 28, 1998 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, 1997, 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 7, 1998

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

Results of Operations

Second Quarter 1998 Compared with Second Quarter 1997

Net sales in the second quarter of 1998 were $3.9 billion, an increase of $291 million, or 8%, compared with the second quarter of 1997. Of this increase, $323 million was due to higher sales volume and $312 million was from recent acquisitions, offset in part by a $258 million reduction for disposed businesses, mainly the safety restraints business. Selling prices were lower by $59 million and the impact of foreign exchange reduced sales by $27 million.

During the second quarter 1998, the Company began reporting results in five business segments.

Aerospace Systems includes Aerospace Equipment Systems (environmental control systems; engine and fuel controls; power systems; aircraft lighting; and aircraft wheels and brakes); Electronic & Avionics Systems (flight safety, communications, navigation, radar and surveillance systems; and advanced systems and instruments); and Aerospace Marketing, Sales & Service (repair and overhaul services; hardware; logistics; and management and technical services). Aerospace Systems sales of $1,204 million in the second quarter of 1998 increased by $237 million, or 25%, compared with the second quarter of 1997. This sales growth reflects strong commercial spares sales and original equipment (OE) sales in power management and generation systems. Strong demand also continued for Electronic & Avionics Systems safety avionics products, particularly for the enhanced ground proximity warning system. The acquisition of Grimes Aerospace (Grimes) lighting systems business in July 1997 and Banner Aerospace (Banner) FAA-certified hardware parts business in January 1998 also contributed to Aerospace Systems higher sales.

Specialty Chemicals & Electronic Solutions includes Specialty Chemicals (fluorine-based products; pharmaceutical and agricultural chemicals; specialty waxes, adhesives and sealants; and process technology); and Electronic Materials (insulation materials for integrated circuitry; copper-clad laminates for printed circuit boards; advanced chip packaging; and amorphous metals). Specialty Chemicals & Electronic Solutions sales of $589 million in the second quarter of 1998 increased by $13 million, or 2%, compared with the second quarter of 1997. Sales in Specialty Chemicals were higher primarily reflecting the acquisition of Astor Holdings (Astor) wax business in October 1997, which more than offset a sales decline in Electronic Materials due to soft semiconductor and electronics markets.

Turbine Technologies includes Aerospace Engines (auxiliary power units; and propulsion engines); and Turbocharging Systems (turbochargers; charge-air coolers; and portable power systems). Turbine Technologies sales of $921 million in the second quarter of 1998 were $172 million, or 23%, higher compared with the same quarter of 1997. This sales increase reflects higher sales of OE and aftermarket propulsion engines and auxiliary power units. Sales of turbochargers also increased, benefiting from strength in European diesel-powered passenger cars and from growth in the North American diesel truck market.

Performance Polymers includes the Polymers unit (fibers; plastics resins; specialty films; and intermediate chemicals). Performance Polymers sales of $531 million in the second quarter of 1998 were $19 million, or 4%, higher compared with the same quarter of 1997. This sales growth resulted from increases in sales of specialty films for pharmaceutical packaging, increased engineering plastics volume in the lawn and power tool segment, and improved sales of higher-margin plastics in Europe. The loss of sales resulting from exiting the European carpet fibers business and a portion of the North American textiles business was a partial offset.

Transportation Products includes the Automotive Products Group (car care products including anti-freeze, filters, spark plugs, cleaners, waxes and additives; and friction materials); and Truck Brake Systems (air brake and anti-lock braking systems). Transportation Products sales of $621 million in the second quarter of 1998 were $151 million, or 20%, lower compared with the second quarter of 1997. The decrease primarily reflects the disposition of the safety restraints business. Excluding the disposed safety restraints business, sales were 13% higher. The sales gain reflects the acquisition of the Prestone Products Corporation (Prestone) in June 1997 and the Holt Lloyd Group Ltd. (Holt Lloyd) in November 1997 and higher demand for OE truck brake products, anti-lock truck brake installations and growth in truck brake aftermarket products.

