

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

FORM 10-Q

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

For the quarterly period ended June 30, 2004

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

Honeywell International Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

22-2640650

(I.R.S. Employer
Identification No.)

101 Columbia Road
Morris Township, New Jersey

(Address of principal executive offices)

07962

(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 No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes 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, 2004 -----
\$1 par value	859,571,945 shares

Honeywell International Inc.

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This report contains certain statements that may be deemed "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. The forward-looking statements included in this report are also subject to a number of material risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting our operations, markets, products, services and prices. Such forward-looking statements are not guarantees of future performance and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Honeywell International Inc.
Consolidated Statement of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	(Dollars in millions, except per share amounts)			
Net sales	\$6,388	\$5,749	\$12,566	\$11,148
Costs, expenses and other				
Cost of goods sold	5,228	4,514	10,158	8,754
Selling, general and administrative expenses	823	762	1,631	1,465
(Gain) loss on sale of non-strategic businesses	(233)	(31)	(265)	(31)
Equity in (income) loss of affiliated companies	(17)	(6)	(24)	(4)
Other (income) expense	(18)	(24)	(28)	(27)
Interest and other financial charges	82	87	166	171
	5,865	5,302	11,638	10,328
Income before taxes and cumulative effect of accounting change	523	447	928	820
Tax expense	162	128	272	227
Income before cumulative effect of accounting change	361	319	656	593
Cumulative effect of accounting change	--	--	--	(20)
Net income	\$ 361	\$ 319	\$ 656	\$ 573
Earnings per share of common stock - basic:				
Income before cumulative effect of accounting change	\$ 0.42	\$ 0.37	\$ 0.76	\$ 0.69
Cumulative effect of accounting change	--	--	--	(0.02)
Net income	\$ 0.42	\$ 0.37	\$ 0.76	\$ 0.67
Earnings per share of common stock - assuming dilution:				
Income before cumulative effect of accounting change	\$ 0.42	\$ 0.37	\$ 0.76	\$ 0.69
Cumulative effect of accounting change	--	--	--	(0.02)
Net income	\$ 0.42	\$ 0.37	\$ 0.76	\$ 0.67
Cash dividends per share of common stock	\$.1875	\$.1875	\$.3750	\$.3750

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

Honeywell International Inc.
Consolidated Balance Sheet
(Unaudited)

	June 30, 2004	December 31, 2003
	-----	-----
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,232	\$ 2,950
Accounts, notes and other receivables	3,905	3,643
Inventories	3,003	3,040
Deferred income taxes	1,311	1,526
Other current assets	566	465
	-----	-----
Total current assets	12,017	11,624
Investments and long-term receivables	414	569
Property, plant and equipment - net	4,185	4,295
Goodwill	5,837	5,789
Other intangible assets - net	1,110	1,098
Insurance recoveries for asbestos related liabilities	1,401	1,317
Deferred income taxes	447	342
Prepaid pension benefit cost	3,063	3,173
Other assets	1,077	1,107
	-----	-----
Total assets	\$29,551	\$29,314
	=====	=====
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,273	\$ 2,240
Short-term borrowings	44	152
Commercial paper	95	--
Current maturities of long-term debt	146	47
Accrued liabilities	4,495	4,314
	-----	-----
Total current liabilities	7,053	6,753
Long-term debt	4,825	4,961
Deferred income taxes	313	316
Postretirement benefit obligations other than pensions	1,695	1,683
Asbestos related liabilities	2,096	2,279
Other liabilities	2,683	2,593
SHAREOWNERS' EQUITY		
Capital - common stock issued	958	958
- additional paid-in capital	3,547	3,486
Common stock held in treasury, at cost	(3,827)	(3,655)
Accumulated other nonowner changes	(255)	(189)
Retained earnings	10,463	10,129
	-----	-----
Total shareowners' equity	10,886	10,729
	-----	-----
Total liabilities and shareowners' equity	\$29,551	\$29,314
	=====	=====

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

Honeywell International Inc.
Consolidated Statement of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2004	2003
	(Dollars in millions)	
Cash flows from operating activities:		
Net income	\$ 656	\$ 573
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting change	--	20
(Gain) loss on sale of non-strategic businesses	(265)	(31)
Repositioning, environmental, litigation and business impairment charges	298	34
Severance and exit cost payments	(82)	(93)
Environmental and non-asbestos litigation payments	(92)	(36)
Asbestos related liability payments	(323)	(388)
Insurance receipts for asbestos related liabilities	48	477
Depreciation	288	290
Undistributed earnings of equity affiliates	(29)	(4)
Deferred income taxes	82	134
Pension and other postretirement benefits expense	322	178
Pension contributions - U.S. Plans	(5)	(170)
Other postretirement benefit payments	(99)	(99)
Other	(40)	(3)
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts, notes and other receivables	(243)	(80)
Inventories	12	(95)
Other current assets	(7)	18
Accounts payable	117	175
Accrued liabilities	204	126
	-----	-----
Net cash provided by operating activities	842	1,026
	-----	-----
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(283)	(276)
Proceeds from disposals of property, plant and equipment	2	--
Decrease in investments	80	--
Cash paid for acquisitions	(109)	(122)
Proceeds from sales of businesses	394	90
	-----	-----
Net cash provided by (used for) investing activities	84	(308)
	-----	-----
Cash flows from financing activities:		
Net increase (decrease) in commercial paper	95	(13)
Net (decrease) increase in short-term borrowings	(124)	78
Proceeds from issuance of common stock	45	31
Payments of long-term debt	(23)	(70)
Repurchases of common stock	(292)	--
Cash dividends on common stock	(322)	(322)
	-----	-----
Net cash (used for) financing activities	(621)	(296)
	-----	-----
Effect of foreign exchange rate changes on cash and cash equivalents	(23)	183
	-----	-----
Net increase in cash and cash equivalents	282	605
Cash and cash equivalents at beginning of year	2,950	2,021
	-----	-----
Cash and cash equivalents at end of period	\$3,232	\$2,626
	=====	=====

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

Honeywell International 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 recurring adjustments, necessary to present fairly the financial position of Honeywell International Inc. and its consolidated subsidiaries at June 30, 2004 and the results of operations for the three and six months ended June 30, 2004 and 2003 and cash flows for the six months ended June 30, 2004 and 2003. The results of operations for the three- and six-month periods ended June 30, 2004 should not necessarily be taken as indicative of the results of operations that may be expected for the entire year 2004. We reclassified certain prior period amounts to conform to the current period presentation.

We report our quarterly financial information using a calendar convention; that is, the first, second and third quarters are consistently reported as ending on March 31, June 30 and September 30, respectively. It has been our practice to establish actual quarterly closing dates using a predetermined "fiscal" calendar, which requires our businesses to close their books on a Saturday in order to minimize the potentially disruptive effects of quarterly closing on our business processes. The effects of this practice are generally not significant to reported results for any quarter and only exist within a reporting year. In the event that differences in actual closing dates are material to year-over-year comparisons of quarterly or year-to-date results, we will provide appropriate disclosures. Our actual closing dates for the three- and six-month periods ended June 30, 2004 and 2003 were July 3, 2004 and June 28, 2003, respectively. Our fiscal closing calendar for the years 2000 through 2012 is available on our website at www.honeywell.com under the heading "Investor Relations".

The financial information as of June 30, 2004 should be read in conjunction with the financial statements contained in our Annual Report on Form 10-K for 2003.

NOTE 2. In May 2004, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP No. 106-2) which provides guidance on accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) for employers that sponsor postretirement health care plans that provide prescription drug coverage that is at least actuarially equivalent to that offered by Medicare Part D. The adoption of FSP No. 106-2 is not expected to have a material effect on our consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46 "Consolidation of Variable Interest Entities" (FIN 46), which provides guidance on consolidation of variable interest entities. In December 2003, the FASB deferred the effective date of FIN 46 for certain variable interest entities (i.e., non-special purpose entities) until the first quarter of 2004. Our full adoption of the provisions of FIN 46 in the first quarter of 2004 did not have a material effect on our consolidated financial statements.

On January 1, 2003, in connection with our adoption of Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations", we recorded an increase in property, plant and equipment, net of \$16 million and recognized an asset retirement obligation of \$47 million primarily related to costs associated with the future retirement of nuclear fuel conversion facilities in our Specialty Materials reportable segment. This resulted in the recognition of a non-cash charge of \$31 million (\$20 million

after-tax, or \$0.02 per share) that was reported as a cumulative effect of an accounting change.

NOTE 3. We account for our fixed stock option plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25). Under APB No. 25, there is no compensation cost recognized for our fixed stock option plans, because the options granted under these plans have an exercise price equal to the market value of the underlying stock at the grant date. Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) allows, but does not require, companies to record compensation cost for fixed stock option plans using a fair value based method. As permitted by SFAS No. 123, we elected to continue to account for compensation cost for our fixed stock option plans using the intrinsic value based method under APB No. 25. The following table sets forth pro forma information as if compensation cost had been determined consistent with the requirements of SFAS No. 123.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	----	----	----	----
Net income, as reported	\$ 361	\$ 319	\$ 656	\$ 573
Deduct: Total stock-based employee compensation cost determined under fair value method for fixed stock option plans, net of related tax effects	(9)	(12)	(18)	(25)
Pro forma net income	=====	=====	=====	=====
Earnings per share of common stock:				
Basic - as reported	\$ 0.42	\$0.37	\$ 0.76	\$0.67
Basic - pro forma	=====	=====	=====	=====
Earnings per share of common stock:				
Assuming dilution - as reported	\$ 0.42	\$0.37	\$ 0.76	\$0.67
Assuming dilution - pro forma	=====	=====	=====	=====
The following sets forth fair value per share information, including related assumptions, used to determine compensation cost consistent with the requirements of SFAS No. 123:				
Weighted average fair value per share of options granted during the period (estimated on grant date using Black-Scholes option-pricing model)	\$11.04	\$8.12	\$10.45	\$8.80
Assumptions:				
Historical dividend yield	1.7%	2.2%	2.2%	2.0%
Historical volatility	37.5%	46.9%	38.1%	46.7%
Risk-free rate of return	3.5%	2.9%	2.4%	2.9%
Expected life (years)	5.0	5.0	5.0	5.0

NOTE 4. A summary of repositioning and other charges follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Severance	\$ 32	\$ 22	\$ 47	\$ 22
Asset impairments	6	--	10	--
Exit costs	3	3	6	3
Reserve adjustments	(16)	(23)	(23)	(23)
	----	----	----	----
Total net repositioning charge	25	2	40	2
	----	----	----	----
Probable and reasonably estimable environmental liabilities	161	32	191	32
Business impairment charges	40	--	40	--
Asbestos related litigation charges, net of insurance	9	--	20	--
Write-offs of other assets	7	--	7	--
	----	----	----	----
Total net repositioning and other charges	\$242	\$ 34	\$298	\$ 34
	=====	=====	=====	=====

The following table summarizes the pretax distribution of total net repositioning and other charges by income statement classification:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Cost of goods sold	\$232	\$29	\$284	\$29
Selling, general and administrative expenses	6	5	8	5
Equity in (income) loss of affiliated companies	4	--	6	--
	----	----	----	----
	\$242	\$34	\$298	\$34
	=====	=====	=====	=====

The following table summarizes the pretax impact of total net repositioning and other charges by reportable segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Aerospace	\$ 3	\$ (2)	\$ 4	\$ (2)
Automation and Control Solutions	--	(8)	3	(8)
Specialty Materials	50	7	54	7
Transportation Systems	69	--	87	--
Corporate	120	37	150	37
	----	----	----	----
	\$242	\$34	\$298	\$34
	=====	=====	=====	=====

In the second quarter of 2004, we recognized a repositioning charge of \$41 million primarily for severance costs related to workforce reductions of 761 manufacturing and administrative positions principally in our Automation and Control Solutions, Transportation Systems and Aerospace reportable segments. Also, \$16 million of previously established accruals, primarily for severance, were returned to income in the second quarter of 2004, due to fewer employee

separations than originally planned associated with certain prior repositioning actions, resulting in reduced severance liabilities in our Automation and Control Solutions reportable segment.

In the first quarter of 2004, we recognized a repositioning charge of \$22 million primarily for severance costs related to workforce reductions of 587 manufacturing and administrative positions principally in our Automation and Control Solutions and Transportation Systems reportable segments. Also, \$7 million of previously established accruals for severance and other exit costs were returned to income in the first quarter of 2004. Severance liabilities were reduced by \$4 million mainly in our Automation and Control Solutions reportable segment due to fewer employee separations than originally planned associated with certain prior repositioning actions. Other exit costs liabilities were reduced by \$3 million related primarily to excess environmental remediation reserves for a closed facility in our Specialty Materials reportable segment.

In the second quarter of 2003, we recognized a repositioning charge of \$25 million mainly for severance costs related to workforce reductions of 448 manufacturing and administrative positions principally in our Specialty Materials and Aerospace reportable segments. Also, \$23 million of previously established accruals, mainly for severance, were returned to income in the second quarter of 2003, due to fewer employee separations than originally planned associated with certain prior repositioning actions, resulting in reduced severance liabilities in our Automation and Control Solutions, Aerospace and Specialty Materials reportable segments.

The following table summarizes the status of our total repositioning costs:

	Severance Costs -----	Asset Impairments -----	Exit Costs -----	Total -----
Balance at December 31, 2003	\$171	\$ --	\$ 42	\$213
2004 charges	47	10	6	63
2004 usage	(66)	(10)	(16)	(92)
Adjustments	(17)	--	(6)	(23)
	----	----	----	----
Balance at June 30, 2004	\$135	\$ --	\$ 26	\$161
	=====	=====	=====	=====

In the second quarter of 2004, we recognized a charge of \$161 million for legacy environmental matters deemed probable and reasonably estimable in the quarter. This charge principally relates to an increase in our estimate of design and study costs likely to be incurred during the pendency of our appeal of the matter entitled Interfaith Community Organization, et al. v. Honeywell International Inc., et al. and to estimated costs related to our decision in the second quarter of 2004 to seek a potential resolution of the principal issues in dispute in such matter. See Note 13 for further discussion. We recognized an impairment charge of \$40 million related principally to the write-down of property, plant and equipment of our Performance Fibers (Polyester) business in our Specialty Materials reportable segment, which was classified as assets held for disposal as of June 30, 2004. We recognized a charge of \$9 million for Bendix related asbestos claims filed and defense costs incurred during the second quarter of 2004 including an update of expected resolution values with respect to claims pending as of June 30, 2004. The charge is net of probable Bendix related insurance recoveries and an additional \$47 million of NARCO insurance deemed probable of recovery. See Note 13 for further discussion. We also recognized a charge of \$7 million principally for the write-off of property, plant and equipment.

In the first quarter of 2004, we recognized a charge of \$30 million for legacy environmental matters deemed probable and reasonably estimable in the quarter, including liabilities for environmental conditions around Onondaga Lake in New York. We also recognized a charge of \$11 million for Bendix related asbestos claims filed and defense costs incurred during the first quarter of 2004, net of probable insurance recoveries. See Note 13 for further discussion.

In the second quarter of 2003, we recognized a charge of \$32 million for legacy environmental matters deemed probable and reasonably estimable in the quarter including the matter entitled Interfaith Community Organization, et al. v. Honeywell International Inc., et al. See Note 13 for further discussion.

NOTE 5. In the second quarter of 2004, we sold our Security Monitoring business in our Automation and Control Solutions reportable segment for cash proceeds of approximately \$315 million resulting in a pretax gain of \$212 million (after-tax \$115 million). The Security Monitoring business had annual sales and pretax income in 2003 of \$168 and \$37 million, respectively.

In the first quarter of 2004, we sold our VCSEL Optical Products business in our Automation and Control Solutions reportable segment for cash proceeds of \$74 million resulting in a pretax gain of \$32 million (after-tax \$14 million).

NOTE 6. The details of the earnings per share calculations for the three- and six-month periods ended June 30, 2004 and 2003 follow:

	Three Months 2004			Six Months 2004		
	Income	Average Shares	Per Share Amount	Income	Average Shares	Per Share Amount
Net Income	-	-	-	-	-	-
Earnings per share of common stock - basic	\$361	860.0	\$0.42	\$656	860.3	\$0.76
Dilutive securities issuable in connection with stock plans	-	3.4	-	-	3.4	-
Earnings per share of common stock - assuming dilution	\$361	863.4	\$0.42	\$656	863.7	\$0.76

	Three Months 2003			Six Months 2003		
	Income	Average Shares	Per Share Amount	Income	Average Shares	Per Share Amount
Income Before Cumulative Effect of Accounting Change	-	-	-	-	-	-
Earnings per share of common stock - basic	\$319	859.9	\$0.37	\$593	858.4	\$0.69
Dilutive securities issuable in connection with stock plans	-	1.0	-	-	0.8	-
Earnings per share of common stock - assuming dilution	\$319	860.9	\$0.37	\$593	859.2	\$0.69

Net Income	-	-	-	-	-	-
Earnings per share of common stock - basic	\$319	859.9	\$0.37	\$573	858.4	\$0.67
Dilutive securities issuable in connection with stock plans	-	1.0	-	-	0.8	-
Earnings per share of common stock - assuming dilution	\$319	860.9	\$0.37	\$573	859.2	\$0.67

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, 2004, the number of stock options not included in the computations were 43.5 and 40.8 million, respectively. For the three- and six-month periods ended June 30, 2003, the number of stock options not included in the computations were 43.7

and 44.3 million, respectively. These stock options were outstanding at the end of each of the respective periods.

\$1,781	\$ (671)	\$1,110	\$1,729	\$ (631)	\$1,098
=====	=====	=====	=====	=====	=====

Amortization expense related to intangible assets was \$40 and \$31 million for the six months ended June 30, 2004 and 2003, respectively. Amortization expense related to intangible assets for 2004 to 2008 is expected to approximate \$80 million each year.

We completed our goodwill and intangible assets impairment testing for our reporting units as of March 31, 2004 and determined that there was no impairment as of that date.

NOTE 10. Total nonowner changes in shareowners' equity consist of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income	\$361	\$319	\$656	\$573
Foreign exchange translation adjustments	(69)	270	(54)	363
Change in fair value of effective cash flow hedges	(11)	29	(12)	57
	====	====	====	====
	\$281	\$618	\$590	\$993
	====	====	====	====

NOTE 11. Segment financial data follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net Sales				
Aerospace	\$2,453	\$2,161	\$ 4,757	\$ 4,223
Automation and Control Solutions	1,968	1,837	3,915	3,554
Specialty Materials	901	823	1,757	1,600
Transportation Systems	1,065	925	2,136	1,765
Corporate	1	3	1	6
	-----	-----	-----	-----
	\$6,388	\$5,749	\$12,566	\$11,148
	=====	=====	=====	=====
Segment Profit				
Aerospace	\$ 367	\$ 264	\$ 674	\$ 521
Automation and Control Solutions	207	187	402	384
Specialty Materials	51	51	99	82
Transportation Systems	150	128	293	220
Corporate	(38)	(34)	(77)	(66)
	-----	-----	-----	-----
Total segment profit	737	596	1,391	1,141
	-----	-----	-----	-----
Gain on sale of non-strategic businesses	233	31	265	31
Equity in income of affiliated companies	17	6	24	4
Other income	18	24	28	27
Interest and other financial charges	(82)	(87)	(166)	(171)
Pension and other postretirement benefits (expense) (A)	(162)	(89)	(322)	(178)
Repositioning, environmental, business impairment and litigation charges (A)	(238)	(34)	(292)	(34)
	-----	-----	-----	-----
Income before taxes and cumulative effect of accounting change	\$ 523	\$ 447	\$ 928	\$ 820
	=====	=====	=====	=====

(A) Amounts included in cost of goods sold and selling, general and administrative expenses.

NOTE 12. Net periodic pension and other postretirement benefits costs for our significant plans include the following components.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Pension Benefits				
Service cost	\$ 60	\$ 60	\$ 120	\$ 120
Interest cost	189	190	378	379
Expected return on plan assets	(261)	(257)	(523)	(513)
Amortization of transition asset	--	(2)	--	(4)
Amortization of prior service cost	9	9	18	19
Recognition of actuarial losses	101	43	203	85
	-----	-----	-----	-----
	\$ 98	\$ 43	\$ 196	\$ 86
	=====	=====	=====	=====

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Other Postretirement Benefits				
Service cost	\$ 5	\$ 6	\$ 10	\$ 12
Interest cost	35	37	71	73
Expected return on plan assets	--	--	--	--
Amortization of prior service (credit)	(8)	(6)	(17)	(12)
Recognition of actuarial losses	25	10	49	21
	----	----	----	----
	\$57	\$47	\$113	\$ 94
	====	====	====	====

NOTE 13. COMMITMENTS AND CONTINGENCIES

Shareowner Litigation -- Honeywell and three of its former officers are defendants in a class action lawsuit filed in the United States District Court for the District of New Jersey. Plaintiffs allege, among other things, that the defendants violated federal securities laws by purportedly making false and misleading statements and by failing to disclose material information concerning Honeywell's financial performance, thereby allegedly causing the value of Honeywell's stock to be artificially inflated. The Court has certified a class consisting of all purchasers of Honeywell stock between December 20, 1999 and June 19, 2000. On June 4, 2004 Honeywell and the lead plaintiffs agreed to a settlement of this matter which requires a payment to the class of \$100 million. Honeywell's contribution to the settlement is \$15 million, which amount had previously been fully reserved. Honeywell's insurance carriers will pay the remainder of the settlement. The settlement is subject to court approval and other contingencies. A court hearing on the terms of the settlement is scheduled for August 16, 2004. Although members of the class may opt out of the settlement, Honeywell believes that any such claims would be fully insured.

ERISA Class Action Lawsuit -- Honeywell and several of its current and former officers and directors are defendants in a purported class action lawsuit filed in the United States District Court for the District of New Jersey. The complaint principally alleges that the defendants breached their fiduciary duties to participants in the Honeywell Savings and Ownership Plan (the "Savings Plan") by purportedly making false and misleading statements, failing to disclose material information concerning Honeywell's financial performance, and failing to diversify the Savings Plan's assets and monitor the prudence of Honeywell stock as a Savings Plan investment. In September 2003, Honeywell filed a motion to dismiss this matter.

