
*Third Quarter
Earnings Release*

October 19, 2006

Forward Looking Statements

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.

3Q Overview

Honeywell

- **Financial Performance**
 - 15% Sales Growth, 9% Organic Growth
 - Segment Profit up 19%
 - 22% EPS Growth, 36% Adjusted ⁽¹⁾ EPS Growth
 - \$634M Free Cash Flow, \$1.5B YTD
- **Business Highlights**
 - AERO – Sales Strong, New Wins (Business Jets, Orion)
 - ACS – 11% Organic Growth, Continued Execution
 - TS – Turbo Favorable, CPG Consumer Impact
 - SM – 9% Organic Growth, UOP Strength
- **Cash Deployment**
 - Repurchased 5M Shares; Average Fully Diluted Share Count 821M
- **2006 EPS Guidance \$2.51 – 2.53, High End of Range**

Continued Growth And Execution

3Q Financials

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<i>(M)</i>	<u>3Q05</u>	<u>3Q06</u>	
Sales	\$6,900	\$7,952	<ul style="list-style-type: none"> • 15% Growth <ul style="list-style-type: none"> ➤ 6% Acq./Div. ➤ 9% Organic ➤ 1% F/X Impact
Segment Profit	\$867	\$1,029	• 19% Growth
- <i>Margin %</i>	12.6%	12.9%	• +30 bps
EPS, Reported	\$0.54	\$0.66	• 22% Growth
EPS, Adjusted ⁽¹⁾	\$0.50	\$0.68	• 36% Growth
Free Cash Flow	\$543	\$634	• 117% Conversion

(1) Reflects 3Q05 Income from Discontinued Operations (\$0.04) and 3Q06 FAS 123R stock option expense (\$0.02)

Strong Financial Performance

Aerospace

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<i>(M)</i>	<u>3Q05</u>	<u>3Q06</u>	<u>Financial Highlights</u>
Sales	\$2,620	\$2,854	<ul style="list-style-type: none"> • Sales up 9% <ul style="list-style-type: none"> ➤ No F/X Impact • Air Transport & Regional up 10% <ul style="list-style-type: none"> ➤ OE up 13% ➤ AM up 8% • Business & General Aviation up 13% <ul style="list-style-type: none"> ➤ OE up 22% ➤ AM up 5% • Defense & Space up 6% • Segment Profit up 17% <ul style="list-style-type: none"> ➤ 120 bps margin expansion <ul style="list-style-type: none"> + Volume growth / price + Benefit from 3Q05 reorganization - Inflation - Mix, stronger OE
Segment Profit	\$429	\$501	
Margin	16.4%	17.6%	
<u>Business Highlights</u>			
<ul style="list-style-type: none"> + New Wins – Business Jets, Orion + Commercial OE up 17% + Commercial AM up 7% + Defense up 9%, Space recovery + Engineering spend / funding on track - Commercial mix, stronger OE 			

Great Quarter

Automation And Control Solutions

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<i>(M)</i>	<u>3Q05</u>	<u>3Q06</u>	<u>Financial Highlights</u>
Sales	\$2,445	\$2,844	<ul style="list-style-type: none"> • Sales up 16% <ul style="list-style-type: none"> ➢ Organic 11%; Acq./Div. 5% ➢ F/X Impact 2% • Products up 16% • Solutions up 16%
Segment Profit	\$300	\$330	
Margin	12.3%	11.6%	
<u>Business Highlights</u>			<ul style="list-style-type: none"> • Segment Profit up 10% <ul style="list-style-type: none"> ➢ 70 bps margin contraction <ul style="list-style-type: none"> + Volume growth + Productivity actions - Inflation - Mix - Acquisitions/ERP
+ Products 10% organic growth			
+ Solutions 14% organic growth			
+ Solutions orders up +20%			
+ First Technology / Gardiner performance			

Strong Organic Growth And Continued Execution

Transportation Systems

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<i>(M)</i>	<u>3Q05</u>	<u>3Q06</u>	<u>Financial Highlights</u>
Sales	\$1,061	\$1,111	<ul style="list-style-type: none"> • Sales up 5% <ul style="list-style-type: none"> ➢ F/X Impact 3% • Turbo up 10% • CPG down 1% <ul style="list-style-type: none"> ➢ Consumer spending impact ➢ Friction NA OE exit
Segment Profit	\$121	\$129	
Margin	11.4%	11.6%	
<u>Business Highlights</u>			
<ul style="list-style-type: none"> + HTT platform wins (Diesel, Gasoline) + HTT Europe demand as expected <ul style="list-style-type: none"> ➢ Diesel penetration up, LV production down + Class 8, ahead of YE emissions change + Asia growth, new product introductions - CPG market conditions 			<ul style="list-style-type: none"> • Segment Profit up 7% <ul style="list-style-type: none"> ➢ 20 bps margin expansion <ul style="list-style-type: none"> + Productivity actions + Turbo volume growth - Inflation - CPG volume

