Forward Looking Statements

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

• Building Performance Track Record

• Businesses Well Positioned

• Aerospace – Positive Long Term Outlook

• 2006 – On Track For Record Performance
## Value Drivers

<table>
<thead>
<tr>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ +5% Organic Sales Growth</td>
<td>✓ Disciplined Capital Allocation</td>
</tr>
<tr>
<td>✓ Margin Expansion</td>
<td>✓ Portfolio For Growth</td>
</tr>
<tr>
<td>✓ Double Digit EPS Growth</td>
<td>✓ Setting/Meeting Expectations</td>
</tr>
<tr>
<td>✓ 100% Cash Conversion</td>
<td>✓ World Class Leadership Team</td>
</tr>
<tr>
<td>✓ Expanding ROI</td>
<td>✓ Continuous Improvement</td>
</tr>
</tbody>
</table>
2003 – 2006 Financials

Sales

10% CAGR

EPS

18% CAGR

Free Cash Flow

14% CAGR

ROI (1)

+3.0 Points

(1) ROI calculated as NIBI (net income plus after-tax interest) divided by Invested Capital (2 point average of the sum of the book value of equity and total debt).

Building Track Record Of Results
**Cash Deployment**

### Business Investment

- Capex ($M)
- Reinvestment

### Dividends

- Dividend/Share

- Dividend Yield ~ 2.4%

### Acquisitions

- Process Completely Redesigned
  - 39 Acquisitions / 21 Divestitures
  - Over $3.0B Cash Deployed
- 36 acquisitions ahead of HON model

### Repurchases

- Repurchases Total $2.7B Last 2 Years
  - $1.1B in 2005
  - $0.8B through 2Q 2006
- Shares Outstanding Reduced by 5%
  - From 862M to 819M Shares

**Disciplined And Balanced**
Portfolio Overview

Aerospace 35%  Automation & Control 35%
Specialty Materials 15%  Transportation 15%

$31B In Sales In 2006

*Pie Chart calculated using 2006E Sales
Automation And Control Solutions – $11.0B

**Macro Trends**
- Safety and Security Concerns
- Energy Efficiency – Homes/Buildings
- Technology Content Increasing
- Global Infrastructure Needs

**Honeywell Position**
- Strong Channels / Brands
- Upgraded Technology / Sales & Marketing
- Significant Installed Base
- Expanded Geographic Scope

**Verticals**
- Homes
- Industrial
- Buildings

**Sales**
- 2003
- 2004
- 2005
- 2006E

14% CAGR

*Momentum Building In Strengthened Portfolio*
Transportation Systems – $4.5B

**Macro Trends**
- Tougher Emissions Regulations
- Need for Fuel Economy / Efficiency
- Growth in Turbo Boosting
- Increased Auto Ownership in Emerging Regions

**Honeywell Position**
- Technology Leadership / Differentiation
- Global Presence
- Productivity / Cost Focus
- Channel / Brand Leadership

**Global Mix**
- Americas 42%
- Europe 47%
- Asia 11%

**Sales**
- 2003: $3.5B
- 2004: $3.8B
- 2005: $4.0B
- 2006E: $4.5B
- 7% CAGR

Technology Leader In Long-term Growth Segment
Specialty Materials – $4.5B

**Macro Trends**
- Strong Growth in Energy Demand / Refining Needs
- Increased Environmental Regulations
- Safety and Security
- Energy Efficiency

**Honeywell Position**
- Established Leader in Process, Catalyst, Adsorbent Technologies
- HFC Leader Serving HVAC Industry
- Spectra Fiber Armor Applications
- 2/3 Resins and Chemicals Insulated from Raws

**Segments**
- UOP $1.4B
- Specialty Products $1.1B
- Fluorines $0.9B
- Resins & Chemicals $1.1B

**Sales**
- 2003
- 2004
- 2005
- 2006E

Transformed To Strong, Differentiated Positions
Aerospace – $11.0B

Macro Trends
- Increasing Commercial Air Travel
- Capacity / Efficiency Needs Drive OEM Builds
- Safety Continues as Top Concern
- Defense Budget Stable / Shrinking