Although it is not possible at this time to predict the outcome of this matter, we believe that the allegations in this matter are without merit and we expect to prevail. An adverse litigation outcome could, however, be material to our consolidated financial position or results of operations. As a result of the uncertainty regarding the outcome of this matter, no provision has been made in our financial statements with respect to this contingent liability.

Environmental Matters - We are subject to various federal, state and local government requirements relating to the protection of the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury and that our handling, manufacture, use and disposal of hazardous or toxic substances are in accord with environmental and safety laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental and safety matters, including past production of products containing toxic substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually at our owned sites, and jointly as a member of industry groups at non-owned sites, to determine the feasibility of various remedial techniques to address environmental matters. It is our policy to record appropriate liabilities for environmental matters when environmental assessments are made or remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. With respect to site contamination, the timing of these accruals is generally no later than the completion of feasibility studies. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of litigation and settlements of personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties.

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations or operating cash flows in the periods recognized or paid. However, considering our past experience and existing reserves, we do not expect that these environmental matters will have a material adverse effect on our consolidated financial position.

In the matter entitled *Interfaith Community Organization, et al. v. Honeywell International Inc., et al.*, the United States District Court for the District of New Jersey held in May 2003 that a predecessor Honeywell site located in Jersey City, New Jersey constituted an imminent and substantial endangerment and ordered Honeywell to conduct the excavation and transport for offsite disposal of approximately one million tons of chromium residue present at the site. Honeywell strongly disagrees with the Court's determinations and has appealed the Court's decision to the Third Circuit Court of Appeals. In October 2003, the District Court denied Honeywell's motion for a stay of certain aspects of its May 2003 order, and we have appealed the ruling to the Third Circuit. The site at issue is one of twenty-one sites located in Jersey City, New Jersey which are the subject of an Administrative Consent Order (ACO) entered into with the New Jersey Department of Environmental Protection (NJDEP) in 1993. Under the ACO, Honeywell agreed to study and remediate these sites in accordance with NJDEP's directions, provided that the total costs of such studies and remediation do not exceed \$60 million. Honeywell has cooperated with the NJDEP under the ACO and believes that decisions regarding site cleanups should be made by the NJDEP under

the ACO. We are confident that proceeding under the ACO will ensure a safe remediation and allow the property to be placed back into productive use much faster and at a cost significantly less than the remedies required by the Court's order. We have submitted a remedial action plan for the excavation and offsite disposal directed under the Court's order to the Special Master appointed by the Court, for which the estimated cost of implementing such plan would be approximately \$316 million. At trial, plaintiff's expert testified that the excavation and offsite disposal cost might be \$400 million. However, there are significant variables in the implementation of the Court's order and depending on the method of implementation chosen, the estimate could increase or decrease. Provisions have been made in our financial statements for remedial costs consistent with the ACO, additional costs which are likely to be incurred during the pendency of our appeal and a potential resolution of the principal issues in dispute related to such matter. Such provisions do not assume excavation and offsite removal of chromium. There are alternative outcomes and remedies beyond the scope of the ACO that could result from the remanding, reversal or replacement of the Court's decision and order. At this time, we can neither identify a probable alternative outcome nor reasonably estimate the cost of an alternative remedy. Although we expect the Court's decision and order to be remanded, reversed or replaced, should the remedies prescribed in the Court's decision and order ultimately be upheld, such outcome could have a material adverse impact on our consolidated results of operations or operating cash flows in the periods recognized or paid. We do not expect that this matter will have a material adverse effect on our consolidated financial position.

In accordance with a 1992 consent decree with the State of New York, Honeywell is studying environmental conditions in and around Onondaga Lake (the Lake) in Syracuse, New York. The purpose of the study is to identify, evaluate and propose remedial measures that can be taken to remedy historic industrial contamination in the Lake. A predecessor company to Honeywell operated a chemical plant which is alleged to have contributed mercury and other contaminants to the Lake. In May 2003, Honeywell submitted to the New York State Department of Environmental Conservation (DEC) a draft Feasibility Study for the Lake. In November 2003, the DEC issued formal comments on the Feasibility Study. Those comments included a request for further evaluation of remedies for the Lake. Pursuant to the consent decree, Honeywell submitted a revised Feasibility Study on May 3, 2004 (the May 2004 Feasibility Study). Provisions have been made in our financial statements based on the remedy proposed by Honeywell in the May 2004 Feasibility Study. On July 30, 2004, the DEC requested that Honeywell provide certain additional information regarding alternative remedial approaches, site modeling and other technical questions raised by DEC, and advised Honeywell that, upon receipt of such information, the May 2004 Feasibility Study would be sufficiently complete for DEC to prepare its proposed remedial action plan for the Lake. When DEC issues its proposed remedial action plan for the Lake, there will be a public comment period of at least sixty days during which time Honeywell can also submit comments. Should Honeywell be required to undertake a substantially more extensive remedy than that which we proposed in the May 2004 Feasibility Study, such outcome could have a material adverse impact on our consolidated results of operations and operating cash flows in the periods recognized or paid. However, we do not expect that this matter will have a material adverse effect on our consolidated financial position.

Asbestos Matters -- Like many other industrial companies, Honeywell is a defendant in personal injury actions related to asbestos. We did not mine or produce asbestos, nor did we make or sell insulation products or other construction materials that have been identified as the primary cause of asbestos related disease in the vast majority of claimants. Products containing asbestos previously manufactured by Honeywell or by previously owned subsidiaries fall into two general categories; refractory products and friction products.

Refractory Products -- Honeywell owned North American Refractories Company (NARCO) from 1979 to 1986. NARCO produced refractory products (high temperature bricks and cement) which were sold largely to the steel industry in the East and Midwest. Less than 2 percent of NARCO's products contained asbestos.

When we sold the NARCO business in 1986, we agreed to indemnify NARCO with respect to personal injury claims for products that had been discontinued prior to the sale (as defined in the sale agreement). NARCO retained all liability for all other claims. NARCO had resolved approximately 176,000 claims through January 4, 2002, the date NARCO filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code, at an average cost per claim of two thousand two hundred dollars. Of those claims, 43 percent were dismissed on the ground that there was insufficient evidence that NARCO was responsible for the claimant's asbestos exposure. As of the date of NARCO's bankruptcy filing, there were approximately 116,000 remaining claims pending against NARCO, including approximately 7 percent in which Honeywell was also named as a defendant. Since 1983, Honeywell and our insurers have contributed to the defense and settlement costs associated with NARCO claims.

As a result of the NARCO bankruptcy filing, all of the claims pending against NARCO are automatically stayed pending the reorganization of NARCO, except one claim which is not material as to which the stay was lifted in August 2003. Because the claims pending against Honeywell necessarily will impact the liabilities of NARCO, because the insurance policies held by Honeywell are essential to a successful NARCO reorganization, and because Honeywell has offered to commit the value of those policies to the reorganization, the bankruptcy court has temporarily enjoined any claims against Honeywell, current or future, related to NARCO. Although the stay has been extended twenty-nine times since January 4, 2002, there is no assurance that such stay will remain in effect. In connection with NARCO's bankruptcy filing, we paid NARCO's parent company \$40 million and agreed to provide NARCO with up to \$20 million in financing. We also agreed to pay \$20 million to NARCO's parent company upon the filing of a plan of reorganization for NARCO acceptable to Honeywell, and to pay NARCO's parent company \$40 million, and to forgive any outstanding NARCO indebtedness, upon the confirmation and consummation of such a plan.

As a result of negotiations with counsel representing NARCO related asbestos claimants regarding settlement of all pending and potential NARCO related asbestos claims against Honeywell, we have reached definitive agreements with approximately 260,000 claimants, which represents in excess of 90 percent of the approximately 275,000 current claimants who are now expected to file a claim as part of the NARCO reorganization process. We are also in discussions with the NARCO Committee of Asbestos Creditors on Trust Distribution Procedures for NARCO. We believe that, as part of the NARCO plan of reorganization, a trust will be established pursuant to these Trust Distribution Procedures for the benefit of all asbestos claimants, current and future. If the trust is put in place and approved by the Court as fair and equitable, Honeywell as well as NARCO will be entitled to a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos related claims based on exposure to NARCO products to be made against the federally-supervised trust. We expect the NARCO plan of reorganization and the NARCO trust to be approved by the Court in 2004. As part of its ongoing settlement negotiations, Honeywell has reached agreement in principle with the representative for future NARCO claimants to cap its annual contributions to the trust with respect to future claims at a level that would not have a material impact on Honeywell's operating cash flows. Given the substantial progress of negotiations between Honeywell and NARCO related asbestos claimants and between Honeywell and the Committee of Asbestos Creditors during the fourth quarter of 2002, Honeywell developed an estimated liability for settlement of pending and future asbestos claims and recorded a charge of \$1.4 billion for NARCO related

asbestos litigation charges, net of insurance recoveries. This charge consisted of the estimated liability to settle current asbestos related claims, the estimated liability related to future asbestos related claims through 2018 and obligations to NARCO's parent, net of insurance recoveries of \$1.8 billion.

The estimated liability for current claims is based on terms and conditions, including evidentiary requirements, in definitive agreements with in excess of 90 percent of current claimants. Settlement payments with respect to current claims are expected to be made through 2007.

The liability for future claims estimates the probable value of future asbestos related bodily injury claims asserted against NARCO through 2018 and obligations to NARCO's parent as discussed above. The estimate is based upon the disease criteria and payment values contained in the NARCO Trust Distribution Procedures negotiated with the NARCO Committee of Asbestos Creditors and the NARCO future claimants representative. In light of the uncertainties inherent in making long-term projections we do not believe that we have a reasonable basis for estimating asbestos claims beyond 2018 under Statement of Financial Accounting Standards No. 5. Honeywell retained the expert services of Hamilton, Rabinovitz and Alschuler, Inc. (HR&A) to project the probable number and value, including trust claim handling costs, of asbestos related future liabilities based upon historical experience with similar trusts. The methodology used to estimate the liability for future claims has been commonly accepted by numerous courts and is the same methodology that is utilized by an expert who is routinely retained by the asbestos claimants committee in asbestos related bankruptcies. The valuation methodology includes an analysis of the population likely to have been exposed to asbestos containing products, epidemiological studies to estimate the number of people likely to develop asbestos related diseases, NARCO claims filing history, the pending inventory of NARCO asbestos related claims and payment rates expected to be established by the NARCO trust.

Honeywell has approximately \$1.4 billion in insurance limits remaining that reimburses it for portions of the costs incurred to settle NARCO related claims and court judgments as well as defense costs. This coverage is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. At June 30, 2004, a significant portion of this coverage is with insurance companies with whom we have agreements to pay full policy limits based on corresponding Honeywell claims costs. This includes agreements with a substantial majority of the London-based insurance companies entered into primarily in the first quarter of 2004. We conduct analyses to determine the amount of insurance that we estimate is probable that we will recover in relation to payment of current and projected future claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. In the second quarter of 2004, based on our ongoing evaluation of our ability to enforce our rights under the various insurance policies, we concluded that we had additional probable insurance recoveries of \$47 million, net of solvency reserves, which has been reflected in insurance receivables. We made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings with our insurers, our knowledge of any pertinent solvency issues surrounding insurers and various judicial determinations relevant to our insurance programs.

Projecting future events is subject to many uncertainties that could cause the NARCO related asbestos liabilities to be higher or lower than those projected and recorded. There is no assurance that a plan of reorganization will be proposed or confirmed, that insurance recoveries will be timely or whether there will be any NARCO related asbestos claims beyond 2018. Given the inherent uncertainty in predicting future events, we review our estimates periodically,

and update them based on our experience and other relevant factors. Similarly we will reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability or other developments that may impact insurance recoveries.

Friction Products -- Honeywell's Bendix Friction Materials (Bendix) business manufactured automotive brake pads that contained chrysotile asbestos in an encapsulated form. There is a group of existing and potential claimants consisting largely of individuals that allege to have performed brake replacements.

From 1981 through June 30, 2004, we have resolved approximately 69,000 Bendix related asbestos claims including trials covering 120 plaintiffs, which resulted in 115 favorable verdicts. Trials covering five individuals resulted in adverse verdicts; however, two of these verdicts were reversed on appeal and the remaining three claims were settled.

Through the second quarter of 2002, Honeywell had no out-of-pocket costs for Bendix related asbestos claims since its insurance deductible was satisfied many years ago. Beginning with claim payments made in the third quarter of 2002, Honeywell began advancing indemnity and defense claim costs. During the first six months of 2004, those indemnity and defense costs were approximately \$72 million. During the years ended December 31, 2003 and 2002, those indemnity and defense costs amounted to approximately \$112 and \$70 million, respectively. Approximately 50 percent of these amounts are deemed probable to be reimbursed by insurance. During the year ended December 31, 2003 Honeywell collected \$90 million in insurance reimbursements and settlements related to asbestos claims. See further discussion of insurance coverage below.

The following tables present information regarding Bendix related asbestos claims activity:

Claims Activity - - - - -	Six Months Ended June 30, 2004 -----	Years Ended December 31, -----	
		2003 -----	2002 -----
Claims Unresolved at the beginning of period	72,976	50,821	47,000
Claims Filed	5,999	25,765	10,000
Claims Resolved	(4,797)	(3,610)	(6,179)
	-----	-----	-----
Claims Unresolved at the end of period	74,178 =====	72,976 =====	50,821 =====

Disease Distribution of Unresolved Claims - - - - -	June 30, 2004 -----	December 31, -----	
		2003 -----	2002 -----
Mesothelioma and Other Cancer Claims	3,731	3,277	3,810
Other Claims	70,447	69,699	47,011
	-----	-----	-----
Total Claims	74,178 =====	72,976 =====	50,821 =====

Approximately 30 percent of the 74,000 pending claims at June 30, 2004 are on the inactive, deferred, or similar dockets established in some jurisdictions for claimants who allege minimal or no impairment. The approximately 74,000 pending claims also include claims filed in jurisdictions such as Texas, Virginia and Mississippi that allow for consolidated filings. In these jurisdictions, plaintiffs are permitted to file complaints against a pre-determined master list of defendants, regardless of whether they have claims against each individual defendant. Many of these plaintiffs may not actually have claims against Honeywell. Based on state rules and prior experience in these jurisdictions, we anticipate that many of these claims will ultimately be dismissed. During 2003, Honeywell was served with numerous complaints filed in Mississippi in advance of the January 1, 2003 effective date for tort reform in that state. Also during

2003, Honeywell experienced an increase in nonmalignancy filings that we believe were in response to the possibility of federal legislation. Based on prior experience, we anticipate that many of these claims will be placed on deferred, inactive or similar dockets or be dismissed. Honeywell has experienced average resolution values excluding legal costs for malignant claims of approximately ninety five thousand and one hundred sixty six thousand dollars in 2003 and 2002, respectively. Honeywell has experienced average resolution values excluding legal costs for nonmalignant claims of approximately three thousand five hundred and one thousand three hundred dollars in 2003 and 2002, respectively. It is not possible to predict whether resolution values for Bendix related asbestos claims will increase, decrease or stabilize in the future.

We have accrued for the estimated cost of pending asbestos related claims. The estimate is based on the number of pending claims at June 30, 2004, disease classifications, expected settlement values and historic dismissal rates. Honeywell retained the expert services of HR&A (see discussion of HR&A under Refractory products above) to assist in developing the estimated expected settlement values and historic dismissal rates. We cannot reasonably estimate losses which could arise from future Bendix related asbestos claims because we cannot predict how many additional claims may be brought against us, the allegations in such claims or their probable outcomes and resulting settlement values in the tort system.

Honeywell presently has approximately \$1.9 billion of insurance coverage remaining with respect to pending Bendix related asbestos claims as well as claims which may be filed against us in the future. This coverage is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. Although Honeywell has approximately \$1.9 billion in insurance, there are gaps in our coverage due to insurance company insolvencies, a comprehensive policy buy-back settlement with Equitas in 2003 and certain uninsured periods. We analyzed the amount of insurance that we estimate is probable that we will recover in relation to payment of asbestos related claims and determined that approximately 50 percent of expenditures for such claims are recoverable by insurance. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. We made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings with our insurers, our knowledge of any pertinent solvency issues surrounding insurers and various judicial determinations relevant to our insurance programs. Based on our analysis, at June 30, 2004 we had amounts receivable from our insurers of approximately \$300 million representing probable reimbursements associated with our liability for pending claims as well as amounts due to us for previously settled and paid claims related to the estimated liabilities for pending claims.

Honeywell believes it has sufficient insurance coverage and reserves to cover all pending Bendix related asbestos claims. Although it is impossible to predict the outcome of pending claims or to reasonably estimate losses which could arise from future Bendix related asbestos claims, we do not believe that such claims would have a material adverse effect on our consolidated financial position in light of our insurance coverage and our prior experience in resolving such claims. If the rate and types of claims filed, the average indemnity cost of such claims and the period of time over which claim settlements are paid (collectively, the "Variable Claims Factors") do not substantially change, Honeywell would not expect future Bendix related asbestos claims to have a material adverse effect on our results of operations or operating cash flows in any fiscal year. No assurances can be given, however, that the Variable Claims Factors will not substantially change.

Refractory and Friction Products -- NARCO and Bendix asbestos related balances are included in the following balance sheet accounts:

	June 30, 2004	December 31, 2003
	-----	-----
Other current assets	\$ 145	\$ 130
Insurance recoveries for asbestos related liabilities	1,401	1,317
	-----	-----
	\$1,546	\$1,447
	=====	=====
Accrued liabilities	\$ 756	\$ 730
Asbestos related liabilities	2,096	2,279
	-----	-----
	\$2,852	\$3,009
	=====	=====

During the first six months of 2004, we paid \$323 million in indemnity and defense costs related to NARCO and Bendix claims. Additionally, we recognized a charge of \$9 million for Bendix related asbestos claims filed and defense costs incurred during the second quarter of 2004 including an update of expected resolution values with respect to claims pending as of June 30, 2004. The charge is net of probable Bendix related insurance recoveries and an additional \$47 million of NARCO insurance deemed probable of recovery.

We are monitoring proposals for federal asbestos legislation pending in the United States Congress. Due to the uncertainty surrounding the proposed legislation, it is not possible at this point in time to determine what impact such legislation would have on the NARCO bankruptcy strategy or our asbestos liabilities and related insurance recoveries.

Warranties and Guarantees - As disclosed in Note 21 to our consolidated financial statements in our 2003 Annual Report on Form 10-K, we have issued or are a party to certain direct and indirect guarantees. As of June 30, 2004, there has been no material change to these guarantees.

The following table summarizes information concerning our recorded obligations for product warranties and product performance guarantees:

	Six Months Ended June 30,	
	2004	2003
	-----	-----
Beginning of period	\$ 275	\$217
Accruals for warranties/guarantees issued during the period	126	104
Adjustments of pre-existing warranties/guarantees	(8)	11
Settlement of warranty/guarantee claims	(116)	(80)
	-----	-----
End of period	\$ 277	\$252
	=====	=====

Other Matters - We are subject to a number of other lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. With respect to all these other matters, including those relating to commercial transactions, government contracts, product liability and non-environmental health and safety matters, while the ultimate results of these lawsuits, investigations and claims cannot be determined, we do not expect that these matters will have a material adverse effect on our consolidated results of operations, operating cash flows or financial position.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners
of Honeywell International Inc.

We have reviewed the accompanying consolidated balance sheet of Honeywell International Inc. and its subsidiaries as of June 30, 2004, and the related consolidated statement of operations for each of the three-month and six-month periods ended June 30, 2004 and 2003 and the consolidated statement of cash flows for the six-month periods ended June 30, 2004 and 2003. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, 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 accounting principles generally accepted in the United States of America.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2003, and the related consolidated statements of operations, of shareowners' equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 5, 2004, 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, 2003, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Florham Park, NJ
July 30, 2004

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

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

(Dollars in millions, except per share amounts)

A. RESULTS OF OPERATIONS - SECOND QUARTER 2004 COMPARED WITH SECOND QUARTER 2003

Net Sales

	2004	2003
	-----	-----
Net sales	\$6,388	\$5,749
% change compared with prior period	11%	

The increase in net sales in the second quarter of 2004 compared with the second quarter of 2003 is attributable to the following:

Acquisitions	1%
Divestitures	(1)
Price	--
Volume	9
Foreign Exchange	2

	11%
	===

A discussion of net sales by reportable segment can be found in the Review of Business Segments section of this MD&A.

Cost of Goods Sold

	2004	2003
	-----	-----
Cost of goods sold	\$5,228	\$4,514
Gross margin %	18.2%	21.5%

Gross margin decreased by 3.3 percentage points in the second quarter of 2004 compared with the second quarter of 2003 due primarily to an increase in environmental, business impairment, net repositioning and litigation charges of \$203 million and higher pension and other postretirement benefits expense of \$61 million.

Selling, General and Administrative Expenses

	2004	2003
	-----	-----
Selling, general and administrative expenses	\$ 823	\$ 762
Percent of sales	12.9%	13.3%

Selling, general and administrative expenses increased by \$61 million, or 8 percent, in the second quarter of 2004 compared with the second quarter of 2003 due primarily to an increase in selling expenses of \$37 million from higher sales, and an increase in pension and other postretirement benefits expense of \$12 million.

	2004	2003
	-----	-----
Pension and other postretirement benefits expense included in cost of goods sold and selling, general and administrative expenses	\$162	\$89
Increase compared with prior period	\$ 73	

Pension expense increased by \$64 million, or 149 percent, in the second quarter of 2004 compared with the second quarter of 2003 due primarily to the following:

- o A systematic recognition of higher losses resulting principally from actual plan asset returns below the expected rate of return during the period 2000 to 2002.
- o A decrease in the discount rate from 6.75 percent in 2003 to 6.00 percent in 2004.

