Second Quarter Earnings Release

July 20, 2006

Forward Looking Statements

Honeywell

This report contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements are based on management's assumptions and assessments in light of past experience and trends, current conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near- and long-term. We identify the principal risks and uncertainties that affect our performance in our Form 10-K and other filings with the Securities and Exchange Commission.

2Q06 Overview

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- **Financial Performance**
  - 12% Sales Growth, 5% Organic Growth
  - 110 bps Margin Expansion
  - 75% EPS Growth, 27% Adjusted (1) EPS Growth
  - $786M Free Cash Flow, $903M YTD
- **Business Highlights**
  - AERO – Commercial, Defense Up; Space Down
  - ACS – 9% Organic Growth; Acquisition Synergies Ahead of Plan
  - TS – Turbo Performance Favorable
  - SM – 11% Organic Growth Base Business, Great Quarter for UOP
- **Capital Redeployment**
  - FT Safety & Analysis Divestiture, Gardiner Groupe Acquisition
  - Repurchased 12M Shares; Average Fully Diluted Share Count 830M
- **Raising EPS Guidance to $2.48 – 2.53**

Strong 2Q Financial Performance And Outlook

(1) Reflects 2Q05 tax charge for cash repatriation ($0.18) and Income from Discontinued Operations ($0.03), as well as 2Q06 FAS 123R stock option expense ($0.02)

2Q Financials

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($M)	2Q05	2Q06	
Sales	$7,028	$7,898	• 12% Growth ➢ 7% Acq./Div. ➢ 5% Organic ➢ No F/X Impact
Segment Profit	$846	$1,034	• 22% Growth
- *Margin %*	*12.0%*	*13.1%*	• *+110 bps*
EPS, Reported	$0.36	$0.63	• 75% Growth
EPS, Adjusted (1)	$0.51	$0.65	• 27% Growth
Free Cash Flow	$410	$786	• Up 92% • 151% Conversion

(1) Reflects 2Q05 tax charge for cash repatriation ($0.18) and Income from Discontinued Operations ($0.03), as well as 2Q06 FAS 123R stock option expense ($0.02)

Strong Financial Performance

2Q Earnings Per Share Walk

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	EPS
2Q05 EPS	$0.36
Tax Charge for Cash Repatriation	0.18
Discontinued Operations	(0.03)
2Q05 EPS, Adjusted	$0.51
2Q06 EPS Change	
Segment Profit [1]	0.17
Equity Income [1,2]	(0.03)
Stock Options Expense [1]	(0.02)
Other [1,3]	-
2Q06 EPS	$0.63

(1) Estimated; calculation on pre-tax items uses 26.5% tax rate and 2Q06 diluted shares

(2) Due to 4Q05 acquisition of partner's share of UOP joint venture, UOP financial results included in Specialty Materials segment results

(3) Other includes all items below segment profit, other than Equity Income and Stock Options Expense, and includes share count

Segment Profit Drives EPS Growth

Aerospace

Honeywell

($M)	2Q05	2Q06
Sales	$2,651	$2,686
Segment Profit	$409	$413
Margin	*15.4%*	*15.4%*

Business Highlights

+ Commercial OE up 8%
  - ➢ Demand supports OEM production
  - ➢ HON A380 components on track
+ Defense up 4%
– Commercial AM down 4%
  - ➢ AT&R Mechanical Spares up 4%
  - ➢ Unfavorable R&O settlement
  - ➢ Anticipated decline in FAA Mandate sales
– Space down 12%

Financial Highlights

- Sales up 1%
- Air Transport & Regional
  - ➢ OE up 2%
  - ➢ AM down 5%
- Business & General Aviation
  - ➢ OE up 17%
  - ➢ AM down 2%
- Defense & Space up 2%
- Segment Profit up 1%
  - ➢ Margin % flat
    - Volume/Price 0.6 pts.
    - Productivity 1.9 pts.
      - – Operational efficiency 3.4 pts
      - – Reorganization benefits realized
      - – Engineering (0.9) pts
      - – R&O Settlement (0.6) pts
    - Inflation (2.5) pts.

Continued Growth And Positive Outlook

Automation And Control Solutions

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($M)	2Q05	2Q06
Sales	$2,387	$2,766
Segment Profit	$242	$287
Margin	*10.1%*	*10.4%*

Business Highlights

+ Products 7% organic growth
+ Solutions 12% organic growth
+ Solutions orders up double digits
+ Gardiner Groupe acquisition
+ FT Safety & Analysis divestiture

Financial Highlights

- Sales up 16%
  - Organic 9%; Acq./Div. 7%
  - Minimal FX Impact
- Products up 17%
- Solutions up 14%

- Segment Profit up 19%
  - 30 bps margin expansion
    - Volume/Price 1.7 pts.
    - Acq./Div. (0.1) pts.
    - Productivity 1.5 pts.
      - Operational efficiency 1.9 pts.
      - ERP (0.4) pts.
    - Inflation (2.8) pts.

Great Quarter

Gas Detection Business

Honeywell

($M)

Zellweger (2Q05)

Purchase Price	$226
Annual Synergies	
- Planned	$13
- Latest Estimate	$13
EBITDA Multiple	
- 2005 (at purchase)	9.0X
- Net of Synergies	6.1X

First Technology (1Q06)

Purchase Price	$723
Sale Proceeds	(93)
Net Price	$630
Annual Synergies	
- Planned	$21
- Latest Estimate	$30
EBITDA Multiple	
- 2006E (at purchase)	12.4X
- Net of Sale Proceeds/Synergies	7.9X

Gas Detection

Net Price	$856
EBITDA Multiple	
- 2006E (at purchase)	11.2
- Net of Synergies	7.1

- Synergies exceeding model
- Non-core sold for more than planned
- Important new growth platform

Building Out Attractive New Space

Transportation Systems

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($M)	2Q05	2Q06
Sales	$1,195	$1,193
Segment Profit	$161	$165
Margin	*13.5%*	*13.8%*

Business Highlights

+ HTT platform wins (>1.7L, <1.7L, Gasoline)
+ Class 8, ahead of YE emissions change
+ New product introductions in Asia
+ HTT Europe demand as expected
  - Diesel penetration, LV production flat

– CPG market conditions

Financial Highlights

- Sales flat
- Turbo up 5%
- CPG down 7%
  - Consumer spending impact
  - Friction NA OE exit
- Segment Profit up 2%
  - 30 bps margin expansion
    - Volume/Price (0.4) pts.
    - Productivity 2.6 pts.
    - Inflation (1.9) pts.

Winning New Business And Driving Productivity

Specialty Materials

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($M)	2Q05	2Q06
Sales	$795	$1,253
Segment Profit	$78	$217
Margin	*9.8%*	*17.3%*

Business Highlights

+ UOP project wins
+ Fluorines seasonal demand
+ Specialty Products volume
+ Price/Raws spread net favorable
– 2H UOP impacted by 1H timing
  - Royalties/catalyst sales

Financial Highlights

- Sales up 58%
  - Organic 11%; Acq./Div. 47%
- Fluorine Products up 9%
- Specialty Products up 17%
- Resins and Chemicals down 9%
  - Up 6% Excl. Sale of Carpet Fiber assets
- Segment Profit up 178%
  - 750 bps margin expansion
    - Volume/Price 3.5 pts.
    - Productivity 0.4 pts.
    - Inflation (2.7) pts.
    - Acq./Div. 6.3 pts.

Great Quarter

2006 Segment Analysis

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($B)

	Sales	Segment Margin	Comments
AERO	~$11.0	~17.5%	• *On track*
ACS	11.0	11.0%	• *Increased sales*
TS	4.5	13.0%	• *Turbo better than expected*
SM	4.5	13.0%	• *Step change vs. 2005*
Total	~$31.0	~13.4%	
V'05	*+12%*	*+120 bps*	• *Segment profit up ~$700M*

Reflects 1H Performance And 2H Outlook

2006 Financial Summary

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($B)	2005	2006E	V'05
Sales	$27.6	~$31.0	12%
Ex. Acquisitions/Divestitures			6%
Segment Profit	$3.4	~$4.1	22%
- Margin %	12.2%	~13.4%	120 bps
EPS, Reported	$1.92	$2.48 - 2.53	29 - 32%
Free Cash Flow	$1.8	$2.1 - 2.3	20 - 31%
Conversion	107%	+100%	