Honeywell Position
- Significant Installed Base
- Tremendous Breadth / Depth of Technologies and Products
- Customer Focused and Cost Effective
- Broad Based Defense Supplier

Product Mix
- Mechanical 55%
- Electronics 45%

Sales
- 8% CAGR

Strong Franchise With Great Future
Aerospace Outlook

Air Transport & Regional

2006E Sales $4.2B

Drivers/Priorities

- MRO / Spares
- Narrow Body
- Safety Systems

Business & General Aviation

$2.4B

- Avionics
- Engines
- Aftermarket

Defense & Space

$4.4B

- Helicopters
- Total Logistics
- Precision Strike

Composition

Broad Portfolio In Growing Segments
Air Transport & Regional

**Strategic Priorities**

- Successful Launch A380, 787
- New Narrow Bodies
  - 737-RS
  - Airbus NSR
- A350XWB
- Preserve / Grow Aftermarket (MRO, spares)
  - Flying Hours +5%
- Safety Mandates

**Delivery Growth, New Business Opportunities, Aftermarket Momentum**
HON Well Positioned In High Growth Segments

(Honeywell’s 14th Annual Industry Outlook, November 2005) $156B in New Deliveries

AM (excluding mandates): Rapid expansion (7% CAGR)

Strategic Priorities

- New Platforms
- Aftermarket Growth
  - Maintain industry leading aftermarket service programs
- Safety Mandates
- Civil Helos
Defense & Space

Platform Breadth

- **Aircraft**
  60+ platforms

- **Helicopters**
  20+ platforms

- **Surface Vehicles**
  10+ platforms

- **Missile Systems**
  40+ systems

- **Space**
  40+ programs

Installed Base: 25,000+ Vehicles Worldwide*

*Excludes missiles & missile systems

Comprehensive Product & Service Offerings

Including:
- Propulsion Systems
- Engine Systems and Accessories
- Landing Systems
- Power Systems
- Avionics & Electronics
- Services
- Space Systems

Wide Range of Customers

- Boeing
- Northrop Grumman
- U.S. Army
- U.S. Air Force
- General Dynamics
- Thales
- BAE Systems
- Lockheed Martin

8th Largest Defense Supplier
US Defense Budgets

**Strategic Priorities**
- Global War on Terror
  - Helicopters
  - Total Logistics
- Precision Strike
  - Navigation
  - Sensors
- Information Superiority
  - FCS
  - UAV
- International Growth

**QDR And FY07 Budget Requests Match Strengths**

## 1H Financials

<table>
<thead>
<tr>
<th></th>
<th>1H05</th>
<th>1H06</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>$13,477</td>
<td>$15,139</td>
<td>• 12% Growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>➢ 7% Acq./Div.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>➢ 5% Organic</td>
</tr>
<tr>
<td><strong>Segment Profit</strong></td>
<td>$1,595</td>
<td>$1,954</td>
<td>• 23% Growth</td>
</tr>
<tr>
<td><strong>Margin %</strong></td>
<td>11.8%</td>
<td>12.9%</td>
<td>• +110 bps</td>
</tr>
<tr>
<td><strong>EPS, Reported</strong></td>
<td>$0.78</td>
<td>$1.15</td>
<td>• 47% Growth</td>
</tr>
<tr>
<td><strong>EPS, Adjusted (1)</strong></td>
<td>$0.93</td>
<td>$1.19</td>
<td>• 28% Growth</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>$604</td>
<td>$903</td>
<td>• Up 50%</td>
</tr>
</tbody>
</table>

(1) Reflects 1H05 tax charge for cash repatriation ($0.18) and Income from Discontinued Operations ($0.03), as well as 1H06 FAS 123R stock option expense ($0.04)
## 2006 Financial Summary

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

**Significant Growth On All Fronts**
Honeywell Summary

- Macro Trends Support Business Growth

- Organic Growth and Margin Expansion Focus
  - ACS – Global Expansion, New Products / Customers
  - TS – Program Wins, New Markets / Technologies
  - SM – UOP, Strong Cycle
  - AERO – