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# *First Quarter Earnings Release*

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*April 19, 2006*

*Reconciliations of non-GAAP measures used herein can be found in the Investor Relations  
section of our website ([www.honeywell.com](http://www.honeywell.com))*

# Forward Looking Statements

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*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.*

# 1Q06 Overview

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- **Financial Performance**

- 12% Sales Growth
- 110 bps Margin Expansion
- 24% EPS Growth

- **Business Execution**

- Aero – Commercial Business Strong; New Wins A350 APU, 737 NGS
- ACS – Strong Organic Growth in Products Businesses
- TS – Turbo Market Stable, Performance on Plan; Winning New Platforms
- SM – Across the Board Growth; Terrific Start at UOP

- **Balanced Capital Redeployment**

- Completed FT Acquisition; Announced FT Safety & Analysis Divestiture
- Repurchased 8M Shares; Average Fully Diluted Share Count 836M

*Great Start To 2006*

# 1Q Financials

Honeywell

(\$M)	<u>1Q05</u> <sup>(1)</sup>	<u>1Q06</u>	
<b>Sales</b>	<b>\$6,449</b>	<b>\$7,241</b>	<ul style="list-style-type: none"> <li>• <b>12% Growth</b> <ul style="list-style-type: none"> <li>➤ 9% Acq./Div.</li> <li>➤ 3% Organic</li> <li>➤ 5% Ex-F/X</li> </ul> </li> </ul>
<b>Segment Profit</b>	<b>\$749</b>	<b>\$920</b>	<ul style="list-style-type: none"> <li>• <b>23% Growth</b></li> </ul>
<b>- Margin %</b>	<b>11.6%</b>	<b>12.7%</b>	<ul style="list-style-type: none"> <li>• <b>+110 bps</b></li> </ul>
<b>EPS</b>	<b>\$0.42</b>	<b>\$0.52</b>	<ul style="list-style-type: none"> <li>• <b>24% Growth</b></li> </ul>
<b>Free Cash Flow</b> <sup>(2)</sup>	<b>\$194</b>	<b>\$117</b>	<ul style="list-style-type: none"> <li>• <b>Working Capital</b></li> </ul>

(1) 1Q05 Sales, Segment Profit were \$6,453M and \$750M, respectively, before application of new Aerospace accounting policy (announced 2/16/06)

(2) Free Cash Flow = Cash From Operations - Capital Expenditures

*Strong Financial Performance*

# Segment Analysis

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(\$M)	<u>Sales</u>		<u>Segment Margin</u>	
	<u>1Q06</u>	<u>V'05</u>	<u>1Q06</u>	<u>V'05</u>
Aerospace <sup>(1)</sup>	\$2,629	5%	16.7%	160 bps
Automation & Control	2,365	19%	9.3%	(80)
Transportation	1,095	(5%)	13.0%	(40)
Specialty Materials	<u>1,152</u>	<u>44%</u>	<u>14.1%</u>	<u>670</u>
<b>Total</b>	<b>\$7,241</b>	<b>12%</b>	<b>12.7%</b>	<b>110 bps</b>

(1) Calculation of Sales and Segment Margin variances reflect application of new accounting policy (announced 2/16/06) to previously reported financial information

*Sales Growth And Margin Expansion*

# 1Q Earnings Per Share Walk

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	<u>EPS</u>
<b>1Q05 EPS</b>	<b>\$0.42</b>
<b><u>1Q06 EPS V To '05</u></b>	
<b>Segment Profit <sup>(1)</sup></b>	<b>0.15</b>
<b>Equity Income <sup>(1,2)</sup></b>	<b>(0.03)</b>
<b>Stock Options Expense <sup>(1)</sup></b>	<b>(0.02)</b>
<b>Other <sup>(1)</sup></b>	<b>-</b>
	<hr/>
<b>1Q06 EPS</b>	<b>\$0.52</b>

(1) *Estimated. Calculation on pre-tax items uses 26.5% tax rate and 1Q06 diluted shares.*