3Q06 Sales ~$7.8B
EPS $0.62 – 0.64

2H06 Guidance

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EPS	3Q05	3Q06	V'05
Reported EPS	$0.54	$0.62 - 0.64	15 - 19%
Discontinued Operations	(0.04)	-	
Stock Option Expense	-	0.02	
Adjusted	$0.50	$0.64 - 0.66	28 - 32%

EPS	4Q05	4Q06	V'05
Reported EPS	$0.61	$0.71 - 0.74	16 - 21%
Discontinued Operations	(0.04)	-	
Stock Option Expense	-	0.02	
Adjusted	$0.57	$0.73 - 0.76	28 - 33%

Impressive Performance

Honeywell Outlook

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- **End Market Conditions Favorable**
- **Macro Trends Support Business Growth**
- **Great Breadth of Technology, Products and Services**
- **Organic Growth and Margin Expansion Across Company**
  - **Aero – Program Wins, Extended Cycle**
  - **ACS – Global Expansion, Customer Focus**
  - **TS – Program Wins, New Markets/Technologies**
  - **SM – UOP, Strong Cycle**
- **Strong Cash Generation Capability**
- **Continued Disciplined Cash Deployment**

Confident In Business And Financial Outlook

Appendix

Reconciliation of non-GAAP Measures to GAAP Measures

Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin

Honeywell

($M)	2Q05	2Q06
Sales	$7,028	$7,898
Cost of Products and Services Sold	(5,503)	(6,027)
Selling, General and Administrative Expenses	(935)	(1,086)
Operating Income	$590	$785
FAS 123R, Stock Option Expense [(1)]	$0	$16
Repositioning and Other Charges [(1)]	111	115
Pension and OPEB Expense [(1)]	145	118
Segment Profit	$846	$1,034
Operating Income	$590	$785
÷ Sales	$7,028	$7,898
Operating Income Margin %	8.4%	9.9%
Segment Profit	$846	$1,034
÷ Sales	$7,028	$7,898
Segment Profit Margin %	12.0%	13.1%

(1) Included in costs of products and services sold and selling, general and administrative expenses

Reconciliation of Free Cash Flow to Cash Provided by Operating Activities and Calculation of Cash Flow Conversion

Honeywell

($M)	2Q05	2Q06
Cash Provided by Operating Activities	$569	$935
Expenditures for Property, Plant and Equipment	(159)	(149)
Free Cash Flow	410	786
Cash Provided by Operating Activities	$569	$935
÷ Net Income	302	521
Operating Cash Flow Conversion %	188%	179%
Free Cash Flow	$410	$786
÷ Net Income	302	521
Free Cash Flow Conversion %	136%	151%

Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin

Honeywell

($B)	2005	2006E
Sales	$27.6	$31.0
Cost of Products and Services Sold	(21.5)	(23.9)
Selling, General and Administrative Expenses	(3.7)	(4.0)
Operating Income	$2.4	$3.1
FAS 123R, Stock Option Expense [(1)]	0.0	0.1
Repositioning and Other Charges [(1)]	0.4	0.4
Pension and OPEB Expense [(1)]	0.6	0.5
Segment Profit	$3.4	$4.1
Operating Income	$2.4	$3.1
÷ Sales	$27.6	$31.0
Operating Income Margin %	8.7%	10.0%
Segment Profit	$3.4	$4.1
÷ Sales	$27.6	$31.0
Segment Profit Margin %	12.2%	13.4%

(1) Included in costs of products and services sold and selling, general and administrative expenses

Reconciliation of Free Cash Flow to Cash Provided by Operating Activities and Calculation of Cash Flow Conversion

Honeywell

($M)	2005	2006E
Cash Provided by Operating Activities	$2,442	$2,900 - 3,100
Expenditures for Property, Plant and Equipment	(684)	(800)
Free Cash Flow	$1,758	$2,100 - 2,300
Cash Provided by Operating Activities	$2,442	$2,900 - 3,100
÷ Net Income	$1,638	$2,050 - 2,100
Operating Cash Flow Conversion %	149%	+135%
Free Cash Flow	$1,758	$2,100 - 2,300
÷ Net Income	$1,638	$2,050 - 2,100
Free Cash Flow Conversion %	107%	+100%

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