(Gain) Loss on Sale of Non-Strategic Businesses

	2004	2003
	-----	-----
(Gain) loss on sale of non-strategic businesses	\$(233)	\$(31)

Gain on sale of non-strategic businesses of \$233 million in the second quarter of 2004 represents the pretax gain of \$212 million on the sale of our Security Monitoring business in our Automation and Control Solutions reportable segment and adjustments of \$21 million related to businesses sold in prior periods. Gain on sale of non-strategic businesses of \$31 million in the second quarter of 2003 represented the pretax gain on the sale of our Engineering Plastics business in our Specialty Materials reportable segment.

Equity in (Income) Loss of Affiliated Companies

	2004	2003
	-----	-----
Equity in (income) loss of affiliated companies	\$(17)	\$(6)

Equity income increased by \$11 million in the second quarter of 2004 compared with the second quarter of 2003 due primarily to an improvement in earnings from our UOP joint venture (UOP). The current year's equity income includes a charge of \$4 million related to repositioning actions at UOP.

Other (Income) Expense

	2004	2003
	-----	-----
Other (income) expense	\$(18)	\$(24)

Other income decreased by \$6 million in the second quarter of 2004 compared with the second quarter of 2003 as the prior year included a gain of \$20 million related to the settlement of a patent infringement lawsuit partially offset by a decrease in foreign exchange losses of \$14 million in the current quarter.

Interest and Other Financial Charges

	2004	2003
	-----	-----
Interest and other financial charges	\$82	\$87
% change compared with prior period	(6)%	

Interest and other financial charges decreased by 6 percent in the second quarter of 2004 compared with the second quarter of 2003 due principally to lower average debt outstanding in the current quarter.

Tax Expense

	2004	2003
	-----	-----
Tax expense	\$ 162	\$ 128
Effective tax rate	31.0%	28.6%

The effective tax rate increased by 2.4 percentage points in the second quarter of 2004 compared with the second quarter of 2003 due principally to tax benefits associated with favorable tax audit settlements in the prior year. The effective tax rate in both periods was lower than the statutory rate of 35 percent due in part to tax benefits from export sales and foreign tax planning strategies. The effective tax rate in the second quarter of 2003 also benefited from tax benefits associated with favorable tax audit settlements.

Net Income

	2004	2003
	-----	-----
Net income	\$ 361	\$ 319
Earnings per share of common stock -- assuming dilution	\$0.42	\$0.37

The increase of \$0.05 per share in the second quarter of 2004 compared with the second quarter of 2003 relates primarily to an increase in segment profit from strong volume conversion across all reportable segments partially offset by higher pension and other postretirement benefits expense.

Review of Business Segments

	Three Months Ended June 30,	
	2004	2003
	-----	-----
Net Sales		
Aerospace	\$2,453	\$2,161
Automation and Control Solutions	1,968	1,837
Specialty Materials	901	823
Transportation Systems	1,065	925
Corporate	1	3
	-----	-----
	\$6,388	\$5,749
	=====	=====
Segment Profit		
Aerospace	\$ 367	\$ 264
Automation and Control Solutions	207	187
Specialty Materials	51	51
Transportation Systems	150	128
Corporate	(38)	(34)
	-----	-----
Total segment profit	737	596
	-----	-----
Gain on sale of non-strategic businesses	233	31
Equity in income of affiliated companies	17	6
Other income	18	24
Interest and other financial charges	(82)	(87)
Pension and other postretirement benefits (expense) (A)	(162)	(89)
Repositioning, environmental, business impairment and litigation charges (A)	(238)	(34)
	-----	-----
Income before taxes and cumulative effect of accounting change	\$ 523	\$ 447
	=====	=====

(A) Amounts included in cost of goods sold and selling, general and administrative expenses.

Aerospace

	2004	2003
	-----	-----
Net sales	\$2,453	\$2,161
% change compared with prior period	14%	
Segment profit	\$ 367	\$ 264
% change compared with prior period	39%	

Aerospace sales by major customer end-market for the three months ended June 30, 2004 and 2003 were as follows:

Customer End-Market -----	% of Aerospace Sales -----		% Change in Sales -----
	2004 ----	2003 ----	2004 Versus 2003 -----
Commercial:			
Air transport aftermarket	22%	20%	25%
Air transport original equipment	9	10	2
Regional transport aftermarket	8	7	23
Regional transport original equipment	3	2	84
Business and general aviation aftermarket	8	8	18
Business and general aviation original equipment	7	7	28
Defense and Space:			
Defense and space aftermarket	12	13	6
Defense and space original equipment	31	33	7
	---	---	
Total	100%	100%	14%
	===	===	

Aerospace sales increased by 14 percent in the second quarter of 2004 compared with the second quarter of 2003 due to higher volumes of 13 percent and an acquisition of 1 percent. Details by customer end-markets driving the increase in sales are as follows:

- o Air transport aftermarket sales improved substantially in 2004 primarily reflecting a continued increase in maintenance activity largely related to a 14 percent increase in global flying hours (driven mainly by the reintroduction of aircraft into service which were grounded as a result of the SARS epidemic and growth in low cost carriers) and an increase in upgrades and retrofits of avionics equipment (ground proximity systems) to meet new regulatory standards.
- o Regional transport aftermarket sales increased in 2004 primarily due to an increase in fleet sizes and routes of regional carriers and the introduction of the Primus Epic integrated avionics system.
- o Regional transport original equipment sales increased in 2004 largely due to increases in builds on Embraer's 170 regional jet.
- o Business and general aviation aftermarket sales were higher in 2004 as an improving economy drove increased utilization of corporate aircraft. Also, there was an increase in upgrade activity in avionics equipment (Reduced Vertical Separation Minimums (RVSM)) to meet new regulatory standards.
- o Business and general aviation original equipment sales improved in 2004 due primarily to deliveries of the Primus Epic integrated avionics system and the HTF7000 engine to business jet original equipment manufacturers.
- o Defense and space aftermarket sales were higher in 2004 driven by war-related activities resulting in increases in repair, upgrades and modifications for fixed, rotary wing and ground vehicles.
- o Defense and space original equipment sales increased in 2004 due principally to war-related activities, continued growth in precision munitions and the acquisition of Hymatic in the prior year.

Aerospace segment profit increased by 39 percent in the second quarter of 2004 compared with the second quarter of 2003 due primarily to an increase in sales of higher margin commercial aftermarket products and services, volume growth and an increase in licensing income driven by intellectual property enforcement activities. This increase was partially offset by higher spending for information technology systems.

Automation and Control Solutions

	2004	2003
	-----	-----
Net sales	\$1,968	\$1,837
% change compared with prior period	7%	
Segment profit	\$ 207	\$ 187
% change compared with prior period	11%	

Automation and Control Solutions sales increased by 7 percent in the second quarter of 2004 compared with the second quarter of 2003 due to higher volumes of 5 percent and the favorable effect of foreign exchange of 3 percent, partially offset by the impact of lower prices of 1 percent. Sales increased by 8 percent for our Automation and Control Products business driven principally by successful marketing programs and demand for new environmental controls products such as our VisionPro touch screen programmable thermostat and increased demand for our sensor products in the industrial and recreational vehicles end-markets. Sales for our Building Solutions business increased by 6 percent due primarily to installations and energy retrofit wins as we begin to see the impact of our investments in sales and marketing capacity, the favorable effect of foreign exchange and improvement in the overall economy. Sales for our Process Solutions business increased by 6 percent due primarily to improvement in industrial production and capital spending and the favorable effect of foreign exchange.

Automation and Control Solutions segment profit increased by 11 percent in the second quarter of 2004 compared with the second quarter of 2003 due to the favorable effect of higher sales despite the increased investments in sales and marketing capacity, principally in our Building Solutions business, and the adverse impact of pricing pressures principally in our Automation and Control Products and Process Solutions businesses.

Specialty Materials

	2004	2003
	-----	-----
Net sales	\$901	\$823
% change compared with prior period	9%	
Segment profit	\$ 51	\$ 51
% change compared with prior period	--%	

Specialty Materials sales increased by 9 percent in the second quarter of 2004 compared with the second quarter of 2003 due to higher volumes of 8 percent, the impact of higher prices of 4 percent (mainly in our Nylon System business) and the favorable effect of foreign exchange of 1 percent, partially offset by prior year divestitures, net of acquisitions, of 4 percent. Sales for our Chemicals business improved by 25 percent principally driven by continuing strong demand for our non-ozone depleting HFC products for refrigeration and air conditioning applications, as well as for blowing agents for insulation applications. Sales for our Performance Products business were higher by 14 percent as demand for our Spectra fiber, principally from the U.S. military, remained strong. Sales for our Electronic Materials business also increased by 14 percent driven by improvement in the semiconductor industry.

Specialty Materials segment profit in the second quarter of 2004 was flat compared with the second quarter of 2003 due principally to higher sales volumes and price increases, offset by higher raw material costs (principally phenol resulting from increases in benzene prices).

Transportation Systems

	2004	2003
	-----	-----
Net sales	\$1,065	\$925
% change compared with prior period	15%	
Segment profit	\$ 150	\$128
% change compared with prior period	17%	

Transportation Systems sales increased by 15 percent in the second quarter of 2004 compared with the second quarter of 2003 due primarily to higher volumes of 12 percent and the favorable effect of foreign exchange of 4 percent. The increase in sales for the segment resulted principally from a 23 percent increase in sales in our Honeywell Turbo Technologies business due to a favorable sales mix and volume growth driven by increasing diesel penetration in Europe and strength in the North American truck segment, and the favorable effect of foreign exchange. Sales for our Consumer Products Group business increased by 8 percent driven by strong retail demand for our high-end products and recent introductions of new Autolite, FRAM and Prestone products. Sales for our Friction Materials business improved by 6 percent principally due to the favorable effect of foreign exchange.

Transportation Systems segment profit increased by 17 percent in the second quarter of 2004 compared with the second quarter of 2003 due primarily to the effect of favorable sales mix and volume growth in our Honeywell Turbo Technologies business.

B. RESULTS OF OPERATIONS - SIX MONTHS 2004 COMPARED WITH SIX MONTHS 2003

Net Sales

	2004	2003
	-----	-----
Net sales	\$12,566	\$11,148
% change compared with prior period	13%	

The increase in net sales in the first six months of 2004 compared with the first six months of 2003 is attributable to the following:

Acquisitions	2%
Divestitures	(2)
Price	--
Volume	10
Foreign Exchange	3

	13%
	===

We estimate that approximately 2 percentage points of the increase in sales volume (both on a consolidated basis and for each reportable segment) in the first six months of 2004 compared with the first six months of 2003 relates to additional reporting days in the current period's first quarter resulting from our normal quarterly closing practice. See Note 1 of Notes to Financial Statements for further discussion. A discussion of net sales by reportable segment can be found in the Review of Business Segments section of this MD&A.

Cost of Goods Sold

	2004 -----	2003 -----
Cost of goods sold	\$10,158	\$8,754
Gross margin %	19.2%	21.5%

Gross margin decreased by 2.3 percentage points in the first six months of 2004 compared with the first six months of 2003 due primarily to an increase in net repositioning, environmental, business impairment and litigation charges of \$255 million and higher pension and other postretirement benefits expense of \$121 million.

Selling, General and Administrative Expenses

	2004 -----	2003 -----
Selling, general and administrative expenses	\$1,631	\$1,465
Percent of sales	13.0%	13.1%

Selling, general and administrative expenses increased by \$166 million, or 11 percent, in the first six months of 2004 compared with the first six months of 2003 due primarily to an increase in selling expenses of \$95 million from higher sales, and an increase in pension and other postretirement benefits expense of \$23 million.

	2004 -----	2003 -----
Pension and other postretirement benefits expense included in cost of goods sold and selling, general and administrative expenses	\$322	\$178
Increase compared with prior period	\$144	

Pension expense increased by \$126 million, or 147 percent, in the first six months of 2004 compared with the first six months of 2003 due primarily to the following:

- o A systematic recognition of higher losses resulting principally from actual plan asset returns below the expected rate of return during the period 2000 to 2002.
- o A decrease in the discount rate from 6.75 percent in 2003 to 6.00 percent in 2004.

(Gain) Loss on Sale of Non-Strategic Businesses

	2004 -----	2003 -----
(Gain) loss on sale of non-strategic businesses	\$(265)	\$(31)

Gain on sale of non-strategic businesses of \$265 million in the first six months of 2004 represents the pretax gains on the sales of our Security Monitoring and VCSEL Optical Products businesses in our Automation and Control Solutions reportable segment of \$212 and \$32 million, respectively, and

adjustments of \$21 million related to businesses sold in prior periods. Gain on sale of non-strategic businesses of \$31 million in the first six months of 2003 represented the pretax gain on the sale of our Engineering Plastics business in our Specialty Materials reportable segment.

Equity in (Income) Loss of Affiliated Companies

	2004	2003
	----	----
Equity in (income) loss of affiliated companies	\$ (24)	\$ (4)

Equity income increased by \$20 million in the first six months of 2004 compared with the first six months of 2003 due primarily to an improvement in earnings from UOP. The current year's equity income includes a charge of \$6 million related to repositioning actions at UOP.

Other (Income) Expense

	2004	2003
	----	-----
Other (income) expense	\$ (28)	\$ (27)

Other income increased by \$1 million in the first six months of 2004 compared with the first six months of 2003 due primarily to a decrease in foreign exchange losses of \$25 million in the current period offset by the inclusion of a gain of \$20 million in the prior year related to the settlement of a patent infringement lawsuit.

Tax Expense

	2004	2003
	-----	-----
Tax expense	\$ 272	\$ 227
Effective tax rate	29.3%	27.7%

The effective tax rate increased by 1.6 percentage points in the first six months of 2004 compared with the first six months of 2003 due principally to tax benefits associated with favorable tax audit settlements in the prior year. The effective tax rate in both periods was lower than the statutory rate of 35 percent due in part to tax benefits from export sales and foreign tax planning strategies. The effective tax rate in the first six months of 2003 also benefited from tax benefits associated with favorable tax audit settlements.

Net Income

	2004	2003
	-----	-----
Net income	\$ 656	\$ 573
Earnings per share of common stock-- assuming dilution	\$0.76	\$0.67

The increase of \$0.09 per share in the first six months of 2004 compared with the first six months of 2003 relates primarily to an increase in segment profit from strong volume conversion across all reportable segments partially offset by higher pension and other postretirement benefits expense.

Review of Business Segments

	Six Months Ended June 30,	
	2004	2003
	-----	-----
Net Sales		
Aerospace	\$ 4,757	\$ 4,223
Automation and Control Solutions	3,915	3,554
Specialty Materials	1,757	1,600
Transportation Systems	2,136	1,765
Corporate	1	6
	-----	-----
	\$12,566	\$11,148
	=====	=====
Segment Profit		
Aerospace	\$ 674	\$ 521
Automation and Control Solutions	402	384
Specialty Materials	99	82
Transportation Systems	293	220
Corporate	(77)	(66)
	-----	-----
Total segment profit	1,391	1,141
	-----	-----
Gain on sale of non-strategic businesses	265	31
Equity in income of affiliated companies	24	4
Other income	28	27
Interest and other financial charges	(166)	(171)
Pension and other postretirement benefits (expense) (A)	(322)	(178)
Repositioning, environmental, business impairment and litigation charges (A)	(292)	(34)
	-----	-----
Income before taxes and cumulative effect of accounting change	\$ 928	\$ 820
	=====	=====

(A) Amounts included in cost of goods sold and selling, general and administrative expenses.

Aerospace

	2004	2003
	-----	-----
Net sales	\$4,757	\$4,223
% change compared with prior period	13%	
Segment profit	\$ 674	\$ 521
% change compared with prior period	29%	

Aerospace sales by major customer end-market for the six months ended June 30, 2004 and 2003 were as follows:

Customer End-Market	% of Aerospace Sales		% Change in Sales
	2004	2003	2004 Versus 2003
Commercial:			
Air transport aftermarket	22%	21%	20%
Air transport original equipment	9	10	5
Regional transport aftermarket	8	8	18
Regional transport original equipment	3	2	48
Business and general aviation aftermarket	8	8	19
Business and general aviation original equipment	7	7	20
Defense and Space:			
Defense and space aftermarket	12	12	11
Defense and space original equipment	31	32	8
Total	100%	100%	13%

Aerospace sales increased by 13 percent in the first six months of 2004 compared with the first six months of 2003 due to higher volumes of 12 percent (including the impact of additional reporting days in the period) and an acquisition of 1 percent. Details by customer end-markets driving the increase in sales are as follows:

- o Air transport aftermarket sales improved substantially in 2004 primarily reflecting a continued increase in maintenance activity largely related to a 10 percent increase in global flying hours (driven mainly by the reintroduction of aircraft into service which were grounded as a result of the SARS epidemic and growth in low cost carriers) and an increase in upgrades and retrofits of avionics equipment (ground proximity systems) to meet new regulatory standards.
- o Air transport original equipment (OE) sales increased in 2004 primarily reflecting the timing of certain product deliveries. Overall, aircraft deliveries by our OE customers (primarily Airbus and Boeing) were slightly higher compared with the prior period.
- o Regional transport aftermarket sales increased in 2004 due primarily to an increase in fleet sizes and routes of regional carriers and the introduction of the Primus Epic integrated avionics system.
- o Regional transport original equipment sales increased in 2004 largely due to increases in builds on Embraer's 170 regional jet.
- o Business and general aviation aftermarket sales were higher in 2004 as an improving economy drove increased utilization of corporate aircraft. Also, there was an increase in upgrade activity in avionics equipment (RVSM) to meet new regulatory standards.
- o Business and general aviation original equipment sales improved in 2004 due primarily to deliveries of the Primus Epic integrated avionics system and the HTF7000 engine to business jet original equipment manufacturers.

- o Defense and space aftermarket sales were higher in 2004 driven by war-related activities resulting in increases in repair, upgrades and modifications for fixed, rotary wing and ground vehicles.
- o Defense and space original equipment sales increased in 2004 due principally to war-related activities and continued growth in precision munitions.

Aerospace segment profit increased by 29 percent in the first six months of 2004 compared with the first six months of 2003 due primarily to an increase in sales of higher margin commercial aftermarket products and services and volume growth. This increase was partially offset by an increase in spending for information technology systems and higher development expense associated with new programs.

Automation and Control Solutions

	2004	2003
	-----	-----
Net sales	\$3,915	\$3,554
% change compared with prior period	10%	
Segment profit	\$ 402	\$ 384
% change compared with prior period	5%	

Automation and Control Solutions sales increased by 10 percent in the first six months of 2004 compared with the first six months of 2003 due to higher volumes of 6 percent (including the impact of additional reporting days in the current period), the favorable effect of foreign exchange of 4 percent and acquisitions, net of divestitures, of 1 percent, partially offset by the impact of lower prices of 1 percent. Sales increased by 11 percent for our Automation and Control Products business due principally to strong sales of fire solutions, environmental controls and sensor products and the favorable effect of foreign exchange. Sales for our Building Solutions business increased by 11 percent due primarily to the favorable effect of foreign exchange, improvement in the overall economy and the impact of investments in sales and marketing capacity. Sales for our Process Solutions business increased by 7 percent due primarily to the favorable effect of foreign exchange and improvement in industrial production and capital spending.

Automation and Control Solutions segment profit increased by 5 percent in the first six months of 2004 compared with the first six months of 2003 due to the favorable impact of higher sales across all businesses despite increased investments in sales and marketing capacity, principally in our Building Solutions business, and the adverse impact of pricing pressures principally in our Automation and Control Products and Process Solutions businesses.

Specialty Materials

	2004	2003
	-----	-----
Net sales	\$1,757	\$1,600
% change compared with prior period	10%	
Segment profit	\$ 99	\$ 82
% change compared with prior period	21%	

Specialty Materials sales increased by 10 percent in the first six months of 2004 compared with the first six months of 2003 due to higher volumes of 8 percent (including the impact of additional reporting days in the current period), the impact of higher prices of 3 percent (mainly in our Nylon System business) and the favorable effect of foreign exchange of 2 percent, partially offset by prior year divestitures, net of acquisitions, of 3 percent. Sales for our Chemicals business improved by 23 percent principally driven by continuing

strong demand for our non-ozone depleting HFC products for refrigeration and air conditioning applications, as well as for blowing agents for insulation applications. Sales for our Electronic Materials business increased by 20 percent driven by improvement in the semiconductor industry. Sales for our Performance Products business were also higher by 15 percent due to strong demand for our Spectra fiber, principally from the U.S. military.

Specialty Materials segment profit increased by 21 percent in the first six months of 2004 compared with the first six months of 2003 due principally to higher sales volumes and price increases, partially offset by higher raw material costs (principally phenol resulting from increases in benzene prices) mainly in our Nylon System business. The Nylon System business did not perform in accordance with our operating plan in the first six months of 2004. Honeywell continues to evaluate strategic alternatives to maximize the value of this business.

Transportation Systems

	2004	2003
	-----	-----
Net sales	\$2,136	\$1,765
% change compared with prior period	21%	
Segment profit	\$ 293	\$ 220
% change compared with prior period	33%	

Transportation Systems sales increased by 21 percent in the first six months of 2004 compared with the first six months of 2003 due primarily to higher volumes of 15 percent (including the impact of additional reporting days in the current period) and the favorable effect of foreign exchange of 7 percent. The increase in sales for the segment resulted principally from a 30 percent increase in sales in our Honeywell Turbo Technologies business due to a favorable sales mix and volume growth driven by increasing diesel penetration in Europe and strength in the North American truck segment, and the favorable effect of foreign exchange. Sales for our Consumer Products Group business increased by 10 percent driven by strong retail demand for our high-end products and recent introductions of new Autolite, FRAM and Prestone products and the favorable effect of foreign exchange. Sales for our Friction Materials business increased by 12 percent largely due to the favorable effect of foreign exchange.

Transportation Systems segment profit increased by 33 percent in the first six months of 2004 compared with the first six months of 2003 due primarily to the effect of favorable sales mix and volume growth in our Honeywell Turbo Technologies business.