Cost of goods sold as a percent of net sales decreased from 77.2% in the second quarter of 1997 to 76.2% in the second quarter of 1998 reflecting in part results of the Company's continuing Six Sigma programs to improve productivity and lower manufacturing and materials costs.

Income from operations of $514 million in the second quarter of 1998 increased by $86 million, or 20%, compared with the second quarter of 1997. On a segment basis, Aerospace Systems income from operations increased by 49%, Specialty Chemicals & Electronic Solutions increased by 14%, Turbine Technologies increased by 5% and Performance Polymers increased by 39%. Income from operations for Transportation Products decreased by 39%. Excluding the divested safety restraints business, Transportation Products income from operations decreased by 20%. The Company's operating margin for the second quarter of 1998 was 13.3%, compared with 12.0% for the same period last year. See the discussion of net income below for information by segment.

Productivity (the constant dollar basis relationship of sales to costs) improved by 5.5% compared with the second quarter of 1997 primarily reflecting ongoing Six Sigma initiatives to lower materials and manufacturing costs.

Equity in income of affiliated companies of $29 million in the second quarter of 1998 represents a decrease of $26 million, or 47%, compared with the same quarter of 1997, primarily due to lower earnings from the UOP process technology joint venture (UOP).

Other income (expense) decreased by $14 million, compared with the same quarter of 1997, reflecting lower interest income primarily due to a lower cash position because of spending for acquisitions and repurchases of the Company's common stock.

Interest and other financial charges of $32 million in the second quarter of 1998 decreased by $7 million, or 18%, compared with the second quarter of 1997. This decrease results from lower tax interest expense due to an acceleration of worldwide tax audits resulting in developments favorable to the Company's position, offset in part by higher debt-related interest expense reflecting increased levels of debt.

The effective tax rate in the second quarter of 1998 was 31.5%, compared with 33.5% in the second quarter of 1997, primarily due to tax benefits on exports, an increase in energy tax credits and other tax planning strategies.

Net income of $350 million, or $0.61 per share, in the second quarter of 1998 was 15% higher than net income of $305 million, or $0.52 per share, in the second quarter of 1997. All earnings per share data in Management's Discussion and Analysis reflect diluted earnings per share.

Aerospace Systems net income of $123 million in the second quarter of 1998 improved by $42 million, or 52%, compared with the same quarter of 1997. Net income growth results primarily from strong demand for higher-margin new safety and communications products and improved avionics factory performance. The acquisition of Grimes also contributed to higher net income for Aerospace Systems.

Specialty Chemicals & Electronic Solutions net income of $82 million in the second quarter of 1998 decreased by $18 million, or 18%, compared with the second quarter of 1997. This decline in net income was driven by a lower contribution by UOP.

Turbine Technologies net income of $63 million in the second quarter of 1998 increased by $9 million, or 17%, compared with the second quarter of 1997. This increase in net income results from higher sales and factory productivity improvements which were somewhat offset by engineering and development costs in two new product lines.

Performance Polymers net income of $57 million in the second quarter of 1998 increased by $20 million, or 54%, compared with the same quarter of 1997. Net income increased due to a more favorable price-cost relationship in nylon and polyester, productivity actions, and the elimination of losses from exiting the European carpet fibers business and a portion of the North American textiles business.

Transportation Products net income of $14 million in the second quarter of 1998 decreased by $15 million, or 52%, compared with the second quarter of 1997. The decrease primarily reflects the absence of net income from the disposed safety restraints business. Net income also declined for the Automotive Products Group.

Six Months 1998 Compared with Six Months 1997

Net sales in the first six months of 1998 were $7.5 billion, an increase of $610 million, or 9%, compared with the first six months of 1997. Of this increase, $694 million was due to higher sales volume and $582 million was from recent acquisitions, offset in part by a $490 million reduction for disposed businesses, mainly the safety restraints business. Selling prices were lower by $111 million and the impact of foreign exchange reduced sales by $65 million.