Winning New Business And Driving Productivity

Specialty Materials

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<i>(M)</i>	<u>3Q05</u>	<u>3Q06</u>	<u>Financial Highlights</u>
Sales	\$773	\$1,143	<ul style="list-style-type: none"> • Sales up 48% <ul style="list-style-type: none"> ➢ Organic 9%; Acq./Div. 39% ➢ No F/X Impact • Fluorine Products up 14% • Specialty Products up 11% • Resins and Chemicals down 17% <ul style="list-style-type: none"> ➢ Up 3% Excl. Sale of Carpet Fiber assets
Segment Profit	\$58	\$110	
Margin	7.5%	9.6%	
<u>Business Highlights</u>			<ul style="list-style-type: none"> • Segment Profit up 90% <ul style="list-style-type: none"> ➢ 210 bps margin expansion <ul style="list-style-type: none"> + UOP acquisition + Base business volume growth - Partial plant outage
<ul style="list-style-type: none"> + UOP project wins <ul style="list-style-type: none"> ➢ 3Q UOP timing impact as expected + Specialty Products volume + Price/Raws spread net favorable - Resins and Chemicals partial plant outage 			

Organic Growth And UOP Performance

2006 Financial Summary

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<i>(B)</i>	<u>2005</u>	<u>2006E</u>	<u>V'05</u>
Sales	\$27.6	~\$31.1	13%
Ex. Acquisitions/Divestitures			6%
Segment Profit	\$3.4	~\$4.1	20%
- Margin %	12.2%	~13.2%	100 bps
EPS, Reported	\$1.92	\$2.51 - 2.53	31 - 32%
Free Cash Flow	\$1.8	~\$2.2	25%
Conversion	107%	+100%	

*4Q06 Sales ~\$8.0B
EPS \$0.70 - 0.72*

2007 Economic/Industry Outlook

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- **Overall Outlook Favorable**
 - Modest Softening in Global Economic Growth
 - Industry Specific Weakness (US Residential Construction, US Automotive)
 - Macro Trends (Safety, Security, Energy Efficiency, Air Travel) Favorable
 - Continued Demand for Differentiated Technologies, Products, Services
- **Industry Highlights**
 - AERO – OE Production Up; Global Flying Hours +4-5%; Defense Budget Up
 - ACS – Global Growth; Increased Non-Res. Construction, Infrastructure
 - TS – LV Production Flat; Diesel Penetration Flat; NA Class 8 OE Down
 - SM – Global Growth; Increased Energy Demand; Capacity Expansion

Overall Environment / Trends Favorable For HON

Preliminary 2007 Financial Outlook

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Continued Focus on Long Term Value Creation

- **Economic/Industry View Drives More Conservative Top Line Growth**
- **Segment Profit Drives Earnings Growth**
 - Continued Margin Expansion
- **Below the Line Expenses In Line With 2006**
 - Minimal Pension Tailwind (Rate Sensitive)
- **Double Digit Earnings Growth**
- **Continued FCF Growth**
- **Balanced Cash Deployment**
 - Continued Focus on Business Investment and Return to Shareholders

2007 Outlook Call – December 13th

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**

<i>(\$M)</i>	3Q05	3Q06
Sales	\$6,900	\$7,952
Cost of Products and Services Sold	(5,302)	(6,111)
Selling, General and Administrative Expenses	(982)	(1,037)
Operating Income	<u>\$616</u>	<u>\$804</u>
FAS 123R, Stock Option Expense ⁽¹⁾	\$0	\$20
Repositioning and Other Charges ⁽¹⁾	110	105
Pension and OPEB Expense ⁽¹⁾	141	100
Segment Profit	<u>\$867</u>	<u>\$1,029</u>
Operating Income	\$616	\$804
÷ Sales	<u>\$6,900</u>	<u>\$7,952</u>
Operating Income Margin %	<u>8.9%</u>	<u>10.1%</u>
Segment Profit	\$867	\$1,029
÷ Sales	<u>\$6,900</u>	<u>\$7,952</u>
Segment Profit Margin %	<u>12.6%</u>	<u>12.9%</u>

(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

<u>(\$M)</u>	3Q05	3Q06
Cash Provided by Operating Activities	\$705	\$796
Expenditures for Property, Plant and Equipment	(162)	(162)
Free Cash Flow	543	634
Cash Provided by Operating Activities	\$705	\$796
÷ Net Income	464	541
Operating Cash Flow Conversion %	152%	147%
Free Cash Flow	\$543	\$634
÷ Net Income	464	541
Free Cash Flow Conversion %	117%	117%

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

<u>(\$B)</u>	<u>2005</u>	<u>2006E</u>
Sales	\$27.6	\$31.1
Cost of Products and Services Sold	(21.5)	(24.0)
Selling, General and Administrative Expenses	(3.7)	(4.0)
Operating Income	<u>\$2.4</u>	<u>\$3.1</u>
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	<u>\$3.4</u>	<u>\$4.1</u>
Operating Income	\$2.4	\$3.1
÷ Sales	\$27.6	\$31.1
Operating Income Margin %	<u>8.7%</u>	<u>10.0%</u>
Segment Profit	\$3.4	\$4.1
÷ Sales	\$27.6	\$31.1
Segment Profit Margin %	<u>12.2%</u>	<u>13.2%</u>

(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

<u>(\$M)</u>	<u>2005</u>	<u>2006E</u>
Cash Provided by Operating Activities	\$2,442	\$3,000
Expenditures for Property, Plant and Equipment	(684)	(800)
Free Cash Flow	<u>\$1,758</u>	<u>\$2,200</u>
Cash Provided by Operating Activities	\$2,442	\$3,000
÷ Net Income	<u>\$1,638</u>	<u>\$2,075 - 2,100</u>
Operating Cash Flow Conversion %	<u>149%</u>	<u>+135%</u>
Free Cash Flow	\$1,758	\$2,200
÷ Net Income	<u>\$1,638</u>	<u>\$2,075 - 2,100</u>
Free Cash Flow Conversion %	<u>107%</u>	<u>+100%</u>

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