Repositioning and Other Charges

A summary of repositioning and other charges follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Severance	\$ 32	\$ 22	\$ 47	\$ 22
Asset impairments	6	--	10	--
Exit costs	3	3	6	3
Reserve adjustments	(16)	(23)	(23)	(23)
	----	----	----	----
Total net repositioning charge	25	2	40	2
	----	----	----	----
Probable and reasonably estimable environmental liabilities	161	32	191	32
Business impairment charges	40	--	40	--
Asbestos related litigation charges, net of insurance	9	--	20	--
Write-offs of other assets	7	--	7	--
	----	----	----	----
Total net repositioning and other charges	\$242	\$ 34	\$298	\$ 34
	=====	=====	=====	=====

The following table summarizes the pretax distribution of total net repositioning and other charges by income statement classification:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Cost of goods sold	\$232	\$29	\$284	\$29
Selling, general and administrative expenses	6	5	8	5
Equity in (income) loss of affiliated companies	4	--	6	--
	----	----	----	----
	\$242	\$34	\$298	\$34
	=====	=====	=====	=====

The following table summarizes the pretax impact of total net repositioning and other charges by reportable segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Aerospace	\$ 3	\$ (2)	\$ 4	\$ (2)
Automation and Control Solutions	--	(8)	3	(8)
Specialty Materials	50	7	54	7
Transportation Systems	69	--	87	--
Corporate	120	37	150	37
	----	----	----	----
	\$242	\$34	\$298	\$34
	=====	=====	=====	=====

In the second quarter of 2004, we recognized a repositioning charge of \$41 million primarily for severance costs related to workforce reductions of 761 manufacturing and administrative positions principally in our Automation and Control Solutions, Transportation Systems and Aerospace reportable segments. Also, \$16 million of previously established accruals, primarily for severance, were returned to income in the second quarter of 2004, due to fewer employee

separations than originally planned associated with certain prior repositioning actions,

resulting in reduced severance liabilities in our Automation and Control Solutions reportable segment.

In the first quarter of 2004, we recognized a repositioning charge of \$22 million primarily for severance costs related to workforce reductions of 587 manufacturing and administrative positions principally in our Automation and Control Solutions and Transportation Systems reportable segments. Also, \$7 million of previously established accruals for severance and other exit costs were returned to income in the first quarter of 2004. Severance liabilities were reduced by \$4 million mainly in our Automation and Control Solutions reportable segment due to fewer employee separations than originally planned associated with certain prior repositioning actions. Other exit costs liabilities were reduced by \$3 million related primarily to excess environmental remediation reserves for a closed facility in our Specialty Materials reportable segment.

In the second quarter of 2003, we recognized a repositioning charge of \$25 million mainly for severance costs related to workforce reductions of 448 manufacturing and administrative positions principally in our Specialty Materials and Aerospace reportable segments. Also, \$23 million of previously established accruals, mainly for severance, were returned to income in the second quarter of 2003, due to fewer employee separations than originally planned associated with certain prior repositioning actions, resulting in reduced severance liabilities in our Automation and Control Solutions, Aerospace and Specialty Materials reportable segments.

The 2003 and 2004 repositioning actions will generate incremental pretax savings of approximately \$85 million in 2004 compared with 2003 principally from planned workforce reductions. Cash expenditures for severance and other exit costs necessary to execute these actions were \$82 million in the six months ended June 30, 2004 and were funded through operating cash flows. Cash spending for severance and other exit costs necessary to execute the remaining repositioning actions will approximate \$200 million in 2004 and will be funded primarily through operating cash flows.

In the second quarter of 2004, we recognized a charge of \$161 million for legacy environmental matters deemed probable and reasonably estimable in the quarter. This charge principally relates to an increase in our estimate of design and study costs likely to be incurred during the pendency of our appeal of the matter entitled *Interfaith Community Organization, et al. v. Honeywell International Inc., et al.* and to estimated costs related to our decision in the second quarter of 2004 to seek a potential resolution of the principal issues in dispute in such matter. See Note 13 for further discussion. We recognized an impairment charge of \$40 million related principally to the write-down of property, plant and equipment of our Performance Fibers (Polyester) business in our Specialty Materials reportable segment, which was classified as assets held for disposal as of June 30, 2004. We recognized a charge of \$9 million for Bendix related asbestos claims filed and defense costs incurred during the second quarter of 2004 including an update of expected resolution values with respect to claims pending as of June 30, 2004. The charge is net of probable Bendix related insurance recoveries and an additional \$47 million of NARCO insurance deemed probable of recovery. See Note 13 for further discussion. We also recognized a charge of \$7 million principally for the write-off of property, plant and equipment.

In the first quarter of 2004, we recognized a charge of \$30 million for legacy environmental matters deemed probable and reasonably estimable in the quarter, including liabilities for environmental conditions around Onondaga Lake in New York. We also recognized a charge of \$11 million for Bendix related asbestos claims filed and defense costs incurred during the first quarter of 2004, net of probable insurance recoveries. See Note 13 for further discussion.

In the second quarter of 2003, we recognized a charge of \$32 million for legacy environmental matters deemed probable and reasonably estimable in the quarter including the matter entitled Interfaith Community Organization, et al. v. Honeywell International Inc., et al. See Note 13 for further discussion.

C. LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Summary

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows for the six months ended June 30, 2004 and 2003, are summarized as follows:

	2004	2003
	-----	-----
Cash provided by (used for):		
Operating activities	\$ 842	\$1,026
Investing activities	84	(308)
Financing activities	(621)	(296)
Effect of exchange rate changes on cash	(23)	183
	-----	-----
Net increase in cash and cash equivalents	\$ 282	\$ 605
	=====	=====

Cash provided by operating activities decreased by \$184 million during the first six months of 2004 compared with the first six months of 2003 due primarily to an increase in net asbestos related liability payments of \$364 million as the prior period included \$472 million in cash received from Equitas related to a comprehensive policy buy-back settlement, and an increase in working capital (receivables, inventories and accounts payable) usage of \$114 million related to higher sales. This decrease in cash provided by operating activities was partially offset by increased earnings and a decrease in voluntary U.S. pension contributions of \$165 million.

We made asbestos related payments of \$323 million, including legal fees, in the first six months of 2004 and expect to make additional asbestos related payments of approximately \$370 million during the remainder of 2004. This estimate is based on our experience in the first six months of 2004 regarding the timing of submissions of required evidential data by plaintiff firms. We had \$48 million of asbestos related insurance recoveries during the first six months of 2004. We expect to receive approximately \$80 million in asbestos related insurance recoveries during the remainder of 2004. These cash flow projections are consistent with our existing asbestos reserves and anticipated insurance recoveries for asbestos related liabilities. See Note 13 of Notes to Financial Statements for further details.

Cash provided by investing activities increased by \$392 million during the first six months of 2004 compared with the first six months of 2003 due primarily to an increase in proceeds from sales of businesses of \$304 million largely from the dispositions of our Security Monitoring and VCSEL Optical Products businesses in the current year. Additionally, proceeds from the maturity of investment securities were \$80 million in the first six months of 2004.

We continuously assess the relative strength of each business in our portfolio as to strategic fit, market position, profit and cash flow contribution in order to upgrade our combined portfolio and identify business units that will most benefit from increased investment. We identify acquisition candidates that will further our strategic plan and strengthen our existing core businesses. We also identify business units that do not fit into our long-term strategic plan based on their market position, relative profitability or growth potential. These business units are considered for potential divestiture, restructuring or other repositioning actions subject to regulatory constraints.

Cash used for financing activities increased by \$325 million during the first six months of 2004 compared with the first six months of 2003 due primarily to repurchases of common stock of \$292 million in connection with our stock repurchase program announced in November 2003. Total debt of \$5,110 million at June 30, 2004 was \$50 million, or 1 percent lower than at December 31, 2003.

Liquidity

See our 2003 Annual Report on Form 10-K for a detailed discussion of our liquidity. As of June 30, 2004, there have been no material changes in our liquidity.

D. OTHER MATTERS

Litigation

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See a discussion of environmental, asbestos and other litigation matters in Note 13 of Notes to Financial Statements.

Recent Accounting Pronouncements

See Note 2 of Notes to Financial Statements for a discussion of recent accounting pronouncements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See our 2003 Annual Report on Form 10-K (Item 7A). As of June 30, 2004, there has been no material change in this information.

ITEM 4. CONTROLS AND PROCEDURES

Honeywell management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that such disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q in alerting them on a timely basis to material information relating to Honeywell required to be included in Honeywell's periodic filings under the Exchange Act. There have been no changes that have materially affected, or are reasonably likely to materially affect, Honeywell's internal control over financial reporting that have occurred during the period covered by this Quarterly Report on Form 10-Q.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

General Legal Matters

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See a discussion of environmental, asbestos and other litigation matters in Note 13 of Notes to Financial Statements.

Environmental Matters Involving Potential Monetary Sanctions in Excess of \$100,000

Honeywell is a defendant in a lawsuit filed by the Arizona Attorney General's Office on behalf of the Arizona Department of Environmental Quality (ADEQ). The complaint alleges various environmental violations and failure to make required disclosures. Honeywell believes that the allegations in this matter are without merit and intends to vigorously defend against this lawsuit. In any event, we do not believe that this matter could have a material adverse effect on our consolidated financial position, consolidated results of operations or operating cash flows.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The following table summarizes Honeywell's purchases of its common stock, par value \$1 per share, for the three months ended June 30, 2004:

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under Plans or Programs
April 2004	420,000	\$35.03	420,000	(A)
May 2004	1,430,500	\$33.54	1,430,500	(A)
June 2004	--	--	--	(A)

(A) In November 2003 Honeywell announced its intention to repurchase sufficient outstanding shares of its common stock to offset the dilutive impact of employee stock based compensation plans, including future option exercises, restricted unit vesting and matching contributions under our savings plans. We estimate share repurchases of approximately 10 million shares annually. We have repurchased 7,670,100 shares during the six months ended June 30, 2004.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits. See the Exhibit Index on page 42 of this Quarterly Report on Form 10-Q.
- (b) Reports on Form 8-K. The following reports on Form 8-K were filed during the three months ended June 30, 2004.
 - 1. On April 21, 2004, a report was filed which furnished, under Item 12, a press release reporting our earnings for the first quarter of 2004.

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.

Honeywell International Inc.

Date: August 2, 2004

By: /s/ Thomas A. Szlosek

Thomas A. Szlosek
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(i)	Restated Certificate of Incorporation of Honeywell International Inc. (incorporated by reference to Exhibit 3 (i) to Honeywell's Form 8-K filed December 3, 1999) modified by Certificate of Change of Registered Agent and Registered Office filed with the Secretary of State of Delaware on June 14, 2004 (filed herewith)
4	Omitted (Inapplicable)
10.6	Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries, as amended and restated (filed herewith)
10.7	Honeywell International Inc. Severance Plan for Senior Executives, as amended (incorporated by reference to Exhibit 10.7 to Honeywell's Form 10-K for the year ended December 31, 2003) (amendment filed herewith)
10.8	Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates, as amended and restated (filed herewith)
10.14	Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above, as amended and restated (filed herewith)
10.15	Honeywell Supplemental Defined Benefit Retirement Plan, as amended and restated (filed herewith)
11	Computation of Per Share Earnings*
12	Computation of Ratio of Earnings to Fixed Charges (filed herewith)
15	Independent Accountants' Acknowledgment Letter as to the incorporation of their report relating to unaudited interim financial statements (filed herewith)
18	Omitted (Inapplicable)
19	Omitted (Inapplicable)
22	Omitted (Inapplicable)

EXHIBIT INDEX (continued)

Exhibit Number -----	Description -----
23	Omitted (Inapplicable)
24	Omitted (Inapplicable)
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
99	Omitted (Inapplicable)

 * Data required by Statement of Financial Accounting Standards No. 128, "Earnings per Share", is provided in Note 6 to the condensed consolidated financial statements in this report.

CERTIFICATE OF CHANGE OF LOCATION OF REGISTERED OFFICE
AND OF REGISTERED AGENT
OF

HONEYWELL INTERNATIONAL INC.

It is hereby certified that:

1. The name of the corporation (hereinafter called the "Corporation")
is:

HONEYWELL INTERNATIONAL INC.

2. The registered office of the Corporation within the State of Delaware is hereby changed to 2711 Centerville Road, Suite 400, City of Wilmington 19808, County of New Castle.

3. The registered agent of the Corporation within the State of Delaware is hereby changed to Corporation Service Company, the business office of which is identical with the registered office of the Corporation as hereby changed.

4. The Corporation has authorized the changes hereinbefore set forth by resolution of its Board of Directors.

/s/Thomas F. Larkins

Name: Thomas F. Larkins
Title: Vice President

SUPPLEMENTAL NON-QUALIFIED SAVINGS PLAN FOR HIGHLY COMPENSATED
EMPLOYEES OF HONEYWELL INTERNATIONAL INC. AND ITS SUBSIDIARIES
(Career Band 6 and above)
(As Amended and Restated as of April 5, 2004)

1. Eligibility

Those highly compensated employees ("HCEs") of Honeywell International Inc. (the "Corporation") and its subsidiaries within the meaning of Section 414(q) of the Internal Revenue Code of 1986 (the "Code") in Career Band 6 and above who are eligible to participate in any of the qualified (as determined under Code Section 401(a)) savings plans maintained by the Corporation or its subsidiaries, other than any such plan maintained by Pittway Corporation and its affiliates or by Honeywell Inc. prior to April 1, 2000, Pittway Corporation (or its successors) prior to January 1, 2004, or such other plans as may be designated by the Corporation from time to time (the "Qualified Savings Plans"), are eligible to participate in the Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries (Career Band 6 and above) (the "Plan").

2. Definitions

Capitalized terms not otherwise defined in the Plan have the respective meanings set forth in the applicable Qualified Savings Plans.

3. Participation

(a) Time and Form of Election. Any eligible employee may become a participant in the Plan (a "Participant") as of the beginning of the next available pay period, by executing a written or electronic notice of election to participate and filing such notice with the Plan Administrator (as defined in Section 10(a)) prior to the beginning of such pay period. Such notice may direct that a portion (determined in accordance with paragraph 4(a)) of the base annual salary exclusive of shift differentials, overtime or other premium pay, bonus, incentive or other extra compensation, but inclusive of severance pay (unless otherwise specifically excluded by the severance pay plan) or salary deferred under this Plan or otherwise ("Base Annual Salary"), which would have been payable to such Participant during such pay period and succeeding pay periods, in lieu of such payment, be credited to a deferred compensation account maintained under the Plan as an unfunded book entry stated as a cash balance (the "Participant's Account"). Amounts so credited to the Participant's Account shall constitute "Participant Deferred Contributions." A Participant's election to direct that a portion of his or her Base Annual Salary be credited to the Participant's Account shall continue in effect until the Participant terminates such election, the Participant is no longer an HCE or the Participant is no longer eligible to contribute to the Qualified Savings Plans. Any such termination shall be effective only with respect to the Participant's Base Annual Salary payable after the end of the pay period in which one of the events in the preceding sentence occurs. Amounts credited to the Participant's Account prior to the effective date of the termination of the election shall not be

affected and shall be distributed only in accordance with the terms of the Plan and Participant's distribution election thereunder.

(b) Change or Resumption of Amount Deferred. A Participant may elect at any time to modify the amount of Base Annual Salary to be credited to the Participant's Account under the Plan, which modification shall be effective for the next available pay period following his or her election. Amounts credited to the Participant's Account prior to the effective date of such change shall not be affected by such change and shall be distributed only in accordance with the terms of the Plan.

4. Contributions to Participants' Accounts

(a) Participant Deferred Contributions. Unless the Plan Administrator shall have established a lesser amount, a Participant may elect to defer an aggregate amount equal to the difference between (i) a full percentage of such Participant's Base Annual Salary from 1% to the maximum percentage permitted under the Qualified Savings Plans and Code Section 415(c)(1)(B) for Before-Tax Contributions by an individual who is not an HCE and who is eligible to participate in the Qualified Savings Plans, without regard to any other limitations which may apply under the Code and without regard to any After-Tax Contributions which might be made under the Qualified Savings Plans, and (ii) the full amount of Before-Tax Contributions made by such Participant under the Qualified Savings Plans; provided, however, that a Participant who elects to defer any amount hereunder shall be required to make the maximum Before-Tax Contributions permissible under the Qualified Savings Plans for the applicable Plan Year (after giving effect to deferrals under the Plan or otherwise).

(b) Plan Employer Contributions. There shall be credited to the Participant's Account employer contributions under the Plan ("Plan Employer Contributions") in an aggregate amount equal to (i) minus (ii), where (i) is 50% (for participants entitled to a 50% Employer Contribution in the Qualified Savings Plans) or 100% (for participants entitled to a 100% Employer Contribution in the Qualified Savings Plans) of the lesser of (x) 8% of the Participant's Base Annual Salary, or (y) the sum of the Participant's Participant Contributions under the Qualified Savings Plans and Participant Deferred Contributions under the Plan, expressed as a percentage of Base Annual Salary, and (ii) is the total amount of Employer Contributions made with respect to the Participant under the Qualified Savings Plans; provided, however, that in no event shall the combined Plan Employer Contributions and Employer Contributions made with respect to the Participant exceed 8% of the Participant's Base Annual Salary, and provided, further, that Plan Employer Contributions shall not be made with respect to a Participant during any period of suspension of Employer Contributions with respect to such Participant under the terms of the Qualified Savings Plans, whether or not such Participant continues to make Participant Contributions under the Qualified Savings Plans during the period of such suspension.

(c) Vesting. Participant Deferred Contributions, Plan Employer Contributions (collectively "Total Contribution Amounts") and all amounts accrued with respect to Total Contribution Amounts in accordance with Section 5, shall be vested at the time such amounts are credited to the Participant's Account.

(d) All Contributions Prorated. Total Contribution Amounts shall be credited to a Participant's Account each pay period.

5. The Participant's Account

Participant Deferred Contributions shall be credited to the Participant's Account under the Plan as unfunded book entries stated as cash balances. Participant Deferred Contributions credited to the Participant's Account prior to January 1, 1994 or after the Participant has terminated employment shall accrue amounts (to be posted each Valuation Date) equivalent to interest, compounded daily, at a rate based upon the cost to the Corporation of borrowing at a fixed rate for a 15-year term. Such rate shall be determined annually by the Chief Financial Officer of the Corporation in consultation with the Treasurer of the Corporation. Participant Deferred Contributions credited to the Participant's Account on or after January 1, 1994, but before a Participant terminates employment, shall accrue amounts (to be posted each Valuation Date) equivalent to interest, compounded daily, at a rate determined annually by the Management Development and Compensation Committee (the "Committee") of the Board of Directors (the "Board") of the Corporation. The rate established in the preceding sentence shall not exceed the greater of (i) 10% (8% for Participant Deferred Contributions credited on or after January 1, 2004 and such other percentage that may be established by the Committee for subsequent calendar years), or (ii) 200% of the 10-year U.S. Treasury Bond rate at the time of determination and, once established for a calendar year, shall remain in effect with respect to all Participant Deferred Contributions credited to the Participant's Account during such calendar year until such amounts are distributed. Plan Employer Contributions shall be credited to the Participant's Account under the Plan as unfunded book entries stated as shares of Common Stock (including fractional shares). The number of shares of Common Stock credited to a Participant's Account shall be determined by dividing the equivalent cash amount (as determined under Section 4(b)) by the closing price of Common Stock on the day that such Plan Employer Contributions are credited to the Participant's Account. Amounts equivalent to the dividends that would have been payable in respect of the Common Stock shall be credited to the Participant's Account as if reinvested in Common Stock, with the number of shares credited determined by dividing the equivalent cash dividend amount by the closing price of Common Stock on the date the dividends would have been payable. Amounts credited to the Participant's Account shall accrue amounts equivalent to interest and dividends, as the case may be, until distributed in accordance with the Plan.

6. Distribution from Accounts

(a) Form of Election.

(i) Participant Deferred Contributions. At the time a Participant makes an election pursuant to Section 3(a), the Participant shall also make an election with respect to the distribution of the aggregate amount of the Participant Deferred Contributions, plus earnings credited thereon pursuant to Section 5 (collectively the "Participant Deferred Contribution Amounts"), credited to the Participant's Account pursuant to such election. A Participant may elect to receive such amount in one lump-sum payment or in a number of annual installments (up to fifteen installments). The lump-sum payment or the first installment shall be paid in cash as soon as practicable during the month of January of such future calendar year as the Participant may designate or, if the Participant so elects, as soon as practicable during the month of January of the calendar year immediately following the later of the year in which the Participant last contributed to the Plan or the year in which the Participant terminates employment with the Corporation or any of its subsidiaries (whether by reason of Retirement or otherwise). Except as otherwise provided in Section 8, subsequent installments shall be paid in cash as soon as practicable during the month of January of each succeeding calendar year until

the entire amount of the Participant Deferred Contribution Amounts shall have been paid. The amount of each installment shall be determined by multiplying the balance of the Participant Deferred Contribution Amounts each year by a fraction, the numerator of which is one and the denominator of which is (A) the number of installments elected, reduced by (B) one for each annual installment previously received.

(ii) Plan Employer Contributions. The distribution election made pursuant to subsection (i) above shall also apply to the timing of the distribution of the aggregate number of shares of Common Stock representing the Plan Employer Contributions plus reinvested dividends pursuant to Section 5 (collectively the "Plan Employer Contribution Amounts") credited to the Participant's Account pursuant to Section 5. Except to the extent otherwise provided with respect to fractional shares, all distributions of Plan Employer Contribution Amounts shall be made in Common Stock. A Participant may elect to receive such Plan Employer Contribution Amounts in one lump-sum payment or in a number of annual installments (up to fifteen installments). The lump-sum payment or the first installment shall be paid as soon as practicable during the month of January of such future calendar year as the Participant may designate, or, if the Participant so elects, as soon as practicable during the month of January of the calendar year immediately following the later of the year in which the Participant last contributed to the Plan or the year in which the Participant terminates employment with the Corporation or any of its subsidiaries (whether by reason of Retirement or otherwise). Except as otherwise provided in Section 8, subsequent installments shall be paid as soon as practicable during the month of January of each succeeding calendar year until the entire amount of the Plan Employer Contribution Amounts shall have been paid. The amount of each installment shall be determined by (A) multiplying the balance of the Plan Employer Contribution Amounts on the last Valuation Date of each year by a fraction, the numerator of which is one and the denominator of which is (x) the number of installments elected, reduced by (y) one for each annual installment previously received, and (B) rounding the result down to the next whole share of Common Stock; provided, however, the amount of the last installment shall be determined without regard to the rounding requirement of the preceding portion of this sentence. Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

(b) Adjustment of Method of Distribution. Prior to the beginning of any calendar year, a Participant may elect to change the timing and method of distribution of the Participant Deferred Contribution Amounts and Plan Employer Contribution Amounts credited to the Participant's Account commencing with such calendar year. Participant Deferred Contribution Amounts and Plan Employer Contribution Amounts credited to the Participant's Account prior to the effective date of such change (the "Prior Balance"), and all amounts thereafter accrued with respect to the Prior Balance, shall not be affected by such change and, except as otherwise provided in this Section 6 or as determined by the Plan Administrator pursuant to Section 8, shall be distributed only in accordance with the election in effect at the time such Prior Balance was credited to the Participant's Account.