Aerospace Systems sales of $2,334 million in the first six months of 1998 increased by $495 million, or 27%, compared with the first six months of 1997. This sales increase was led by strong sales by Aerospace Equipment Systems across all product lines, as well as the acquisition of Grimes. Electronic & Avionics Systems also had substantially higher sales reflecting strong demand for the Company's flight safety and cockpit communication products. The acquisition of Banner also contributed to higher sales for Aerospace Systems.

Specialty Chemicals & Electronic Solutions sales of $1,187 million in the first six months of 1998 increased by $97 million, or 9%, compared with the same period of 1997. Sales of Specialty Chemicals were significantly higher primarily reflecting the acquisition of Astor. However, sales of Electronic Materials declined slightly due to soft semiconductor and electronics markets.

Turbine Technologies sales of $1,741 million in the first six months of 1998 were $270 million, or 18%, higher compared with the same period of 1997. Engines sales of auxiliary power units to the commercial air transport and regional aircraft markets and propulsion engine demand in the business jet market were strong. Sales of turbochargers were also higher due primarily to the continued strong demand in European diesel-powered passenger cars.

Performance Polymers sales of $1,058 million in the first six months of 1998 were $60 million, or 6%, higher compared with the first six months of 1997, due mainly to growth in specialty films and engineering plastics.

Transportation Products sales of $1,190 million in the first six months of 1998 decreased by $312 million, or 21%, compared with the first six months of 1997. The decrease primarily reflects the disposition of the safety restraints business. Excluding the disposed safety restraints business, sales were 12% higher. This increase in sales reflects significantly higher sales for Truck Brake Systems and the acquisitions of Prestone and Holt Lloyd. The increase was somewhat offset by lower sales for friction materials, spark plugs and filters.

Cost of goods sold as a percent of net sales decreased from 77.7% in the first six months of 1997 to 76.6% in the first six months of 1998 primarily reflecting results of the Company's continuing Six Sigma programs to improve productivity and lower manufacturing and materials costs.

Income from operations of $953 million in the first six months of 1998 increased by $168 million, or 21%, compared with the first six months of 1997. On a segment basis, Aerospace Systems income from operations increased by 69%. Specialty Chemicals & Electronic Solutions increased by 8% and Performance Polymers increased by 68%. Income from operations for Turbine Technologies and Transportation Products decreased by 2% and 53%, respectively. Excluding the divested safety restraints business, Transportation Products income from operations decreased by 30%. The Company's operating margin for the first six months of 1998 was 12.7%, compared with 11.4% for the same period last year. See the discussion of net income below for information by segment.

Productivity improved by 5.7% for the first six months of 1998 compared with the first six months of 1997 primarily reflecting ongoing Six Sigma initiatives to lower materials and manufacturing costs.

Equity in income of affiliated companies of $63 million in the first six months of 1998 represents a decrease of $33 million, or 34%, compared with the same period of 1997, primarily due to lower earnings from UOP and the absence of earnings from investments divested in connection with the sale of the safety restraints business.

Other income (expense), a $1 million loss in the first six months of 1998, was unfavorable by $49 million compared with the same period of 1997, reflecting lower interest income primarily due to a lower cash position because of spending for acquisitions and repurchases of the Company's common stock and the absence of foreign exchange gains offset somewhat by lower minority interest.

Interest and other financial charges of $66 million in the first six months of 1998 decreased by $15 million, or 19%, compared with the first six months of 1997. This decrease results from lower tax interest expense due to an acceleration of worldwide tax audits resulting in developments favorable to the Company's position, offset in part by higher debt-related interest expense reflecting increased levels of debt.

The effective tax rate in the first six months of 1998 decreased to 31.5% compared with 33.5% in 1997, primarily due to tax benefits on exports, an increase in energy tax credits and other tax planning strategies.

Net income of $650 million, or $1.13 per share, in the first six months of 1998 was 15% higher than net income of $564 million, or $0.97 per share, in the first six months of 1997.

Aerospace Systems net income of $239 million in the first six months of 1998 improved by $95 million, or 66%, compared with the same period of 1997. This increase in net income was led by substantially higher sales and improved factory performance for Electronic & Avionics Systems. The acquisitions of Grimes and Banner also contributed to the higher net income.

Specialty Chemicals & Electronic Solutions net income of $164 million in the first six months of 1998 represents a decrease of $23 million, or 12%, compared with the same period of 1997. Electronic Materials net income declined substantially due principally to weakness in the semiconductor and electronics markets. Specialty Chemicals net income also decreased due principally to lower results for UOP.

Turbine Technologies net income of $116 million in the first six months of 1998 increased by $8 million, or 7%, compared with the first six months of 1997, reflecting higher sales and productivity improvements for Engines.

Performance Polymers net income of $102 million in the first six months of 1998 improved by $44 million, or 76%, compared with the first six months of 1997. This improvement in net income was primarily driven by volume growth across most businesses, a more favorable price-cost relationship in nylon and polyester and productivity initiatives.

Transportation Products net income of $18 million in the first six months of 1998 was $44 million, or 71%, lower than in the first six months of 1997. The decrease primarily reflects the absence of net income from the disposed safety restraints business. Net income was also lower for the Automotive Products Group.

Financial Condition

June 30, 1998 Compared with December 31, 1997

On June 30, 1998, the Company had $529 million in cash and cash equivalents and short-term investments compared with $1,041 million at year-end 1997. The decrease mainly reflects funds deployed for acquisitions and repurchases of the Company's common stock.

The Company's long-term debt on June 30, 1998 was $1,638 million, an increase of $423 million compared with year-end 1997. This increase principally reflects the issuance of new long-term debt, as described in Note 6 to the financial statements. Total debt of $2,502 million on June 30, 1998 was $195 million higher than at December 31, 1997. The Company's total debt as a percent of capital at June 30, 1998 was 31.9%, compared with 31.7% at year-end 1997.

During the first six months of 1998, the Company spent $280 million for capital expenditures, compared with $309 million in the corresponding period of 1997. This decline in capital spending is primarily due to the divestiture of the safety restraints business.

On August 4, 1998, the Company announced that it intends to commence a tender offer subject to customary terms and conditions for all of the outstanding shares of AMP Incorporated, a Pennsylvania corporation (AMP), at $44.50 per share in cash, or approximately $9.8 billion for the approximately 220 million AMP shares outstanding. Any such offer will be made by way of offering materials complying with the requirements of applicable federal and state securities laws. The Company expects to finance such offering through bank credit facilities, issuance of commercial paper, long-term debt offerings and/or equity offerings.

In January 1998, the Company acquired Banner, 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. Also, in the first quarter of 1998, the Company completed the sale of its underwater detection systems business to L-3 Communications Corporation for approximately $70 million in cash. The ocean systems unit had annual revenues of about $70 million. In June 1998, the Company acquired Pharmaceutical Fine Chemicals S.A. (PFC) for approximately $390 million, including assumed liabilities. PFC manufactures and distributes active and intermediate pharmaceutical chemicals and had sales of approximately $110 million in 1997. Also in June 1998, the Company completed the sale of its 50%-owned automotive catalyst business to General Motors Corporation for approximately $50 million in cash. This business had annual sales of about $250 million.

The Company continuously assesses the relative strength of its portfolio of businesses 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. The Company considers acquisition candidates that will further its strategic plan and strengthen its existing core businesses. The Company 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 1998, the Company sold certain non-strategic businesses and other assets.

During the first six months of 1998, the Company repurchased 14.0 million shares of its common stock for $591 million. During the second quarter 1998, the Company announced its intentions to repurchase up to $2.2 billion of its common stock over the next two years. Common stock is repurchased to meet the expected requirements for shares issued under employee benefit plans, acquisitions, a shareowner dividend reinvestment plan and to reduce common stock outstanding. At June 30, 1998, the Company was authorized to repurchase 65.7 million shares of its common stock. The amount of common stock repurchased may be affected by the commencement of a tender offer for the outstanding shares of AMP.

The Company 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 problem. The Company has assessed how it may be impacted by Year 2000 and has formulated and commenced implementation of a comprehensive plan to address all known aspects of the Year 2000 problem: information systems, production and facilities equipment, products, suppliers and customers.

The plan, as it relates to information systems, involves a combination of software modification, upgrades and replacement. The Company's target date for the remediation of its critical information systems is December 31, 1998 and the target date for remediation of the remainder of its information systems is March 31, 1999. The Company has completed the assessment and development of remediation plans with respect to substantially all of the Company's products and expects that the assessment and development of remediation plans with respect to production and facilities equipment, suppliers and customers will be substantially complete by the end of the third quarter of 1998. The Company has begun remediating production and facilities equipment and products and expects that remediation will be substantially completed by March 31, 1999. The Company expects that development of remediation plans with respect to major suppliers and customers will be completed by year-end 1998 and that remediation will be substantially completed by March 31, 1999; however, the Company can provide no assurance that Year 2000 compliance plans will be successfully completed by suppliers and customers in a timely manner.

The Company's preliminary estimate of the total cost for Year 2000 compliance, based on the assessment to date plus estimates of remediation costs on components not yet fully assessed, is approximately $150 million, of which approximately $50 million has been incurred through June 30, 1998. Incremental spending has not been and is not expected to be material because most Year 2000 compliance costs will be met with amounts that are normally budgeted for procurement and maintenance of the Company's information systems and production and facilities equipment. The redirection of spending from procurement of information systems and production facilities equipment to implementation of Year 2000 compliance plans may in some instances delay productivity improvements.

If the Company is not successful in implementing its Year 2000 compliance plan, it may have a material adverse impact on the Company's consolidated results of operations and financial condition. Because of the importance of addressing the Year 2000 problem, the Company expects to develop by year-end 1998 contingency plans and trained specialist teams to implement such contingency plans to address any issues that may not be corrected by implementation of the Company's Year 2000 compliance plan in a timely manner.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133-"Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), effective for fiscal years beginning after June 15, 1999. SFAS No. 133 requires derivatives to be recorded on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in values of derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The Company is completing an analysis of SFAS No. 133 which is not expected to have a material impact on the Company's results of operations or financial position.

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

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 the Company's most recent annual report filed on Form 10-K (Item 7A). There has been no material change in this information.

PART II. OTHER INFORMATION

Item 2. Changes in Securities

During the second quarter of 1998, the Company made two exchange offers to holders of certain of its outstanding debt securities. In the first such exchange offer, approximately $52 million principal amount of the Company's 9.065% Debentures due June 1, 2033 were issued to tendering holders of the Company's 9 1/2% Debentures due June 1, 2016. The 9.065% Debentures bear interest at 9.065% per annum payable on June 1 and December 1, commencing December 1, 1998, to holders of record on the preceding May 15 or November 15.

In the second such exchange offer, approximately $133 million principal amount of the Company's 6 1/8% Notes due July 1, 2005 were issued to tendering holders of approximately $79 million principal amount of the Company's 9 7/8% Debentures due June 1, 2002 and approximately $39 million principal amount of the Company's 9.20% Debentures due February 15, 2003. The 6 1/8% Notes bear interest at 6 1/8% per annum payable on January 1 and July 1, commencing January 1, 1999 to holders of record on the preceding June 15 or December 15.

Each of the exchange offers was made pursuant to an exemption from registration under Section 3(a)(9) of the Securities Act of 1933 solely to existing debtholders of the Company.