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

*Segment Profit Drives EPS Growth*

# Aerospace

Honeywell

<i>(\$M)</i>	<u>1Q05</u> <sup>(1)</sup>	<u>1Q06</u>	<u>Financial Highlights</u>
<b>Sales</b>	<b>\$2,500</b>	<b>\$2,629</b>	<ul style="list-style-type: none"> <li>• Sales up 5%</li> <li>• Air Transport &amp; Regional                             <ul style="list-style-type: none"> <li>➢ OE up 19%</li> <li>➢ AM up 3%</li> </ul> </li> <li>• Bus. &amp; General Aviation                             <ul style="list-style-type: none"> <li>➢ OE up 23%</li> <li>➢ AM down 1%</li> </ul> </li> <li>• Defense &amp; Space down 1%</li> <li>• Segment Profit up 16%                             <ul style="list-style-type: none"> <li>➢ 160 bps Margin Expansion                                     <ul style="list-style-type: none"> <li>• Volume/Price 0.6 pts.</li> <li>• Productivity 3.4 pts.                                             <ul style="list-style-type: none"> <li>– Reorganization benefits realized</li> </ul> </li> <li>• Inflation (2.4) pts.</li> </ul> </li> </ul> </li> </ul>
<b>Segment Profit</b>	<b>\$378</b>	<b>\$440</b>	
<b>Margin</b>	<b>15.1%</b>	<b>16.7%</b>	
<p><small>(1) 1Q05 Sales, Segment Profit, Margin were \$2,504, \$379, 15.1%, respectively, before application of new accounting policy (announced 2/16/06)</small></p>			
<b><u>Business Highlights</u></b>			
<ul style="list-style-type: none"> <li>+ Strong commercial environment:                             <ul style="list-style-type: none"> <li>➢ Air Transport deliveries +27%</li> <li>➢ Business jet orders strong</li> </ul> </li> <li>+ Global AT&amp;R flying hours +6%</li> <li>+ Continued wins</li> <li>– Space, precision guidance sales</li> <li>– FAA mandate sales</li> </ul>			

*Strong Start To 2006*

# Automation And Control Solutions

Honeywell

<i>(\$M)</i>	<u>1Q05</u>	<u>1Q06</u>	<u>Financial Highlights</u>	
<b>Sales</b>	<b>\$1,992</b>	<b>\$2,365</b>	<ul style="list-style-type: none"> <li>• Sales up 19%                             <ul style="list-style-type: none"> <li>➢ Acq./Div. 15%; Organic 4%</li> <li>➢ Organic ex-currency up 6%</li> </ul> </li> <li>• Products up 29%</li> <li>• Solutions up 5%</li> </ul>	
<b>Segment Profit</b>	<b>\$201</b>	<b>\$221</b>	<ul style="list-style-type: none"> <li>• Segment Profit up 10%                             <ul style="list-style-type: none"> <li>➢ 80 bps margin contraction                                     <ul style="list-style-type: none"> <li>• Volume/Price 1.2 pts.</li> <li>• Productivity 0.0 pts.                                             <ul style="list-style-type: none"> <li>– Operational efficiency 1.3 pts.</li> <li>– HBS contract (0.8) pts.</li> <li>– ERP (0.5) pts.</li> </ul> </li> <li>• Inflation (2.0) pts.</li> </ul> </li> </ul> </li> </ul>	
<b>Margin</b>	<b>10.1%</b>	<b>9.3%</b>		
<u>Business Highlights</u>				
<ul style="list-style-type: none"> <li>+ Products organic growth</li> <li>+ FT acquisition completed; announced FT Safety &amp; Analysis divestiture</li> <li>+ Gardiner acquisition expected close 2Q</li> <li>+ HPS/HBS orders and backlog</li> <li>– HBS Europe customer liquidity issue</li> </ul>				

*Good Organic Growth And Continued Execution*



# Transportation Systems

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<i>(\$M)</i>	<u>1Q05</u>	<u>1Q06</u>	<u>Financial Highlights</u>	
<b>Sales</b>	\$1,156	\$1,095	<ul style="list-style-type: none"> <li>• Sales down 5%                             <ul style="list-style-type: none"> <li>➢ Organic ex-currency, down 1%</li> </ul> </li> <li>• Turbo down 3%</li> <li>• CPG down 9%                             <ul style="list-style-type: none"> <li>➢ Friction NA OE exit</li> </ul> </li> </ul>	
<b>Segment Profit</b>	\$155	\$142	<ul style="list-style-type: none"> <li>• Segment Profit Down 8%                             <ul style="list-style-type: none"> <li>➢ 40 bps margin contraction                                     <ul style="list-style-type: none"> <li>• Volume/Price (1.8) pts.</li> <li>• Productivity 3.0 pts.</li> <li>• Inflation (1.6) pts.</li> </ul> </li> </ul> </li> </ul>	
<b>Margin</b>	13.4%	13.0%		
<u>Business Highlights</u>				
<ul style="list-style-type: none"> <li>+ HTT platform wins (&gt;1.7L <u>and</u> &lt;1.7L)</li> <li>+ Class 8 continued strong</li> <li>+ CPG/FM integration benefits</li> <li>+ HTT Europe 1H demand as expected                             <ul style="list-style-type: none"> <li>+ 1Q volume slightly ahead</li> <li>- 2Q volume expected down</li> </ul> </li> <li>- Raw material costs</li> </ul>				

*Winning New Business And Performing To Plan*

# Specialty Materials

Honeywell

<i>(\$M)</i>	<u>1Q05</u>	<u>1Q06</u>	<u>Financial Highlights</u>
<b>Sales</b>	<b>\$801</b>	<b>\$1,152</b>	<ul style="list-style-type: none"> <li>• <b>Sales Up 44%</b> <ul style="list-style-type: none"> <li>➢ Acq./Div. 37%; Organic 7%</li> </ul> </li> <li>• <b>Fluorine Products up 9%</b></li> <li>• <b>Specialty Products up 7%</b></li> <li>• <b>Resins and Chemicals down 12%</b> <ul style="list-style-type: none"> <li>➢ Sale of Carpet Fiber assets 4Q05</li> </ul> </li> </ul>
<b>Segment Profit</b>	<b>\$59</b>	<b>\$162</b>	
<b>Margin</b>	<b>7.4%</b>	<b>14.1%</b>	
<u>Business Highlights</u>			<ul style="list-style-type: none"> <li>• <b>Segment Profit Up 175%</b> <ul style="list-style-type: none"> <li>➢ 670 bps margin expansion                             <ul style="list-style-type: none"> <li>• Volume/Price 2.9 pts.</li> <li>• Productivity 0.6 pts.</li> <li>• Inflation (1.7) pts.</li> <li>• Acq./Div. 4.9 pts.</li> </ul> </li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>+ UOP project wins</li> <li>+ Fluorine Products demand</li> <li>+ Specialty Products volume</li> <li>+ Price/Raws spread net favorable</li> <li>- Raw material costs</li> </ul>			

*Very Strong Performance*

# 2006 Segment Analysis

Honeywell

(\$B)	Sales		Segment Margin	
	<u>2006E</u>	<u>V'05</u>	<u>2006E</u>	<u>V'05</u>
Aerospace <sup>(1)</sup>	~\$11.1	6%	17.5 - 18%	150 - 200 bps
Automation & Control <sup>(2)</sup>	10.4	10%	11.3 - 11.8%	Flat - 50
Transportation	4.4	(2%)	12.5 - 13%	10 - 60
Specialty Materials	<u>4.4</u>	<u>36%</u>	<u>12.0 - 12.5%</u>	<u>410 - 460</u>
Total	~\$30.3	10%	13.4 - 13.9%	120 - 170 bps

(1) Calculation of Sales and Segment Margin variances reflect application of new accounting policy (announced 2/16/06) to previously reported financial information

(2) Includes expected sales and profits from First Technology (closed end of March, 2006) and Gardiner Groupe (expected to close 2Q06)

*Reflects 1Q Performance And Transactions*

# 2006 Financial Summary

Honeywell

(\$B)	<u>2005<sup>(1)</sup></u>	<u>2006E</u>	<u>V'05</u>
<b>Sales</b>	<b>\$27.6</b>	<b>~\$30.3</b>	<b>10%</b>
<b>Segment Profit</b>	<b>\$3.4</b>	<b>\$4.0 - 4.2</b>	<b>18 - 24%</b>
<b>- Margin %</b>	<b>12.2%</b>	<b>13.4 - 13.9%</b>	<b>120 - 170 bps</b>
<b>EPS, Reported</b>	<b>\$1.92</b>	<b>\$2.40 - 2.50</b>	<b>25 - 30%</b>
<b>Free Cash Flow Conversion</b>	<b>\$1.8 107%</b>	<b>\$2.1 - 2.3 +100%</b>	<b>20 - 31%</b>

(1) 2005 Sales, Segment Profit, Margin, EPS, Free Cash Flow and Conversion were \$27.7B, \$3.4B, 12.3%, \$1.94, \$1.8B and 106% respectively, before application of new accounting policy (announced 2/16/06) to previously reported financial information

(2) 2Q05 Reported EPS \$0.36 includes \$0.18 for tax charge related to cash repatriation and \$0.03 for Income from Discontinued Operations

*2Q06 Sales \$7.6 - 7.7B  
EPS \$0.60 - 0.62<sup>(2)</sup>*

# Summary

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- **Great Start to 2006**
- **Strong Execution Across the Board**
- **Businesses Well Positioned for Continued Growth**
- **Cash Deployment to Build Value**

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*Appendix*  
*Reconciliation of non-GAAP Measures*  
*to GAAP Measures*

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

<i>(\$M)</i>	<b>1Q05<sup>(1)</sup></b>	<b>1Q06</b>
Sales	\$6,449	\$7,241
Cost of Products and Services Sold	<b>(5,082)</b>	<b>(5,600)</b>
Selling, General and Administrative Expenses	<b>(854)</b>	<b>(1,002)</b>
Operating Income	<b>\$513</b>	<b>\$639</b>
FAS 123R, Stock Option Expense <sup>(2)</sup>	\$0	\$25
Repositioning and Other Charges <sup>(2)</sup>	99	130
Pension and OPEB Expense <sup>(2)</sup>	137	126
Segment Profit	<b>\$749</b>	<b>\$920</b>
Operating Income	\$513	\$639
÷ Sales	\$6,449	\$7,241
Operating Income Margin %	<b>8.0%</b>	<b>8.8%</b>
Segment Profit	\$749	\$920
÷ Sales	\$6,449	\$7,241
Segment Profit Margin %	<b>11.6%</b>	<b>12.7%</b>

(1) Reflects application of new Aerospace accounting policy (announced 2/16/06) to previously reported financial information

(2) 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>	<b>1Q05<sup>(1)</sup></b>	<b>1Q06</b>
Cash Provided by Operating Activities	\$329	\$239
Expenditures for Property, Plant and Equipment	<b>(135)</b>	<b>(122)</b>
<b>Free Cash Flow</b>	<b>194</b>	<b>117</b>
Cash Provided by Operating Activities	\$329	\$239
÷ Net Income	358	436
<b>Operating Cash Flow Conversion %</b>	<b>92%</b>	<b>55%</b>
Free Cash Flow	\$194	\$117
÷ Net Income	358	436
<b>Free Cash Flow Conversion %</b>	<b>54%</b>	<b>27%</b>

(1) Reflects application of new Aerospace accounting policy (announced 2/16/06) to previously reported financial information



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

<u>(\$B)</u>	<u>2005</u> <sup>(1)</sup>	<u>2006E</u>
Sales	\$27.6	\$30.3
Cost of Products and Services Sold	(21.5)	(23.3) - (23.4)
Selling, General and Administrative Expenses	(3.7)	(3.8) - (3.9)
Operating Income	<u>\$2.4</u>	<u>\$3.0 - \$3.2</u>
FAS 123R, Stock Option Expense <sup>(2)</sup>	0.0	0.1
Repositioning and Other Charges <sup>(2)</sup>	0.4	0.4
Pension and OPEB Expense <sup>(2)</sup>	0.6	0.5
Segment Profit	<u>\$3.4</u>	<u>\$4.0 - \$4.2</u>
Operating Income	\$2.4	\$3.0 - \$3.2
÷ Sales	<u>\$27.6</u>	<u>\$30.3</u>
Operating Income Margin %	<u>8.7%</u>	<u>10.0 - 10.5%</u>
Segment Profit	\$3.4	\$4.0 - \$4.2
÷ Sales	<u>\$27.6</u>	<u>\$30.3</u>
Segment Profit Margin %	<u>12.2%</u>	<u>13.4 - 13.9%</u>

(1) Reflects application of new Aerospace accounting policy (announced 2/16/06) to previously reported financial information  
(2) 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>	<b>2005</b> <sup>(1)</sup>	<b>2006E</b>
Cash Provided by Operating Activities	\$2,442	\$2,900 - 3,100
Expenditures for Property, Plant and Equipment	(684)	(800)
Free Cash Flow	<u>\$1,758</u>	<u>\$2,100 - 2,300</u>
Cash Provided by Operating Activities	\$2,442	\$2,900 - 3,100
÷ Net Income	<u>\$1,637</u>	<u>\$2,000 - 2,100</u>
Operating Cash Flow Conversion %	<u>149%</u>	<u>+135%</u>
Free Cash Flow	\$1,758	\$2,100 - 2,300
÷ Net Income	<u>\$1,637</u>	<u>\$2,000 - 2,100</u>
Free Cash Flow Conversion %	<u>107%</u>	<u>+100%</u>

(1) Reflects application of new Aerospace accounting policy (announced 2/16/06) to previously reported financial information

**Honeywell**