(c) (i) Distribution Default for Participant Deferred Contribution Amounts. Any Participant Deferred Contribution Amounts credited to a Participant's Account which are not covered by a timely distribution election under subsections (a) and (b) above shall be distributed to the Participant in one lump-sum cash payment as soon as practicable during the month of January of the calendar year immediately following the later of the year in which the Participant last contributed to the Plan or the year in which the Participant terminates his employment with the Corporation or any of its subsidiaries (whether by reason of Retirement or otherwise);

provided, however, if the Participant has made an election pursuant to Sections 9(a) (i) or 9(a) (ii), the lump sum payment shall be made within the 90-day period following a Change in Control, as defined in Section 9(c).

(c) (ii) Distribution Default for Plan Employer Contribution Amounts. Any Plan Employer Contribution Amounts credited to a Participant's Account which are not covered by a timely distribution election under subsections (a) and (b) above shall be distributed to the Participant in Common Stock as soon as practicable during the month of January of the calendar year immediately following the later of the year in which the Participant last contributed to the Plan or the year in which the Participant terminates his employment with the Corporation or any of its subsidiaries (whether by reason of Retirement or otherwise); provided, however, if the Participant has made an election pursuant to Sections 9(a) (i) or (ii), the distribution shall be made within the 90-day period following a Change in Control, as defined in Section 9(c). Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

(d) Changing Prior Distribution Elections. The Plan Administrator may from time to time allow Participants to request new elections with respect to the distribution of a Participant's Prior Balance under the Plan (other than with respect to any such Prior Balance for which distributions have already commenced). The Plan Administrator shall reserve the right to accept or reject any such request at any time and such election shall be subject to such restrictions and limitations as the Plan Administrator shall determine in its sole discretion, provided that any new election shall generally be required to be made at least twelve (12) months prior to any scheduled payment date. The Plan Administrator may also allow a Participant to request an immediate distribution of all or a portion of such Participant's Prior Balance (including any portion of such Prior Balance for which distributions have already commenced) and any Deferred Contribution Amounts and Plan Employer Contribution Amounts credited to the Participant's Account immediately prior to such request. Any such immediate distribution shall be subject to a penalty equal to six percent (6%) of the amount requested to be distributed and shall be subject to the approval of the Plan Administrator and such other restrictions or conditions as may be established by the Plan Administrator from time to time.

(e) Special Distribution Provision. Notwithstanding any provision in this Plan to the contrary, if all or a portion of a Participant's Account is determined to be includible in the Participant's gross income and subject to income tax at any time prior to the time such Account would otherwise be paid, the Participant's Account or that portion of the Participant's Account shall be distributed to the Participant. For this purpose, an amount is determined to be includible in the Participant's gross income upon the earliest of: (i) a final determination by the Internal Revenue Service addressed to the Participant which is not appealed, (ii) a final determination by the United States Tax Court or any other federal court affirming an IRS determination, or (iii) an opinion addressed to the Corporation by the tax counsel for the Corporation that, by reason of the Code, Treasury Regulations, published Internal Revenue Service rulings, court decisions or other substantial precedent, the amount is subject to federal income tax prior to payment.

7. Distribution on Death

(a) Participant Deferred Contribution Amounts. If a Participant should die before all Participant Deferred Contribution Amounts credited to the Participant's Account have been paid in accordance with any election referred to in Section 6, the balance of the Participant Deferred Contribution Amounts in such Participant's Account shall be paid in cash as soon as practicable following the Participant's death to the beneficiary designated in writing by the Participant and filed with the Plan Administrator; provided, however, if the Participant has made an election pursuant to Sections 9(a)(i) or 9(a)(ii), such amount shall be paid within the 90-day period following a Change in Control, as defined in Section 9(c). If (i) no beneficiary designation has been made, or (ii) the designated beneficiary shall have predeceased the Participant and no further designation has been made, then such balance shall be paid to the estate of the Participant. A Participant may change the designated beneficiary at any time during the Participant's lifetime by filing a subsequent designation in writing with the Plan Administrator.

(b) Plan Employer Contribution Amounts. If a Participant should die before all Plan Employer Contribution Amounts credited to the Participant's Account have been paid in accordance with any election referred to in Section 6, the balance of the Plan Employer Contribution Amounts in such Participant's Account shall be paid in Common Stock as soon as practicable following the Participant's death to the beneficiary designated in writing by the Participant and filed with the Plan Administrator; provided, however, if the Participant has made an election pursuant to Sections 9(a)(i) or 9(a)(ii), such amount shall be paid within the 90-day period following a Change in Control, as defined in Section 9(c). If (i) no such beneficiary designation has been made, or (ii) the designated beneficiary shall have predeceased the Participant and no further designation has been made, then such balance shall be paid to the estate of the Participant. A Participant may change the designated beneficiary at any time during the Participant's lifetime by filing a subsequent designation in writing with the Plan Administrator. Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

8. Payment in the Event of Hardship

Upon receipt of a request from a Participant, delivered in writing to the Plan Administrator along with a Certificate of Unavailability of Resources form, the Plan Administrator, or his designee, may cause the Corporation to accelerate (or require the subsidiary of the Corporation which employs or employed the Participant to accelerate) payment of all or any part of the amount credited to the Participant's Account, including accrued amounts, if it finds in its sole discretion that payment of such amounts in accordance with the Participant's prior election under Sections 6(a) or 6(b) would result in severe financial hardship to the Participant, and such hardship is the result of an unforeseeable emergency caused by circumstances beyond the control of the Participant. Acceleration of payment may not be made under this Section 8 to the extent that such hardship is or may be relieved (a) through reimbursement or compensation by insurance or otherwise, (b) by liquidation of the Participant's assets, to the extent the liquidation of assets would not itself cause severe financial hardship, or (c) by cessation of deferrals under this Plan or any tax-qualified savings plan of the Corporation or its subsidiaries. Any distribution of Participant Deferred Contribution Amounts pursuant to this Section 8 shall be made in cash, while any distribution of Plan Employer Contribution Amounts pursuant to this Section 8 shall be made in Common Stock. Any fractional shares of

Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

9. Change in Control

(a) (i) Initial Lump-Sum Payment Election. Notwithstanding any election made pursuant to Section 6, any person who becomes eligible to participate in the Plan may file a written election with the Plan Administrator at the time the individual makes an election to participate pursuant to Section 3(a) to have the aggregate amount credited to the Participant's Account (commencing with the date on which such written election is filed) paid in one-lump sum payment as soon as practicable following a Change in Control, but in no event later than 90 days after such Change in Control. Any distribution of Participant Deferred Contribution Amounts pursuant to this Section 9 shall be made in cash, while any distribution of Plan Employer Contribution Amounts pursuant to this Section 9 shall be made in Common Stock (or the common stock of any successor corporation issued in exchange for, or with respect to, Common Stock incident to the Change in Control). Any fractional shares of Common Stock (or the common stock of any successor corporation issued in exchange for, or with respect to, Common Stock incident to the Change in Control) shall be paid in an equivalent cash amount.

(a) (ii) Subsequent Lump-Sum Payment Election. A Participant who did not make an election pursuant to Section 9(a) (i) or who has revoked, pursuant to Section 9(a) (iii), an election previously made under Section 9(a) (i) or this Section 9(a) (ii) may, prior to the earlier of a Change in Control or the beginning of the calendar year in which the election is to take effect, elect to have the aggregate amount credited to the Participant's Account for all calendar years commencing with the first calendar year beginning after the date the election is made, paid in one lump-sum payment as soon as practicable following a Change in Control, but in no event later than 90 days after such Change in Control.

(a) (iii) Revocation of Prior Change in Control Payment Elections. A Participant may, prior to a Change in Control, file an election revoking any election made pursuant to Sections 9(a) (i) or 9(a) (ii) or file a new lump sum payment election under this Section 9 with respect to amounts previously credited to the Participant's Account. Any such revocation or new election shall be made at the time specified by the Plan Administrator and shall be subject to such restrictions and limitations as the Plan Administrator shall determine from time to time.

(b) Interest Equivalents. Notwithstanding anything to the contrary in the Plan, after a Change in Control, the Plan may not provide, or be amended to provide, interest accruals with respect to Participant Deferred Contributions at rates lower than the rates in effect under Section 5 immediately prior to the Change in Control.

(c) Definition of Change in Control. For purposes of the Plan, a Change in Control is deemed to occur at the time (i) when any entity, person or group (other than the Corporation, any subsidiary or any savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) which therefore beneficially owned less than 30% of the common stock then outstanding acquires shares of Common Stock in a transaction or series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (ii) of the purchase of shares of Common Stock pursuant to a tender offer or exchange offer (other than an offer by the Corporation) for all, or any part of, the Common Stock, (iii) of a merger in which the Corporation will not survive as an independent, publicly owned corporation, a consolidation, or a sale, exchange or other disposition of all or substantially all of the Corporation's assets, (iv) of a substantial change in

the composition of the Board during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the stockholders of the Corporation, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (v) of any transaction or other event which the Corporate Governance Committee of the Board, in its discretion, determines to be a Change in Control for purposes of the Plan.

10. Administration

(a) Plan Administrator. The Plan Administrator and "named fiduciary" for purposes of ERISA shall be the Senior Vice President-Human Resources and Communications of the Corporation (or the person acting in such capacity in the event such position is abolished, restructured or renamed). The Plan Administrator shall have the authority to appoint one or more other named fiduciaries of the Plan and to designate persons, other than named fiduciaries, to carry out fiduciary responsibilities under the Plan, pursuant to Section 405(c)(1)(B) of ERISA. Any person acting on behalf of the Plan Administrator shall serve without additional compensation. The Plan Administrator shall keep or cause to be kept such records and shall prepare or cause to be prepared such returns or reports as may be required by law or necessary for the proper administration of the Plan.

(b) Powers and Duties of Plan Administrator. The Plan Administrator shall have the full discretionary power and authority to construe and interpret the Plan (including, without limitation, supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan); to determine all questions of fact arising under the Plan, including questions as to eligibility for and the amount of benefits; to establish such rules and regulations (consistent with the terms of the Plan) as it deems necessary or appropriate for administration of the Plan; to delegate responsibilities to others to assist it in administering the Plan; to retain attorneys, consultants, accountants or other persons (who may be employees of the Corporation and its subsidiaries) to render advice and assistance as it shall determine to be necessary to effect the proper discharge of any duty for which it is responsible; and to perform all other acts it believes reasonable and proper in connection with the administration of the Plan. The Plan Administrator shall be entitled to rely on the records of the Corporation and its subsidiaries in determining any Participant's entitlement to and the amount of benefits payable under the Plan. Any determination of the Plan Administrator, including interpretations of the Plan and determinations of questions of fact, shall be final and binding on all parties.

(c) Indemnification. To the extent permitted by law, the Corporation shall indemnify the Plan Administrator from all claims for liability, loss, or damage (including payment of expenses in connection with defense against such claims) arising from any act or failure to act in connection with the Plan.

11. Claims Procedures and Appeals

(a) Any request or claim for Plan benefits must be made in writing and shall be deemed to be filed by a Participant when a written request is made by the claimant or the

claimant's authorized representative which is reasonably calculated to bring the claim to the attention of the Plan Administrator.

(b) The Plan Administrator shall provide notice in writing to any Participant when a claim for benefits under the Plan has been denied in whole or in part. Such notice shall be provided within 90 days of the receipt by the Plan Administrator of the Participant's claim or, if special circumstances require, and the Participant is so notified in writing, within 180 days of the receipt by the Plan Administrator of the Participant's claim. The notice shall be written in a manner calculated to be understood by the claimant and shall:

(i) set forth the specific reasons for the denial of benefits;

(ii) contain specific references to Plan provisions relative to the denial;

(iii) describe any material and information, if any, necessary for the claim for benefits to be allowed, that had been requested, but not received by the Plan Administrator; and

(iv) advise the Participant that any appeal of the Plan Administrator's adverse determination must be made in writing to the Plan Administrator within 60 days after receipt of the initial denial notification, and must set forth the facts upon which the appeal is based.

(c) If the Participant fails to appeal the Plan Administrator's denial of benefits in writing and within 60 days after receipt by the claimant of written notification of denial of the claim (or within 60 days after a deemed denial of the claim), the Plan Administrator's determination shall become final and conclusive.

(d) If the Participant appeals the Plan Administrator's denial of benefits in a timely fashion, the Plan Administrator shall re-examine all issues relevant to the original denial of benefits. Any such claimant, or his or her duly authorized representative, may review any pertinent documents, as determined by the Plan Administrator, and submit in writing any issues or comments to be addressed on appeal.

(e) The Plan Administrator shall advise the Participant and such individual's representative of its decision, which shall be written in a manner calculated to be understood by the claimant, and include specific references to the pertinent Plan provisions on which the decision is based. Such response shall be made within 60 days of receipt of the written appeal, unless special circumstances require an extension of such 60-day period for not more than an additional 60 days. Where such extension is necessary, the claimant shall be given written notice of the delay.

12. Miscellaneous

(a) Anti-Alienation. The right of a Participant to receive any amount credited to the Participant's Account shall not be transferable or assignable by the Participant, except by will or by the laws of descent and distribution. To the extent that any person acquires a right to receive any amount credited to a Participant's Account hereunder, such right shall be no greater than that of an unsecured general creditor of the Corporation. Except as expressly provided herein, any person having an interest in any amount credited to a Participant's Account under the Plan shall not be entitled to payment until the date the amount is due and payable. No person shall be entitled to anticipate any payment by assignment, pledge or transfer in any form or manner prior to actual or constructive receipt thereof.

(b) Unsecured General Creditor. Neither the Corporation nor any of its subsidiaries shall be required to reserve or otherwise set aside funds, Common Stock or other assets for the payment of its obligations hereunder. However, the Corporation or any subsidiary may, in its sole discretion, establish funds for payment of its obligations hereunder. Any such funds shall remain assets of the Corporation or such subsidiary, as the case may be, and subject to the claims of its general creditors. Such funds, if any, shall not be deemed to be assets of the Plan. The Plan is intended to be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

(c) Withholding. The Corporation shall withhold from any distribution made from Participant Deferred Contribution Amounts the amount necessary to satisfy applicable federal, state and local tax withholding requirements. With respect to distributions of Plan Employer Contribution Amounts, the delivery of the shares of Common Stock shall be delayed until the Participant makes arrangements, pursuant to procedures to be adopted by the Plan Administrator, to satisfy the applicable federal, state and local tax withholding requirements.

(d) Termination and Amendment. The Corporation may at any time amend or terminate the Plan. Notwithstanding the foregoing, the Plan may not, without the consent of an affected Participant, be amended in any manner which would (i) adversely affect such Participant's rights and expectations with respect to Deferred Amounts credited to such Participant's Account immediately prior to such amendment (including, but not limited to, any amendment which would adversely affect the rights or features applicable to, or any of the components that are taken into account in determining, the Deferred Amount of any Participant hereunder) or, (ii) with respect to any Participant whose employment terminates either during a Potential Change in Control Period or within two years following a Change in Control under circumstances entitling such Participant to severance benefits under the Corporation's Severance Plan for Corporate Staff Employees or Part II of the Corporation's Severance Plan for Senior Executives, adversely affect such Participant's rights and expectations with respect to amounts that would otherwise have been credited to such Participant's Account as a result of the election of such Participant to defer the receipt of severance payments pursuant to such plan. For purposes of the preceding sentence, a "Potential Change in Control Period" shall commence when: (A) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; (B) the Corporation or any person or group publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control; (C) any person or group (other than the Corporation, any subsidiary or any savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 15% or more of either the then outstanding shares of common stock of the Corporation or the combined voting power of the Corporation's then outstanding securities (not including in the securities beneficially owned by such person or group any securities acquired directly from the Corporation or its affiliates); or (D) the Board adopts a resolution to the effect that, for purposes of the Plan, a Potential Change in Control Period has commenced. The Potential Change in Control Period shall continue until the earlier of (I) a Change in Control or (II) the adoption by the Board of a resolution stating that, for purposes of the Plan, the Potential Change in Control Period has expired.

(e) Benefit Statements. Each Participant will receive periodic statements (not less frequently than annually) regarding the Participant's Account. Each such statement shall indicate the amount of the balances credited to the Participant's Account as of the end of the period covered by such statement.

(f) Legal Interpretation. This Plan and its provisions shall be construed in accordance with the laws of the State of Delaware to the extent such Delaware law is not inconsistent with the provisions of ERISA. The text of this Plan shall, to the extent permitted by law, govern the determination of the rights and obligations created or referred to herein. Headings to the Sections, paragraphs and subparagraphs are for reference purposes only and do not limit or extend the meaning of any of the Plan's provisions.

(g) Employment. The adoption and maintenance of this Plan shall not be deemed to constitute a contract between the Corporation or its subsidiaries and any employee or to be a consideration for or condition of employment of any person. No provision of the Plan shall be deemed to give any employee the right to continue in the employ of the Corporation or its subsidiaries or to interfere with the right of the Corporation or its subsidiaries to discharge any employee at any time without regard to the effect which such discharge might have upon the employee's participation in the Plan or benefits under it.

(h) Fiduciary Capacities. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan. For purposes of this Section 12(h), the term "fiduciary" shall have the same meaning as in ERISA.

(i) Participants Subject to Section 16. Notwithstanding anything herein to the contrary, if any request, election or other action under the Plan affecting a Participant subject to Section 16 of the Securities Exchange Act of 1934 should require the approval of the Committee to exempt such request, election or other action from potential liability under Section 16, then the approval of the Committee shall be obtained in lieu of the approval of the Plan Administrator.

AMENDMENT OF THE
HONEYWELL INTERNATIONAL INC.
SEVERANCE PLAN FOR SENIOR EXECUTIVES
As Amended and Restated as of December 20, 2001

WITNESSETH

WHEREAS, Honeywell International Inc. (the "Corporation") is the sponsor of the Honeywell International Inc. Severance Plan for Senior Executives, as amended and restated as of December 20, 2001 (the "Plan"); and

WHEREAS, Section 12 of the Plan reserves to the Corporation the right to amend the Plan at any time; and

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

NOW, THEREFORE, the Plan is hereby amended, effective January 1, 2004, as follows:

1. Section 3(b) of the Plan shall be amended to read as follows:

- (b) Benefits Conditioned on Release and Non-competition Agreement. Notwithstanding anything in this Section 3 to the contrary, all benefits under this Plan except benefits provided pursuant to Part II, shall be provided in consideration for, and may be conditioned upon, (i) the execution of a release by the Participant of all current or future claims, known or unknown, arising on or before the date of the release against the Employer, its subsidiaries, affiliates and their respective officers, directors and employees in a form and manner prescribed by the Plan Administrator, and (ii) the execution of a non-competition agreement by the Participant in favor of the Company and its subsidiaries and affiliates in a form and manner prescribed by the Plan Administrator. Additionally, no severance benefits shall be payable under this Section 3 unless the Participant has returned to the Employer all property of the Employer and any information of a proprietary nature in his or her possession.

2. Section 5 of the Plan shall be amended to read as follows:

Notwithstanding anything to the contrary in the Plan and except as provided in Section 20(c), a Participant receiving benefits or otherwise entitled to receive benefits under this Plan shall cease to receive such benefits under the Plan and the right to receive any benefits in the future under the Plan shall be forfeited, in the event the Participant, either before or after termination of employment, as determined by the Named Fiduciary, in its sole discretion (a) is convicted of a felony, (b) commits any fraud or misappropriates property, proprietary

information, intellectual property or trade secrets of the Company and its subsidiaries and affiliates for personal gain or for the benefit of another party, (c) actively recruits and offers employment to any management employee of the Company and its subsidiaries and affiliates, (d) engages in intentional misconduct substantially damaging to the property or business of the Company and its subsidiaries and affiliates, (e) makes false or misleading statements about the Company and its subsidiaries and affiliates or their products, officers or employees to (A) competitors or customers or potential customers, or (B) current or former employees of the Company and its subsidiaries and affiliates, or (f) violates the terms of the release or non-competition agreement described in Section 3(b) of the Plan.

Salary and Incentive Award Deferral Plan
for
Selected Employees of Honeywell International Inc. and its
Affiliates

Amended and Restated
as of April 5, 2004

1. Eligibility

Those employees of Honeywell International Inc. (the "Corporation") and its affiliates who are designated by the Management Development and Compensation Committee (the "Committee") shall be eligible to participate in this supplemental non-qualified Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates (the "Plan").

2. Participation

An eligible employee may become a participant in the Plan (a "Participant") by filing a timely written deferral election with the Corporation. Such election shall request that a portion of the compensation elements described in paragraph 3(a) and paragraph 3(b) be credited to an unfunded deferred compensation account maintained for the Participant under the Plan (the "Participant Account" or "Account"). A Participant's direction, if accepted by the Corporation, shall become effective for the pay period or payment date in the next succeeding calendar year (or for a newly eligible Participant, for the next succeeding pay period or payment date after the receipt of the direction by the Corporation), and shall continue in effect until the Participant terminates such direction, effective as of the end of the calendar year, or is no longer eligible to be a Participant. Any modification of Participant's direction shall be effective only with respect to compensation payable with respect to pay periods in the calendar year next following the date such direction is received by the Corporation.

3. Contributions to Participant Accounts

(a) Base Annual Salary. A Participant in Career Band 6 and above (or a Participant who occupies a position equivalent thereto) may, prior to the beginning of any calendar year (and with respect to a newly eligible Participant, within thirty days after first becoming so eligible) elect to defer an aggregate amount of base annual salary otherwise payable in such subsequent calendar year (or with respect to a newly eligible Participant, in the remainder of the calendar year), exclusive of any bonus or any other compensation or allowance paid or payable by the Corporation or its affiliates (the "Base Annual Salary"). The amount deferred under this paragraph 3(a) shall not be greater than fifty percent (50%) of the Participant's Base Annual Salary for such pay period.

(b) Incentive Awards. A Participant may, to the extent that the Honeywell International Inc. Incentive Compensation Plan For Executive Employees (the "Incentive Plan") (or any successor plan) permits deferrals of an incentive award (the "Incentive Award") payable thereunder, elect to defer an amount not greater than one hundred percent of such Incentive Award. Any amount so deferred shall be deemed to be deferred under this Plan but shall, to the extent the provisions of the Incentive Plan are not inconsistent with this Plan, otherwise be subject to the terms of the Incentive Plan. Any deferral of an Incentive Award shall be made by filing an appropriate deferral election with the Corporation not later than the date established by the Corporation from time to time.

(c) Deferral Amounts. All amounts determined under this paragraph 3 which are the subject of a written deferral election (the "Deferral Amounts") shall, in accordance with the relevant Participant direction, be credited to a Participant Account maintained under the Plan on the same day the Base Annual Salary or Incentive Award would otherwise have been payable.

4. Deferral Requirements

Amounts deferred under this Plan shall be paid as soon as practicable during the month of January following the calendar year in which the Participant terminates employment, provided, however, amounts deferred under this Plan may be paid at such other date permitted to be designated by the Participant that provides for a minimum period of deferral of at least three years or such shorter period as may be approved by the Committee. Except as otherwise provided in paragraphs 9 or 10 or as approved by the Committee, no amount shall be withdrawn from a Participant Account prior to the earlier of: three years following the last day of the calendar year in which the Deferral Amounts were earned; the date the Participant reaches normal retirement age and is eligible to receive a benefit under a pension plan of the Corporation or one of its affiliates; the date of Participant's death; or the date the Participant ceases to be employed by the Corporation or any of its affiliates. Notwithstanding the preceding provisions of this Section 4, a Participant may request an immediate withdrawal of all or a portion of such Participant's Account prior to any date described above or prior to the date the Account has been completely withdrawn, provided that such a request and withdrawal shall be subject to the approval of the Corporation and such penalties, restrictions or conditions as may be established by the Corporation from time to time. The penalty shall be a percentage of the amount requested to be withdrawn, calculated as the difference between (a) 6%, and (b) 50% of the amount, if any, by which 10% exceeds the interest rate on 10-year U.S. Treasury Bonds on the first business day of the calendar quarter during which the withdrawal request is made.

5. Interest Equivalents

Deferral Amounts shall accrue additional amounts equivalent to interest ("Interest Equivalents"), compounded daily, from the date the Deferral Amount is credited to the Account to the date of distribution. A single rate for calculating Interest Equivalents shall be established by the Committee, in its sole discretion, for all Deferral Amounts credited to Participant Accounts in each calendar year. The rate established by the Committee shall not exceed the greater of (i) 10% or (ii) 200% of the 10-year U.S. Treasury Bond rate at the time of determination. Such Interest Equivalents, once established for a calendar year, shall remain in effect with respect to Deferral Amounts credited to Participant Accounts during the calendar year until the Deferral Amounts are distributed.

The rate of notional interest 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 the "Contingent Rate" shall become nonforfeitable only if the Participant is still employed by the Corporation or any affiliate at the end of the third full calendar year following the calendar year in which the Deferral Amount relates, provided, however, in the event a Participant terminates employment with the Corporation or an affiliate prior to such date for reasons other than gross cause, the Committee shall treat

such portion as nonforfeitable in the event the Participant's employment with the Corporation or Affiliate is involuntarily terminated (including a termination for "good reason" under any applicable severance plan of the Corporation or affiliate) or is terminated for such reasons as the Committee may determine from time to time in its sole discretion. Notwithstanding the preceding sentence, in the event a Participant withdraws any portion of the Deferral Amount prior to the end of the third full calendar year following the calendar year to which the Deferral Amount relates, the amount of Contingent Rate interest credited with respect to such Deferred Amount at the time of withdrawal shall remain credited to such Account subject to the provisions of the preceding sentence but shall not be credited with any Interest Equivalents after such date ("Frozen Contingent Interest"). 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.

Notwithstanding anything in the Plan to the contrary, from and after the occurrence of a Change in Control, the rate at which Deferral Amounts accrue Interest Equivalents may not be decreased.

6. Participant Accounts

All amounts credited to a Participant's Account pursuant to paragraphs 3 and 4 shall be unfunded general obligations of the Corporation, and no Participant shall have any claim to or security interest in any asset of the Corporation on account thereof.

7. Distribution from Accounts

At the time a Participant makes an election pursuant to paragraph 3, the Participant shall also make an election with respect to the distribution of the Deferral Amounts and Interest Equivalents accrued thereon which are credited to the Participant's Account pursuant to such election. A Participant may elect to receive such distribution in one lump-sum payment or in a number of approximately equal annual payments (provided the payment period may not include more than fifteen such installments). The lump-sum or the first installment shall be paid as soon as practicable during the month of January of the calendar year following termination of employment or such other calendar year validly designated by the Participant. Except as otherwise provided in paragraphs 8, 9 and 10, all installment payments following the initial installment payment shall be paid in cash as soon as practicable during the month of January of each succeeding calendar year until the entire amount in the Account shall have been paid. Notwithstanding the foregoing, in the event a Participant's employment with the Company is terminated either voluntarily (other than on account of retirement as defined in the qualified pension plan in which the Participant participates or for "good reason" under any applicable severance plan of the Company) or for "gross cause" (as defined in the AlliedSignal Inc. Severance Plan for Senior Executives), the nonforfeitable portion of such Participant's Deferred Amounts for performance years beginning after 1997 for amounts deferred under paragraph 3(b) or after 1998 for amount deferred under paragraph 3(a) (including the vested portion of any applicable notional interest credited thereto) shall be distributed in a lump sum as soon as practicable in January of the calendar year following such termination of employment. Any Frozen Contingent Interest credited to the Participant's Account shall be payable to the Participant in one

lump sum after the date the Frozen Contingent Interest becomes nonforfeitable pursuant to Paragraph 5.

The Corporation may from time to time allow Participants to request new elections with respect to the distribution of all Deferral Amounts and Interest Equivalents accrued thereon that are credited to such Participant under the Plan (other than any such amounts currently payable to a Participant). The Corporation shall reserve the right to accept or reject any such request at any time and such election shall be subject to such restrictions and limitations as the Corporation shall determine in its sole discretion, provided that any new election shall generally be required to be made at least twelve (12) months prior to any scheduled payment date.

Notwithstanding any provision in this Plan to the contrary, if all or a portion of a Participant's Account is determined to be includible in the Participant's gross income and subject to income tax at any time prior to the time such Account would otherwise be paid, the Participant's Account or that portion of the Participant's Account shall be distributed to the Participant. For this purpose, an amount is determined to be includible in the Participant's gross income upon the earliest of: (i) a final determination by the Internal Revenue Service addressed to the Participant which is not appealed, (ii) a final determination by the United States Tax Court or any other federal court affirming an IRS determination, or (iii) an opinion addressed to the Corporation by the tax counsel for the Corporation that, by reason of the Code, Treasury Regulations, published Internal Revenue Service rulings, court decisions or other substantial precedent, the amount is subject to federal income tax prior to payment.

8. Distribution on Death

If a Participant should die before all amounts credited to the Participant's Account have been distributed, the balance in the Account shall be paid as soon as practical thereafter to the beneficiary designated in writing by the Participant. Payment to a beneficiary pursuant to a designation by a Participant shall be made in one lump sum to the designated beneficiary as soon as practicable following the death of the Participant. Such beneficiary designations shall be effective when received by the Corporation, and shall remain in effect until rescinded or modified by the Participant by an appropriate written direction. If no beneficiary is properly designated by the Participant or if the designated beneficiary shall have predeceased the Participant, such balance in the Account shall be paid to the estate of the Participant.

9. Payment in the Event of Hardship

Upon receipt of a request from a Participant, delivered in writing to the Corporation along with a Certificate of Unavailability of Other Resources form, the Committee, the Senior Vice President - Human Resources and Communications, or his designee, may cause the Corporation to accelerate (or require the subsidiary of the Corporation which employs or employed the Participant to accelerate) payment of all or any part of the Deferral Amount and Interest Equivalents credited to the Participant's Account, if it finds in its sole discretion that payment of such amounts in accordance with the Participant's prior election under paragraph 3 would result in severe financial hardship to the Participant and such hardship is the result of an unforeseeable emergency caused by circumstances beyond the control of the Participant.

Acceleration

of payment may not be made under this paragraph 9 to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of assets would not itself cause severe financial hardship or (iii) by cessation of deferrals under this Plan or any tax-qualified savings plan of the Corporation.

10. Change in Control

(a) Initial Lump Sum Election. Notwithstanding any election made pursuant to paragraph 7, a Participant may file a written election with the Corporation to have the Deferral Amounts and Interest Equivalents accrued thereon which are credited thereafter to the Participant's Account paid in one lump-sum payment as soon as practicable following a Change in Control, but in no event later than 90 days after such Change in Control. The Interest Equivalents on any Deferred Amount payable pursuant to this paragraph 10(a) shall include the "Contingent Rate" credited to such Deferred Amount without regard to whether such amount has become nonforfeitable as provided in paragraph 5 at the time payment is made under this paragraph 10(a).

(b) Revocation of Lump-Sum Election. A Participant may revoke an election made pursuant to paragraph 10(a) (including an election not to be paid in one lump sum upon a Change in Control) by filing an appropriate written notice with the Corporation. A revocation notice filed pursuant to this paragraph 10(b) shall be subject to such terms and conditions as the Corporation shall establish and shall be effective with respect to any or all of the Participant's Deferral Amounts and Interest Equivalents accrued thereon which are credited to such Participant under the Plan. Any such election shall be subject to such restrictions and limitations as the Corporation shall determine in its sole discretion.

(c) Limitation on Elections. Any election made pursuant to paragraph 10(a) or 10(b) shall not be effective unless filed with the Corporation at least 90 days prior to a Change in Control.

(d) Definition of Change in Control. For purposes of the Plan, a Change in Control is deemed to occur at the time (i) when an entity, person or group (other than the Corporation, any subsidiary or savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) which theretofore beneficially owned less than 30% of the Corporation's common stock (the "Common Stock") then outstanding, acquires shares of Common Stock in a transaction or a series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (ii) of the purchase of Common Stock pursuant to a tender offer or exchange offer (other than an offer by the Corporation) for all, or any part of, the Common Stock (iii) of a merger in which the Corporation will not survive as an independent, publicly owned corporation, a consolidation, a sale, exchange or other disposition of all or substantially all of the Corporation's assets, (iv) of a substantial change in the composition of the Board during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the shareowners of the Corporation, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (v) of

any transaction or other event which the Committee, in its sole discretion, determines to be a Change in Control for purposes of the Plan.

11. Administration

(a) Plan Administrator. The Plan Administrator and "named fiduciary" for purposes of ERISA shall be the Senior Vice President-Human Resources and Communications of the Corporation (or the person acting in such capacity in the event such position is abolished, restructured or renamed). The Plan Administrator shall have the authority to appoint one or more other named fiduciaries of the Plan and to designate persons, other than named fiduciaries, to carry out fiduciary responsibilities under the Plan, pursuant to Section 405(c)(1)(B) of ERISA. Any person acting on behalf of the Plan Administrator shall serve without additional compensation. The Plan Administrator shall keep or cause to be kept such records and shall prepare or cause to be prepared such returns or reports as may be required by law or necessary for the proper administration of the Plan.

(b) Powers and Duties of Plan Administrator. The Plan Administrator shall have the full discretionary power and authority to construe and interpret the Plan (including, without limitation, supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan); to determine all questions of fact arising under the Plan, including questions as to eligibility for and the amount of benefits; to establish such rules and regulations (consistent with the terms of the Plan) as it deems necessary or appropriate for administration of the Plan; to delegate responsibilities to others to assist it in administering the Plan; to retain attorneys, consultants, accountants or other persons (who may be employees of the Corporation or its subsidiaries) to render advice and assistance as it shall determine to be necessary to effect the proper discharge of any duty for which it is responsible; and to perform all other acts it believes reasonable and proper in connection with the administration of the Plan. The Plan Administrator shall be entitled to rely on the records of the Corporation and its subsidiaries in determining any Participant's entitlement to and the amount of benefits payable under the Plan. Any determination of the Plan Administrator, including interpretations of the Plan and determinations of questions of fact, shall be final and binding on all parties.

(c) Indemnification. To the extent permitted by law, the Corporation shall indemnify the Plan Administrator from all claims for liability, loss, or damage (including payment of expenses in connection with defense against such claims) arising from any act or failure to act in connection with the Plan.

11. Claims Procedures and Appeals

(a) Claim for Benefits. Any request or claim for Plan benefits must be made in writing and shall be deemed to be filed by a Participant when a written request is made by the claimant or the claimant's authorized representative which is reasonably calculated to bring the claim to the attention of the Plan Administrator.

(b) Notice of Claim Denial. The Plan Administrator shall provide notice in writing to any Participant when a claim for benefits under the Plan has been denied in

whole or in part. Such notice shall be provided within 90 days of the receipt by the Plan Administrator of the Participant's claim or, if special circumstances require, and the Participant is so notified in writing, within 180 days of the receipt by the Plan Administrator of the Participant's claim. The notice shall be written in a manner calculated to be understood by the claimant and shall:

- (i) set forth the specific reasons for the denial of benefits;
- (ii) contain specific references to Plan provisions relative to the denial;
- (iii) describe any material and information, if any, necessary for the claim for benefits to be allowed, that had been requested, but not received by the Plan Administrator; and
- (iv) advise the Participant that any appeal of the Plan Administrator's adverse determination must be made in writing to the Plan Administrator within 60 days after receipt of the initial denial notification, and must set forth the facts upon which the appeal is based.

(c) Appeal of Denied Claims. If a claim is denied by the Plan Administrator within the time periods set forth above, the claimant shall be permitted to proceed to the review procedures set forth below. If the Participant fails to appeal the Plan Administrator's denial of benefits in writing and within 60 days after receipt by the claimant of written notification of denial of the claim (or within 60 days after a deemed denial of the claim), the Plan Administrator's determination shall become final and conclusive.

(d) Conduct of Appeal Review. If the Participant appeals the Plan Administrator's denial of benefits in a timely fashion, the Plan Administrator shall re-examine all issues relevant to the original denial of benefits. Any such claimant, or his or her duly authorized representative, may review any pertinent documents, as determined by the Plan Administrator, and submit in writing any issues or comments to be addressed on appeal.

(e) Notice of Appeal Decision. The Plan Administrator shall advise the Participant and such individual's representative of its decision, which shall be written in a manner calculated to be understood by the claimant, and include specific references to the pertinent Plan provisions on which the decision is based. Such response shall be made within 60 days of receipt of the written appeal, unless special circumstances require an extension of such 60-day period for not more than an additional 60 days. Where such extension is necessary, the claimant shall be given written notice of the delay.

13. Miscellaneous

(a) No Alienation of Benefits. Except insofar as may otherwise be required by law, no amount payable at any time under the Plan shall be subject in any manner to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, charge, or encumbrance of any kind nor in any manner be subject to the debts or liabilities of any person and any attempt to so alienate or subject any such amount, whether presently or thereafter payable, shall be void. If any person shall attempt to, or shall alienate, sell, transfer, assign, pledge, attach, charge, or otherwise encumber any amount payable under the Plan, or any part thereof, or if by reason of such person's bankruptcy or other event happening at any such time such amount would be made subject to the person's debts or liabilities or would otherwise not be enjoyed by that person, then the Corporation, if it so elects, may direct that such amount be withheld and that same or any part thereof be paid or applied to or for the benefit of such person, the person's spouse, children or other dependents, or any of them, in such manner and proportion as the Corporation may deem proper.

(b) No Right or Interest in Corporation's Assets. Neither the Corporation nor any of its Affiliates shall be required to reserve or otherwise set aside funds for the payment of obligations arising under this Plan. The Corporation may, in its sole discretion, establish funds, segregate assets or take such other action as it shall determine necessary or appropriate to secure the payment of its obligations arising under this Plan. This Plan is intended to be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. Nothing contained herein, and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Corporation and any Participant or any other person. To the extent that any person acquires a right to receive payments under this Plan, such right shall be no greater than the right of an unsecured creditor of the Corporation.

(c) Amendment. The Corporation may amend, modify or terminate the Plan at any time, or from time to time; provided, however, that no change to the Plan shall impair the right of any Participant with respect to amounts then credited to an Account; and further provided that during a Potential Change in Control Period (as defined in Section 13(g) hereof) and from and after the occurrence of a Change in Control, the Plan may not, without the consent of the Participant, be amended in any manner which would adversely affect such Participant's rights and expectations with respect to Deferred Amounts credited to such Participant's Account immediately prior to such amendment.

(d) Accounting. Each Participant shall receive periodic statements (not less frequently than annually) setting forth the cumulative Deferral Amounts and Interest Equivalents credited to, and any distributions from, the Participant's Account.

(e) Facility of Payments. If the Corporation shall find that any person to whom any amount is payable under the plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due the person or the person's estate (unless a prior claim therefore has been made by a duly appointed legal representative), may, if the Corporation so elects in its sole discretion,

be paid to the person's spouse, a child, a relative, an institution having custody of such person, or any other person deemed by the Corporation to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Corporation and the Plan therefore.

(f) Governing Law. The Plan is intended to constitute an unfunded deferred compensation arrangement for a select group of management or highly compensated personnel and all rights thereunder shall be governed by and construed in accordance with the laws of New York.

(g) Potential Change in Control Period. A "Potential Change in Control Period" shall commence when: (i) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; (ii) the Corporation or any person or group publicly announces an intention to take or to consider taking actions which, if consummated, would result in a Change in Control; (iii) any person or group (other than the Corporation, any subsidiary or any savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 15% or more of either the then outstanding shares of common stock of the Corporation or the combined voting power of the Corporation's then outstanding securities (not including in the securities beneficially owned by such person or group any securities acquired directly from the Corporation or its affiliates); or (iv) the Board adopts a resolution to the effect that, for purposes of the Plan, a Potential Change in Control Period has commenced. The Potential Change in Control Period shall continue until the earlier of (A) a Change in Control, or (B) the adoption by the Board of a resolution stating that, for purposes of the Plan, the Potential Change in Control Period has expired.

SCHEDULE A
Notional Interest Rate

Deferred Incentive Awards (Band 6 and Above)

Year Award Earned -----	Vested Rate -----	Contingent Rate -----	Total Rate -----
1975 - 1992	Treasury bills + 3%*	N/A	Treasury bills + 3%*
1993 - 1997	10%	N/A	10%
1998 - 2000	8%	3%	11%
2001- 2002	7%	3%	10%
2003	3%	5%	8%

*/Three-month Treasury bill average rate for the immediately preceding calendar quarter as reported by the Federal Reserve Bank; rate changes each calendar quarter.

Deferred Incentive Awards (Band 5 and Below)

Year Award Earned -----	Vested Rate -----	Contingent Rate -----	Total Rate -----
1975 - 1997	Treasury bills + 3%*	N/A	Treasury bills + 3%*
1998 - 2002	6%	3%	9%
2003	3%	5%	8%

*/Three-month Treasury bill average rate for the immediately preceding calendar quarter as reported by the Federal Reserve Bank; rate changes each calendar quarter.

Deferred Salary (Band 6 and Above)

Year Salary Earned -----	Vested Rate -----	Contingent Rate -----	Total Rate -----
1994 - 1998	10%	N/A	10%
1999 - 2001	8%	3%	11%
2002 - 2002	7%	3%	10%
2003	3%	5%	8%

HONEYWELL INTERNATIONAL INC. SUPPLEMENTAL
EXECUTIVE RETIREMENT PLAN FOR EXECUTIVES IN
CAREER BAND 6 AND ABOVE

Effective as of April 5, 2004

ARTICLE I

PURPOSE

The purpose of the Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above is to provide certain Executives and their Beneficiaries with monthly retirement income benefits under all defined benefit deferred compensation plans maintained by the Company that are at least equal to the benefits that would have been payable had such Executives been covered by the Retirement Program and the Supplemental Pension Plan (as defined herein) throughout their Credited Service (as defined herein) with the Company.

To the extent required to determine benefits under this Plan, the terms and provisions of the Pension Plans and the Supplemental Pension Plan shall be deemed to be incorporated by reference.

ARTICLE II

DEFINITIONS

- 2.1 "Beneficiary" or "Beneficiaries" means the person or persons designated as a Participant's joint or contingent annuitant and/or beneficiary, if any, under the applicable Pension Plan(s).
- 2.2 "Board" means the Board of Directors of Honeywell International Inc.
- 2.3 "Code" means the Internal Revenue Code of 1986, as amended from time to time.
- 2.4 "Committee" means the Management Development and Compensation Committee of the Company's Board of Directors.
- 2.5 "Common Stock" means the common stock of Honeywell International Inc. or such other stock for which such common stock may be exchanged as a result of a split-up, recapitalization, reclassification or other corporate restructuring.
- 2.6 "Company" means Honeywell International Inc. and its subsidiaries and successors.
- 2.7 "Credited Service" means years of service with the Company for which credit would be given under the terms of Pension Plans for benefit accrual purposes.
- 2.8 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 2.9 "Executive" means an individual employed by the Company in Career Band 6 or above as of the individual's termination of employment or retirement date, as applicable.