Item 5. Other Information

The following represents segment data for 1997, 1996 and the three months ending March 31, 1998 under the Company's new five business segments.

(Dollars in millions)

Years 1997 and 1996		Aerospace Systems	Specialty Chemicals & Electronic Solutions	Turbine Technologies	Performance Polymers	Transportation Products	Corporate and Un-allocated	Other(1)	Total
Net sales	1997	$4,117	$2,218	$3,111	$2,030	$2,983	$ 13	-	$14,472
	1996	3,635	2,117	2,775	1,888	3,539	17	-	13,971
Depreciation and amortization	1997	109	97	91	129	85	35	-	546
	1996	116	84	87	122	101	41	-	551
Income from operations	1997	608	326	401	215	194	(97)	(11)	1,636
	1996	469	355	264	211	280	(88)	18	1,509
Net income	1997	368	328	236	134	95	5	4	1,170
	1996	287	307	144	125	156	(8)	9	1,020
Capital expenditures	1997	132	135	111	174	115	50	-	717
	1996	83	111	103	220	163	75	-	755
Identifiable assets	1997	3,611	2,452	2,768	1,607	2,114	1,155	-	13,707
	1996	2,902	1,858	2,706	1,533	1,757	2,073	-	12,829
Three months ending March 31, 1998									
Net sales		$1,130	$ 598	$ 820	$ 527	$ 569	$ 2	-	$3,646
Net income		116	82	53	45	4	-	-	300

(1) The Other column includes in 1997 a pre- and after-tax provision for repositioning and other charges of $237 and $159 million. Also includes in 1997 a pre- and after-tax gain on the sale of the safety restraints business of $277 and $196 million, and the pre-and after-tax charge related to the settlement of the 1996 braking business sale of $51 and $33 million. Includes in 1996 a pre-and after-tax provision for repositioning and other charges of $637 and $359 million. Also includes in 1996 a pre- and after-tax gain on the sale of the braking business of $655 and $368 million.

Item 6. Exhibits and Reports on Form 8-K

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

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.

During the three months ended June 30, 1998:

1) On April 22, 1998, a report was filed reporting the results of operations for the three-month period ending March 31, 1998.

2) On April 28, 1998, a report was filed reporting, under Item 9, unregistered sales of the Company's Common Stock in reliance on Regulation S under the Securities Act.

3) On May 20, 1998, a report was filed reporting an offer to exchange new debt for outstanding debt.

4) On May 29, 1998, a report was filed reporting a revised share repurchase program.

5) On June 18, 1998, a report was filed reporting the appointment of a President and Chief Operating Officer.

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 7, 1998

By: /s/ Richard F.Wallman

Richard F. Wallman
Senior Vice President and Chief Financial Officer
(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	Omitted (Inapplicable)
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)

EXHIBIT 15

August 7, 1998

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

Dear Ladies and Gentlemen:

We are aware that the June 30, 1998 Quarterly Report on Form 10-Q of AlliedSignal Inc. which includes our report dated August 7, 1998 (issued pursuant to the provisions of Statement on Auditing Standard No. 71) will be incorporated by reference in the Prospectuses constituting part of AlliedSignal Inc.'s 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 and 333-57519, on Forms S-3 (Nos. 33-13211, 33-14071, 33-55425, 33-64245, 333-22355, 333-44523, 333-45555 and 333-49455) and on Form S-8 (filed as an amendment to Form S-14, No. 2-99416-01). We are also aware of our responsibilities under the Securities Act of 1933.

Very truly yours,

Price Waterhouse LLP

This schedule contains summary financial information extracted from the consolidated balance sheet at June 30, 1998 and the consolidated statement of income for the six months ended June 30, 1998 and is qualified in its entirety by reference to such financial statements.

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6-MOS
DEC-31-1998
JUN-30-1998
507
22
1,474
32
2,409
5,312
9,106
4,909
13,897
3,918
1,638
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5,758
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66
949
299
650
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0
0
650
1.15
1.13