- 2.10 "Participant" means an individual eligible for benefits under this Plan in accordance with Article III.
- 2.11 "Plan" means the Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above.
- 2.12 "Pension Plan" means any defined benefit plan (within the meaning of Code Section 414(j)), other than the Pittway Retirement Plan or such other defined benefit plan that may be designated by the Committee from time to time, that is subject to the provisions of Code Section 401(a) and that covers salaried employees of the Company, including, without limitation, the Retirement Program.
- 2.13 "Retirement Program" means the portion of the Honeywell International Inc. Retirement Earnings Plan applicable to participants in Allied Signal Inc. Retirement Program (Provisions Relating to Allied Salaried Employees), as the same may be amended or referred to from time to time, and any successor provisions of such plan.
- 2.14 "Supplemental Benefit" means the benefit described in Section 4.1 of the Plan.
- 2.15 "Supplemental Pension Plan" means the Honeywell International Inc. Supplemental Pension Plan, as the same may be amended from time to time, and any successor plan.

ARTICLE III

PARTICIPATION

- 3.1 Eligibility - In General. Participation in the Plan shall be limited to those Executives who have earned Credited Service under a Pension Plan other than the Retirement Program. Notwithstanding the previous sentence, no Executive who has entered into any individual agreement or arrangement with the Company concerning retirement benefits shall be entitled to any benefit under Article IV except to the extent otherwise expressly provided in such agreement or arrangement.
- 3.2 Status at Termination/Retirement Date. No benefits shall be payable under the Plan if on the date of such individual's termination of employment or retirement date, as applicable, the Executive (a) is not employed by the Company in a Career Band 6 or above position, (b) is entitled to any severance benefits payable under the Honeywell Key Employee Severance Plan or under any other contract, agreement or arrangement between the Executive and Honeywell Inc. (or its successors or affiliates) that are attributable to any "change in control" of Honeywell Inc. in 1999 as defined in such Plan or other contracts, agreements or arrangements, or (c) is a participant in the Retirement Earnings Plan portion of the Honeywell Retirement Earnings Plan.

ARTICLE IV

BENEFITS

- 4.1 Amount of Benefit. Subject to the terms of this Article IV, a Participant shall receive a monthly Supplemental Benefit. The monthly Supplemental Benefit shall be determined by comparing (a) the sum of the monthly retirement benefits (normal or early) actually payable to the Participant under the Pension Plan(s) and the Supplemental Pension Plan (as applied to the applicable Pension Plan(s)) in accordance with the distribution method selected by the Participant, and (b) the sum of the monthly retirement benefits (normal or early) that would be payable to the Participant under the Retirement Program and the Supplemental Pension Plan (as applied to the Retirement Program) if all of the Participant's Credited Service had been earned solely under the Retirement Program and if such Participant had made the same distribution method election as under (a) above. The monthly Supplemental Benefit shall equal the amount, if any, by which (b) exceeds (a) for the applicable monthly period.
- 4.2 Payment of Benefit. Except as otherwise provided in Section 4.3, the Supplemental Benefit shall generally be paid at the same time benefits are paid to the Participant under the applicable Pension Plan(s). The Supplemental Benefit shall be paid directly to the Participant or, in the event of the Participant's death, to the Participant's Beneficiary.
- 4.3 Form of Payment. The Supplemental Benefit shall generally be paid in the same form as the retirement benefit payable to the Participant under the applicable Pension Plan(s). Notwithstanding the previous sentence, however, a Participant may request that payment of his or her Supplemental Benefit be made in a single lump sum payment. Any such request shall be made in writing to the Plan Administrator, whose decision with respect thereto shall be final, conclusive and binding upon all persons having or claiming to have any right or interest under this Plan. Any lump sum payment approved under this Section 4.3 shall be actuarially equivalent to the Participant's Supplemental Benefit. For this purpose, actuarial equivalence shall be determined by using the "applicable mortality table" and the "applicable interest rate" described in Section 417(e) of the Code, provided that the applicable interest rate shall be determined as of the third calendar month preceding the month during which the benefit commencement date occurs.
- 4.4 Death and Disability Benefits. As more fully described in Section 4.1, this Plan provides benefits only for Executives who are receiving early or normal retirement benefits under a Pension Plan. The Plan does not provide pre-retirement death benefits, disability benefits or any other type of ancillary benefits that may be available under the Retirement Program or the applicable Pension Plan.

ARTICLE V

ADMINISTRATION

- 5.1 Plan Administrator. The Plan Administrator and "named fiduciary" for purposes of ERISA shall be the Senior Vice President-Human Resources and Communications of the Company (or any senior officer of the Company succeeding to the principal responsibilities of such officer). The Plan Administrator shall have the authority to appoint one or more other named fiduciaries of the Plan and to designate persons, other than named fiduciaries, to carry out fiduciary responsibilities under the Plan, pursuant to Section 405(c)(1)(B) of ERISA.
- 5.2 Powers and Duties of Plan Administrator. The Plan Administrator shall have the full discretionary power and authority to construe and interpret the Plan (including, without limitation, supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan); to determine all questions of fact arising under the Plan, including questions as to eligibility for and the amount of benefits; to establish such rules and regulations (consistent with the terms of the Plan) as it deems necessary or appropriate for administration of the Plan; to delegate responsibilities to others to assist it in administering the Plan; to retain attorneys, consultants, accountants, actuaries or other persons (who may be employees of the Company) to render advice and assistance as it shall determine to be necessary to effect the proper discharge of any duty for which it is responsible; to prepare and distribute to Participants information explaining the Plan; to prescribe procedures to be followed by Participants and Beneficiaries filing applications for benefits; and to perform all other acts it believes reasonable and proper in connection with the administration of the Plan. The Plan Administrator shall be entitled to rely on the records of the Company in determining any Participant's entitlement to and the amount of benefits payable under the Plan. Any determination of the Plan Administrator, including interpretations of the Plan and determinations of questions of fact, shall be final and binding on all parties.
- 5.3 Indemnification. To the extent permitted by law, the Company shall indemnify the Plan Administrator and his delegates from all claims for liability, loss, or damage (including payment of expenses in connection with defense against such claims) arising from any act or failure to act in connection with the Plan.
- 5.4 Records. The Plan Administrator shall keep or cause to be kept such records and shall prepare or cause to be prepared such returns or reports as may be required by law or necessary for the proper administration of the Plan. All resolutions, proceedings, acts and determinations of the Plan Administrator shall be recorded by the Plan Administrator and such records, together with any documents and instruments as may be necessary for the administration of the Plan, shall be preserved in the custody of the Plan Administrator.
- 5.5 Information from Participants. Each Participant shall be required to furnish to the Plan Administrator, in the form prescribed by it, such personal data, affidavits,

authorizations to obtain information, and other information as the Plan Administrator may deem appropriate for the proper administration of the Plan.

- 5.6 Reliance. The Plan Administrator and its delegates shall be entitled to rely upon all valuations, certificates and reports furnished by any actuary or accountant selected by the Plan Administrator or any delegate and upon all opinions given by any legal counsel selected by the Plan Administrator or any delegate. The Plan Administrator and its delegates shall be fully protected with respect to any action taken or suffered by their having relied in good faith upon such actuary, accountant or counsel and all action so taken or suffered shall be conclusive upon each of them and upon all Participants and their Beneficiaries.
- 5.7 Compensation and Expenses. Unless authorized by the Board, neither the Plan Administrator nor its delegates shall be compensated for service in such capacity, but shall be reimbursed for reasonable expenses incident to the performance of such duties.
- 5.8 Claims Procedures and Appeals. Any claim or appeal under this Plan shall be subject to the following rules:
- (a) Any request or claim for Plan benefits must be made in writing and shall be deemed to be filed by a Participant when a written request is made by the claimant or the claimant's authorized representative which is reasonably calculated to bring the claim to the attention of the Plan Administrator.
 - (b) The Plan Administrator shall provide notice in writing to any Participant when a claim for benefits under the Plan has been denied in whole or in part. Such notice shall be provided within 90 days of the receipt by the Plan Administrator of the Participant's claim or, if special circumstances require, and the Participant is so notified in writing, within 180 days of the receipt by the Plan Administrator of the Participant's claim. The notice shall be written in a manner calculated to be understood by the claimant and shall:
 - (i) set forth the specific reasons for the denial of benefits;
 - (ii) contain specific references to Plan provisions relative to the denial;
 - (iii) describe any material and information, if any, necessary for the claim for benefits to be allowed, that had been requested, but not received by the Plan Administrator; and
 - (iv) advise the Participant that any appeal of the Plan Administrator's adverse determination must be made in writing to the Plan Administrator within 60 days after receipt of the initial denial notification, and must set forth the facts upon which the appeal is based.

- (c) If the Participant fails to appeal the Plan Administrator's denial of benefits in writing and within 60 days after receipt by the claimant of written notification of denial of the claim (or within 60 days after a deemed denial of the claim), the Plan Administrator's determination shall become final and conclusive.
- (d) If the Participant appeals the Plan Administrator's denial of benefits in a timely fashion, the Plan Administrator shall re-examine all issues relevant to the original denial of benefits. Any such claimant, or his or her duly authorized representative, may review any pertinent documents, as determined by the Plan Administrator, and submit in writing any issues or comments to be addressed on appeal.
- (e) The Plan Administrator shall advise the Participant and such individual's representative of its decision, which shall be written in a manner calculated to be understood by the claimant, and include specific references to the pertinent Plan provisions on which the decision is based. Such response shall be made within 60 days of receipt of the written appeal, unless special circumstances require an extension of such 60-day period for not more than an additional 60 days. Where such extension is necessary, the claimant shall be given written notice of the delay.

ARTICLE VI

PLAN AMENDMENT OR TERMINATION

- 6.1 Right to Amend. The Company shall have the right at any time to amend the Plan. No such amendment shall have the effect specified in Section 6.3.
- 6.2 Right of the Company to Terminate Plan. The Company intends and expects that from year to year it will be able to and will deem it advisable to continue this Plan in effect. Subject to the provisions of Section 6.3, the Company reserves the right to terminate the Plan at any time.
- 6.3 Restrictions on Amendment or Termination. No amendment or termination of the Plan shall be made which would adversely affect any Participant's benefit under this Plan (determined in accordance with the terms of the applicable Pension Plans and Supplemental Pension Plans in effect on the day immediately preceding such amendment or termination) or that would adversely affect the benefit that is being paid to any person at the time of such amendment or termination. The prohibitions of this Section 6.3 shall apply notwithstanding any legal right or ability of the Company to amend or terminate this Plan.

ARTICLE VII

MISCELLANEOUS PROVISIONS

- 7.1 No Assignment of Benefit. No benefit under the Plan, nor any other interest hereunder of any Participant or Beneficiary shall be assignable, transferable or subject to sale, mortgage, pledge, hypothecation, commutation, anticipation, garnishment, attachment, execution, or levy of any kind, and the Plan Administrator shall not recognize any attempt to assign, transfer, sell, mortgage, pledge, hypothecate, commute or anticipate the same, except to the extent required by law and except that no amount shall be payable hereunder until and unless any and all amounts representing debts or other obligations owed to the Company by the Participant with respect to whom such amount would otherwise be payable shall have been fully paid and satisfied.
- 7.2 No Implied Rights to Employment. The adoption and maintenance of this Plan shall not be deemed to constitute a contract between the Company and any employee or to be a consideration for or condition of employment of any person. No provision of the Plan shall be deemed to give any employee the right to continue in the employ of the Company or to interfere with the right of the Company to discharge any employee at any time without regard to the effect which such discharge might have upon the employee's participation in the Plan or benefits under it.
- 7.3 Unsecured General Creditor. Benefits payable under this Plan shall be general, unsecured obligations of the Company. The Company shall not be required to set aside funds for the payment of its obligations hereunder. However, the Company may, in its sole discretion, establish funds for the payment of its obligations hereunder. In such case, however, no Participant or Beneficiary shall have any title to or beneficial ownership in any assets which the Company may earmark to pay benefits hereunder. Any such funds shall remain assets of the Company and subject to the claims of its general creditors. The Plan is intended to be unfunded for tax purposes and for purposes of Title I of ERISA.
- 7.4 Employment with More than One Company. If any Participant shall be entitled to benefits under a Pension Plan on account of service with more than one business of the Company, the obligations under this Plan shall be apportioned among such Company businesses on the basis of service with each.
- 7.5 Effect of Adverse Determination. Notwithstanding any provision set forth herein, if the Internal Revenue Service determines, for any reason, that all or any portion of the amounts credited under this Plan is currently includible in the taxable income of any Participant, then the amounts so determined to be includible in income shall be distributed in a lump sum to such Participant as soon as practicable.
- 7.6 Payment of Benefits. If the Plan Administrator determines that a person entitled to receive any benefit payment is under a legal disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Plan Administrator may direct the Company to make payments to the Participant's legal representative or

to a relative or other person for the Participant's benefit, or to apply the payment for the benefit of such person in such manner as the Plan Administrator considers advisable. Any payment of a benefit in accordance with the provisions of this Section 7.6 shall be complete discharge of any liability to make such payment.

- 7.7 Effectuation of Intent. In the event it should become impossible for the Company or the Plan Administrator to perform any act required by the Plan, the Company or Plan Administrator may perform such other act as it in good faith determines will most nearly carry out the intent and purposes of the Plan.
- 7.8 Headings. The headings of Articles and Sections of this Plan are for convenience of reference only, and in case of conflict between any such headings and the text of this Plan, the text shall govern.
- 7.9 Copy of Plan. An executed copy of the Plan shall be available for inspection by any Executive or other person entitled to benefits under the Plan at reasonable times at the offices of the Company.
- 7.10 Rules of Construction. Masculine pronouns used herein shall refer to men or women or both and nouns and pronouns when stated in the singular shall include the plural and when stated in the plural shall include the singular, wherever appropriate.
- 7.11 Governing Law. This Plan and its provisions shall be construed in accordance with the laws of the State of Delaware to the extent such Delaware law is not inconsistent with the provisions of ERISA.
- 7.12 Severability. If any provision of this Plan is held invalid, the invalidity shall not affect other provisions of the Plan which can be given effect without the invalid provision, and to this end the provisions of this Plan shall be severable.
- 7.13 Expense of Administration. The reasonable expenses incident to the operation of the Plan shall be paid by the Company.
- 7.14 Successors. This Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns and each Participant and his heirs, executors, administrators and legal representatives.

HONEYWELL SUPPLEMENTAL
DEFINED BENEFIT RETIREMENT PLAN

(Amended and Restated Effective April 5, 2004)

HONEYWELL
SUPPLEMENTAL DEFINED BENEFIT RETIREMENT PLAN
(Amended and Restated Effective April 5, 2004)

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HONEYWELL
SUPPLEMENTAL DEFINED BENEFIT RETIREMENT PLAN

(Amended and Restated Effective April 5, 2004)

SECTION 1
INTRODUCTION

1.1. Preambles. Honeywell International Inc. ("Honeywell"), a Delaware corporation, maintains a tax qualified defined benefit plan known as the Honeywell Retirement Earnings Plan (the "Retirement Earnings Plan"), a successor to the Honeywell Retirement Benefit Plan. Benefits in the Retirement Earnings Plan are restricted by sections 415 and 401(a)(17) of the Internal Revenue Code, as amended (the "Code"), and by the non-recognition of certain types of compensation.

Section 3(36) and section 4(b)(5) of the Employee Retirement Income Security Act of 1974, as amended, ("ERISA") recognize and authorize the establishment of an unfunded, nonqualified plan of deferred compensation maintained by an employer solely for the purpose of providing benefits for employees in excess of the limitations on benefits imposed under section 415 of the Code. Sections 201, 301 and 401 of ERISA also recognize the creation of an unfunded, nonqualified plan maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

On April 20, 1976, Honeywell Inc. ("Honeywell Inc.") established the Honeywell Supplementary Retirement Plan for the Purpose of providing the full benefits promised to employees under the Honeywell Retirement Benefit Plan without regard to the limitation on benefits imposed by section 415 of the Code. On July 1, 1989, Honeywell Inc. established the Honeywell Supplementary Executive Retirement Plan For Compensation In Excess Of \$200,000 for the purpose of providing the full benefits promised to employees under the Honeywell Retirement Benefit Plan without regard to the limitation on compensation imposed by section 401(a)(17) of the Code. On January 1, 1985, Honeywell Inc. established the Honeywell Supplementary Retirement Plan For CECF Participants for the purpose of providing the full benefits promised to employees under the Honeywell Retirement Benefit Plan without regard to the exclusion from earnings of deferred incentive awards paid under the Honeywell Corporate Executive Compensation Plan (collectively, "the SERPs").

Each of the SERPs was amended and restated effective September 20, 1994. The SERPs were amended, completely restated and consolidated into one plan and completely superseded each Prior Plan Statement effective for persons retiring on or after January 1, 1998. The consolidated plan was designated as the Honeywell Supplemental Defined Benefit Retirement Plan (the "Plan"). Honeywell Inc. became a wholly owned subsidiary of Honeywell International Inc. on December 2, 1999 and the Plan was subsequently amended and restated December 30, 2000. The Plan is intended to be, in part, an unfunded excess benefit plan within the meaning of section 3(36) ERISA and, in part, an unfunded plan maintained primarily for the purpose of

providing deferred compensation for a select group of management or highly compensated employees as provided in sections 201(2), 301(3) and 401(a)(1) of ERISA.

1.2. Definitions. When used herein with initial capital letters, the following words have the following meanings:

1.2.1 Base Plan - the portion of the tax-qualified Honeywell Retirement Earnings Plan providing pension benefits to employees under the Honeywell Retirement Benefit Plan formula and provisions as set forth in the applicable Supplement to the Honeywell Retirement Earnings Plan as the same is existing and amended from time to time.

1.2.2. Benefit Starting Date - the date as of which a benefit is commenced in the Base Plan.

1.2.3. Committee - the Management Development and Compensation Committee of the Board of Directors of Honeywell International Inc. If no such committee exists at any relevant time, the duties allocated to such committee under this Plan shall be discharged by the Board of Directors of Honeywell or a person or committee to whom such duties may be delegated by the Board of Directors.

1.2.4. Effective Date - April 5, 2004.

1.2.5. Employer - Honeywell International Inc. and any business entity that, with the approval of Honeywell adopts the Plan.

1.2.6. Participant - an employee of the Employer who becomes a Participant in the Plan in accordance with the provisions of Section 2 (or any comparable provision of the Prior Plan Statements).

1.2.7. Plan - this excess benefit and nonqualified deferred compensation plan of the Employer established for the benefit of employees eligible to participate therein, as first set forth in the Prior Plan Statements and as amended and restated in this Plan Statement. (As used herein, "Plan" refers to the legal entity established by the Employer and not to the documents pursuant to which the Plan is maintained. Those documents are referred to herein as the "Prior Plan Statement" and the "Plan Statement.") The Plan shall be referred to as the Honeywell Supplemental Defined Benefit Retirement Plan.

1.2.8. Plan Statement - this document entitled "Honeywell Supplemental Defined Benefit Retirement Plan (Amended and Restated Effective April 5, 2004)," as adopted by Honeywell effective as of April 5, 2004, as the same may be amended from time to time thereafter.

1.2.9. Plan Year - the twelve-(12) month period ending on December 31.

1.2.10 Prior Plan Statements - the series of documents pursuant to which components of this Plan were established and operated thereafter until April 5, 2004.

1.2.11 Supplemental Savings Plan - the Supplemental Non-Qualified Savings

Plans for Highly Compensated Employees of Honeywell International Inc.
and its Subsidiaries.

1.3. Rules of Interpretation. Whenever appropriate, words used herein in the singular may be read in the plural, or words used herein in the plural may be read in the singular; the masculine may include the feminine; and the words "hereof," "herein" or "hereunder" or other similar compounds of the word "here" shall mean and refer to the entire Plan Statement and not to any particular paragraph or Section of this Plan Statement unless the context clearly indicates to the contrary. The titles given to the various Sections of this Plan Statement are inserted for convenience of reference only and are not part of this Plan Statement, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof. Any reference in this Plan Statement to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation. This instrument has been executed and delivered in the State of New Jersey and has been drawn in conformity to the laws of that State and shall, except to the extent that federal law is controlling and except for its law respecting choice of law, be construed and enforced in accordance with the laws of the State of New Jersey.

SECTION 2
ELIGIBILITY AND PARTICIPATION

2.1. Participation. An employee is eligible to participate in and receive benefits under this Plan if the employee satisfies the requirements of either Section 2.1.1 or Section 2.1.2:

2.1.1. General Participation Requirements. The employee (a) (i) is eligible to commence a normal or early retirement benefit under the Base Plan when employment terminates, (ii) dies while still actively employed by Honeywell with a vested benefit in the Base Plan, (iii) has been granted a vested benefit in this Plan, or (iv) has been specifically selected by the Committee to participate in this Plan; and

(b) has a benefit in the Base Plan that is reduced on account of (i) the benefit limitation under section 415 of the Code or (ii) the compensation limitation under section 401(a)(17) of the Code, or (iii) the provision in the Base Plan excluding from earnings (A) any deferred incentive awards paid under the Honeywell Corporate Executive Compensation Plan, the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees, or the Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates (or any successor plans), or (B) any deferrals by the employee under the Supplemental Savings Plan.

2.1.2. Minimum Benefit Participation Requirements. The employee fails to satisfy the general participation requirements of Section 2.1.1 and has a benefit in the Base Plan that, after excluding from earnings any deferred incentive awards paid under the Honeywell Corporate Executive Compensation Plan, the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees, or the Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates (or any successor plans) and application of the benefit limitation under section 415 of the Code and the compensation limitation of section 401(a)(17) of the Code, is reduced solely on account of the exclusion under the Base Plan of any deferrals by the employee under the Supplemental Savings Plan.

2.2. Exclusions. The following employees shall be excluded from participation in the Plan:

2.2.1 Non-Members of a Select Group of Management or Highly Compensated Employees. Notwithstanding anything to the contrary in this Plan or in any written communication, summary, resolution or document or oral communication, unless an individual is a member of a select group of management or highly compensated employees (as that expression is used in ERISA), the individual shall not be a Participant in this Plan, develop benefits under this Plan or be entitled to receive benefits under this Plan (either for the Participant or the Participant's survivors) except to the extent that the individual's benefits in Base Plan are reduced on account of Code section 415 limits.

If a court of competent jurisdiction, any representative of the U.S. Department of Labor or any other governmental, regulatory or similar body makes any direct or

indirect, formal or informal, determination that an individual is not a member of a select group of management or highly compensated employees (as that expression is used in ERISA), such individual shall not be (and shall not have ever been) a Participant in this Plan at any time except to the extent that the individual's benefits in Base Plan are reduced on account of Code section 415 limits. If any person not so defined has been erroneously treated as a Participant in this Plan, upon discovery of such error such person's erroneous participation shall immediately terminate ab initio and upon demand such person shall be obligated to reimburse Honeywell for all amounts erroneously paid to him or her.

2.2.2 Participants in the Honeywell International Inc. Supplemental Pension Plan or Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above. An employee entitled to a supplemental benefit under the Honeywell International Inc. Supplemental Pension Plan or the Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above shall not be a Participant in this Plan and shall not be entitled to any benefit under this Plan.

2.3. Duration. Any employee who has become a Participant in this Plan shall continue as a Participant until all benefits due under this Plan have been paid (or forfeited) without regard to whether he or she continues as a participant in the Base Plan.

SECTION 3
BENEFITS

3.1. Participant Benefits.

3.1.1 Basic Benefit. Commencing as of the Benefit Starting Date a Participant satisfying the participation requirements of Section 2.1.1 shall receive a benefit in this Plan which shall be the excess, if any, of:

- (a) the amount that would be payable under the formula and rules of the Base Plan (as the Base Plan exists on the date as of which such amount is determined) if determined:
 - (i) without regard to the benefit limitation under section 415 of the Code, and
 - (ii) without regard to the compensation limitation under section 401(a)(17) of the Code, and
 - (iii) without regard to the exclusion from the definition of Earnings under the Base Plan of deferred incentive payments under Honeywell Corporate Executive Compensation Plan, the AlliedSignal Inc. Incentive Compensation Plan For Executive Employees, or the Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates (or any successor plans) or employee deferrals under the Supplemental Savings Plan, over
- (b) the amount actually paid from the Base Plan.

3.1.2 Minimum Benefit. A Participant who only satisfies the participation requirements of Section 2.1.2 shall receive a benefit in this Plan commencing as of the Benefit Commencement Date which shall be the excess, if any, of:

- (a) the amount that would be payable under the formula and rules of the Base Plan (as the Base Plan exists on the date as of which such amount is determined, including, without limitation, the provisions excluding from earnings any deferred incentive awards paid under the Honeywell Corporate Executive Compensation Plan, the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees, the Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates (or any successor plans), and the application of the benefit limitation under section 415 of the Code and the compensation limitation of section 401(a)(17) of the Code) if determined without regard to the exclusion from the definition of Earnings under the Base Plan of any deferrals by the Participant under the Supplemental Savings Plan, over

(b) the amount actually paid from the Base Plan.

3.1.3 Limitation on Benefits. A Participant's benefit in this Plan may be limited in the manner and to the extent to which the Participant has agreed in writing. A Participant satisfying the eligibility requirements of the Honeywell International Inc. Supplemental Pension Plan or the Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above shall not be eligible for any benefits under this Plan.

3.2. Survivor Benefit

3.2.1. Death Before Benefits Commence. If a Participant dies before the commencement of benefit payments from this Plan, satisfies the eligibility requirements of Section 2.1.1 or 2.1.2 on the date of death, and is eligible for a pre-retirement survivor benefit in the Base Plan, a benefit shall be payable to the Participant's survivor commencing as of the last day of the month of the Participant's death or, if later, the last day of the month of the Participant's earliest Benefit Starting Date. The survivor shall be the individual, if any, that is entitled to the preretirement survivor benefit in the Base Plan. The benefit shall be the amount the survivor would have received under this Plan if the Participant had terminated employment on the day before death, had commenced benefit payments on the last day of the month of death or, if later, the last day of the month of the Participant's earliest Benefit Starting Date in the same form as the preretirement survivor benefit that is payable under the Base Plan, and had died immediately thereafter.

3.2.2. Death After Benefits Commence. If a Participant dies after the commencement of benefit payments from this Plan, the benefit payable shall be unpaid installments of annuity, if any, which are to be continued for a joint annuitant or beneficiary under the form of payment elected by the Participant under Section 4.

3.3. Special 1993 Vesting. As specified in the Prior Plan Statement, accrued benefits were determined and vested for certain employees as of specified dates in 1993 and, to the extent a vested benefit was attributable to service after December 31, 1983, but before January 1, 1994, the present value of that benefit was treated as "wages" for such employee for purposes of the Federal Insurance Contribution Act (FICA) and the Federal Unemployment Act (FUTA). The amount of the vested benefit of individuals who were named in the Prior Plan Statement and have not commenced benefits in the Plan as of the Effective Date are specified on Table II.

SECTION 4
DISTRIBUTIONS

4.1. Forms of Payment. Except as provided in Section 4.2 below, the payment forms available to a Participant shall be a 100% Joint and Survivor Annuity, a 50% Joint and Survivor Annuity, a Single Life Annuity, and a 10 Year Period Certain and Life Annuity, as those payment forms are defined in the Base Plan, with the designation of joint annuitant or beneficiary that is effective for the Participant in the Base Plan. The Participant's election of a payment form and designation of a joint annuitant or beneficiary shall be made in the form and manner prescribed by the Committee and may be revoked by the Participant at any time prior to the Benefit Starting Date. A Participant who is married on the Benefit Starting Date must obtain the written consent of the Participant's spouse in the form and manner prescribed by the Committee to the election of any form other than a 100% Joint and Survivor Annuity with the Participant's spouse designated as the joint annuitant.

4.2. Lump Sum Payment.

4.2.1. Election and Amount. A Participant may receive payment of benefits in the form of a single lump sum if the Participant makes an irrevocable election in the form and manner prescribed by the Committee. If the Participant is married when the election is made, the Participant's spouse must consent to the election in writing and acknowledge the effect of such election. An election shall not be considered made until it is actually received by the Committee and unless such actual receipt occurs prior to the Participant's death. The amount of the lump sum payment shall be the present value of the Participant's benefit determined under Section 3.1 using the interest rate and mortality assumptions set forth in Table I and if the election is made less than thirteen (13) months before the Participant's termination of employment for reasons other than death, the lump sum payment shall be reduced by 10% which shall be forfeited.

4.2.2. Death Within 13 Month Period. If a Participant dies less than thirteen (13) months after making an election to receive a lump sum payment, payment to the Participant's survivor shall be made in the form of a single lump sum. The amount of the lump sum payment shall be the present value of the survivor's benefit determined under Section 3.2.1 using the interest rate and mortality assumptions set forth in Table I.

4.2.3. Acceleration of Benefits with Forfeiture. A Participant, survivor, joint annuitant or beneficiary who is receiving benefit payments under this Plan may at any time elect to receive the remaining benefit in a lump sum payment. The amount of the lump sum shall be the present value of the remaining benefit determined as of the last day of the month in which the election is received by the Committee using the interest rate and mortality assumptions set forth on Table I less 10% which shall be forfeited.

4.3. Timing. Actual distribution of benefits from the Plan shall begin on or as soon as administratively feasible after the last day of the month in which the Benefit Starting Date occurs; provided however that lump sum payments pursuant to an election under

Section 4.2.3 shall be made on or as soon as administratively feasible after the last day of the month following the month in which the request to accelerate benefits is received by the Committee, and lump sum payments pursuant to Section 6.1 shall be made as soon as administratively feasible after the Plan termination.

4.4. Change in Control.

4.4.1. Immediate Vesting. In the event of a Change in Control as defined in this Section, each employee who satisfies the eligibility requirements of Section 2.1.1 on the day before the Change in Control shall be immediately and fully vested in the benefit that would have been payable if the employee had terminated employment on the day before the Change in Control and in any additional benefit the employee accrues in this Plan following the Change in Control.

4.4.2. Definition. For all purposes of this Plan, a "Change in Control" shall have occurred if:

(a) any "person" as such term is used in section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than Honeywell, any subsidiary of Honeywell, any "person" (as herein defined) acting on behalf of Honeywell as underwriter pursuant to an offering who is temporarily holding securities in connection with such offering, any trustee or other fiduciary holding securities under an employee benefit plan of Honeywell or any corporation owned, directly or indirectly, by the stockholders of Honeywell in substantially the same proportions as their ownership of stock of Honeywell), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, or securities of Honeywell Inc. representing thirty percent (30%) or more of the combined voting power of Honeywell's then outstanding securities;

(b) during any period of not more than two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board of Directors of Honeywell, and any new director (other than a director designated by a "person" who has entered into an agreement with Honeywell to effect a transaction described in Section 4.4.2 (a), (c) or (d)) whose election by the Board of Directors of Honeywell or nomination for election by Honeywell Inc.'s stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(c) the stockholders of Honeywell approve a merger or consolidation of Honeywell with any other corporation, other than (i) a merger or consolidate which would result in the voting securities of Honeywell outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting

power of the voting securities of Honeywell or such surviving entity outstanding immediately after such merger or consolidation; or (ii) a merger or consolidation effected to implement a capitalization of Honeywell (or similar transaction) in which no "person" (as hereinabove defined) acquires more than thirty percent (30%) of the combined voting power of Honeywell's then outstanding securities; or

(d) the stockholders of Honeywell approve a plan of complete liquidation of Honeywell or an agreement for the sale or disposition of all or substantially all of Honeywell's assets (or any transaction having a similar effect).

4.5. Taxes. All taxes which may be due with respect to any payments or benefits under this Plan are the obligation of the Participant and not the obligation of the Employer. Notwithstanding any provision in this Plan to the contrary, if all or a portion of a benefit in this Plan is determined to be includable in an individual's gross income and subject to income tax at any time prior to the time such benefit would otherwise be paid, that benefit or that portion of a benefit shall be distributed to the individual. For this purpose, an amount is determined to be includable in an individual's gross income upon the earliest of: (a) a final determination by the Internal Revenue Service addressed to the individual which is not appealed, (b) a final determination of by the United States Tax Court or any other federal court affirming an IRS determination, or (c) an opinion addressed to Honeywell by the tax counsel for Honeywell that, by reason of the Code, Treasury Regulations, published IRS rulings, court decisions or other substantial precedent, the amount is subject to federal income tax prior to payment.

4.6. Incompetency. When the Committee determines that an individual to whom benefits are payable is unable to manage his or her financial affairs, the Committee may pay such individual's benefits to a duly appointed conservator or other legal representative of such individual or, if no prior claim has been made by such a conservator or legal representative, to a person or institution entrusted with the care or maintenance of the incompetent or disabled individual if the Committee is satisfied that the payments will be used for the best interest of such individual. Any payment made in accordance with this Section shall constitute a complete discharge or any liability or obligation of the Employer and Plan.

SECTION 5
GENERAL MATTERS

5.1. Funding. All benefits under this Plan shall be paid exclusively from the general assets of Honeywell. No fund or trust shall be established apart from the general assets of Honeywell for the purpose of this Plan and no assets or property shall be segregated, pledged or set apart from the general assets of Honeywell for the purposes of funding this Plan. Any person entitled to benefits under this Plan shall be a general, unsecured creditor of Honeywell. The foregoing shall not preclude the establishment by Honeywell of a "rabbi trust".

Notwithstanding the preceding paragraph, the Committee is authorized (but not required) to cause Honeywell to fund all or a part of the benefits for such Participant or Participants as it may select in its sole discretion from time to time. The Committee is authorized to select, appoint and remove trustees, to enter into, amend and terminate trust agreements, to create trust funds, to cause Honeywell to make contributions to such trust funds in such amounts as the Committee may determine from time to time and to take all other actions that it may determine to be necessary or helpful in implementing the funding.

5.2. Status of Participant. A Participant shall have no right, title, or interest in or to any investments which Honeywell may make to aid it in meeting the obligations of this Plan. Nothing contained in this Plan, and no action taken pursuant to its provisions shall create or be construed to create a trust of any kind, or a fiduciary relationship between Honeywell and a Participant or any beneficiary. To the extent that any person acquires a right to receive payments from Honeywell, such right shall be no greater than the right of an unsecured creditor.

5.3. Spendthrift Provision. No Participant, surviving spouse, joint annuitant or beneficiary shall have the power to transmit, assign, alienate, dispose of, pledge or encumber any benefit payable under this Plan before its actual payment to such person. Honeywell shall not recognize any such effort to convey any interest under this Plan. No benefit payable under this Plan shall be subject to attachment, garnishment, execution following judgment or other legal process before actual payment to such person.

5.4. No Employment Contract. This Plan shall not give any employee the right to be retained in the employment of the Employer, shall not enlarge or diminish any person's employment rights or rights or obligations under the Base Plan, and shall not affect the right of the Employer to deal with any employees or participants in employment respects, including, without limitation, their hiring, discharge, compensation, and conditions of employment.

SECTION 6
AMENDMENT AND TERMINATION

6.1. Amendment. The Committee (or its delegate) shall have the right to amend or terminate the Plan at any time, for any reason and without notice to any affected person; provided, however, that, except with respect to automatic lump sum payments and interest rate assumptions or as otherwise agreed to by the Participant, the Plan may not be amended in any manner that would adversely affect the benefit which would have been payable to an employee if the employee had terminated employment on the day before the amendment or that would reduce the benefit that is being paid to any person at the time of the amendment. If this Plan is terminated, each employee who satisfies the eligibility requirements of Section 2 on the date the Plan is terminated and each Participant, joint annuitant or beneficiary who is receiving benefits under this Plan shall receive a lump sum payment of the accrued benefit or remaining benefit, as applicable, in this Plan as soon as administratively feasible after such Plan termination. The lump sum shall be the present value of the person's accrued benefit or remaining benefit as of the date the Plan is terminated using the interest rate and mortality assumptions set forth in Table I.

6.2. Change in Control. Notwithstanding Section 6.1, for a period that begins on the date of a Change in Control (as defined in Section 4) and ends on the last day of the thirty-sixth month that begins after the month in which the Change in Control occurs, the Plan may not be terminated or amended in any manner whatsoever that would adversely affect the amount and form of benefits payable under this Plan to an employee without the employee's consent.

6.3. Amendments to Base Plan. It is specifically contemplated that the Base Plan will, from time to time, be amended and possibly terminated. All such amendments and termination shall be given effect under this Plan as it is expressly intended that this Plan shall not be restricted by the provisions of the Base Plan as they exist on the Effective Date but shall be controlled by the provisions of the Base Plan as of the date a benefit is determined under this Plan.

SECTION 7
DETERMINATIONS AND CLAIMS

7.1. Determinations. The Committee or any person to whom such authority has been delegated pursuant to Section 8 shall interpret and administer the terms and conditions of the Plan, decide all questions concerning the eligibility of any persons to participate in the Plan, grant or deny benefits under the Plan, construe any ambiguous provision of the Plan, correct any defect, supply any omission, or reconcile any inconsistency as the Committee or its delegatee, in its sole discretion, may determine. The determinations of the Committee or any authorized person shall, subject only to the Plan's claims procedures, be final and binding on all persons.

7.2. Claims Procedure.

7.2.1. Original Claim. Any employee, former employee, joint or contingent annuitant or beneficiary of the Participant may file with the Committee a written claim for benefits under this Plan. Within sixty (60) days after the filing of such a claim, the Committee shall notify the claimant in writing whether his claim is upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred twenty days from the date the claim was filed) to reach a decision on the claim. If the claim is denied in whole or in part, the Committee shall state in writing:

- (a) the specific reasons for the denial;
- (b) the specific references to the pertinent provisions of this Plan on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claims review procedure set forth in this section.

7.2.2. Claims Review Procedure. Within sixty (60) days after receipt of notice that his or her claim has been denied in whole or in part, the claimant may file with the Committee a written request for a review and may, in conjunction therewith, submit written issues and comments. Within sixty (60) days after the filing of such a request for review, the Committee shall notify the claimant in writing whether, upon review, the claim was upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred twenty days from the date the request for review was filed) to reach a decision on the request for review.

7.2.3. General Rules.

(a) No inquiry or question shall be deemed to be a claim or a request for a review of a denied claim unless made in accordance with the claims procedure. The Committee may require that any claim for benefits and any request for a review of a denied claim be filed on forms to be furnished by the Committee upon request.

(b) All decision on claims and on requests for a review of denied claims shall be made by the Committee.

(c) The Committee may, in its discretion, hold one or more hearings on a claim or a request for a review of a denied claim.

(d) Claimants may be represented by a lawyer or other representative (at their own expense), but the Committee reserves the right to require the claimant to furnish written authorization. A claimant's representative shall be entitled to receive copies of notices sent to the claimant.

(e) The decision of the Committee on a claim and on a request for a review of a denied claim shall be served on the claimant in writing.

(f) Prior to filing a claim or a request for a review of a denied claim, the claimant or his representative shall have a reasonable opportunity to review a copy of this Plan statement and all other pertinent documents in the possession of Honeywell and the Committee.

SECTION 8
PLAN ADMINISTRATION

8.1. Employer. Functions generally assigned to the Employer shall be discharged by the officers of Honeywell or delegated and allocated as provided herein. Honeywell may by action of the Committee, delegate or re-delegate and allocate and reallocate to one or more persons or to a committee of persons jointly or severally, and whether or not such persons are directors, officers or employees, such functions assigned to the Employer hereunder as it may from time to time deem advisable.

8.2. Committee. The general administration and operation of this Plan shall be by the Committee, which shall consist of such members as may be determined and appointed from time to time by the Honeywell's Board of Directors, and who shall serve at the pleasure of the Board of Directors. The Committee may delegate or re-delegate to one or more persons, jointly or severally, and whether or not such persons are members of the Committee or employees of Honeywell, such functions assigned to the Committee hereunder as it may from time to time deem advisable.

8.3. Method of Executing Instruments. Information to be supplied or written notices to be made or consents to be given by the Employer or the Committee, as applicable, pursuant to any provision of this Plan may be signed in the name of the Employer or the Committee by any officer or by any employee or any member of any committee who has been authorized to make such certification and to give such notices or consents.

8.4. Conflict of Interest. If any officer or employee of Honeywell, any member of the Board of Directors of Honeywell or any member of the Committee to whom authority has been delegated or re-delegated hereunder shall also be a Participant in this Plan, he or she shall have no authority as such officer, employee or member with respect to any matter specially affecting his or her individual interest hereunder (as distinguished from the interests of all Participants and or a broad class of Participants), all such authority being reserved exclusively to the other officers, employees or members, as the case may be, to the exclusion of such Participant, and such Participant shall act only in his or her individual capacity in connection with any such matter.

8.5. Plan Administrator. The Committee shall be the administrator for purposes of section 3(16)(A) of ERISA.

8.6. Construction. This Plan is intended to be a nonqualified deferred compensation arrangement. The rules of section 401(a) et. seq. of the Code shall not apply to this Plan. This plan is adopted with the understanding that it is in part an unfunded excess benefit plan within the meaning of section 3(36) ERISA and is in part an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly

compensated employees as provided in sections 201(2), 301(3) and 401(a)(1) of ERISA. Each provision hereof shall be interpreted and administered accordingly. This Plan shall not provide any benefits with respect to any defined contribution plan. This Plan shall be construed to prevent the duplication of benefits provided under any other plan or arrangement, whether qualified or nonqualified, funded or unfunded, to the extent that such other benefits are provided directly or indirectly by Honeywell.

TABLE I

ACTUARIAL ASSUMPTIONS FOR LUMP SUM PAYMENTS

Interest: 8 1/2% per annum discount rate

Mortality: 1983 Group Annuity Mortality Table for Healthy Males

TABLE II

VESTED ACCRUED BENEFITS

For purposes of Section 3.3, the accrued benefits of the following individuals are vested to the extent shown below:

NAME -----	LIFE ANNUITY -----
Bonsignore, Michael R.	\$12,338.72 per month payable at age 66
Rosso, Jean Pierre P.	\$ 2,771.88 per month payable at age 66

HONEYWELL INTERNATIONAL INC.
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 Six Months Ended June 30, 2004
 (Dollars in millions)

Determination of Earnings:	
Income before taxes	\$ 928
Add (Deduct):	
Amortization of capitalized interest	12
Fixed charges	219
Equity income, net of distributions	(24)

Total earnings, as defined	\$1,135
	=====
Fixed Charges:	
Rents(a)	\$ 53
Interest and other financial charges	166

	219
Capitalized interest	9

Total fixed charges	\$ 228
	=====
Ratio of earnings to fixed charges	4.98
	=====

 (a) Denotes the equivalent of an appropriate portion of rentals representative of the interest factor on all rentals other than for capitalized leases.

August 2, 2004

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

Commissioners:

We are aware that our report dated July 30, 2004 on our review of interim financial information of Honeywell International Inc. (the "Company") as of and for the period ended June 30, 2004 and included in the Company's quarterly report on Form 10-Q for the quarter then ended is incorporated by reference in its Registration Statements on Form S-8 (Nos. 33-09896, 33-51455, 33-55410, 33-58347, 333-57515, 333-57517, 333-57519, 333-83511, 333-34764, 333-49280, 333-57868, 333-91582, 333-91736, 333-105065 and 333-108461), and Form S-3 (Nos. 33-14071, 33-55425, 333-22355, 333-49455, 333-68847, 333-74075, 333-34760, 333-86874 and 333-101455), and on Form S-4 (No. 333-82049).

Very truly yours,

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David M. Cote, Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Honeywell International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2004

By: /s/ David M. Cote

David M. Cote
Chief Executive Officer

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David J. Anderson, Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Honeywell International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2004

By: /s/ David J. Anderson

David J. Anderson
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Honeywell International Inc. (the Company) on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David M. Cote, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David M. Cote

David M. Cote
Chief Executive Officer
August 2, 2004

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Honeywell International Inc. (the Company) on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David J. Anderson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David J. Anderson

David J. Anderson
Chief Financial Officer
August 2, 2004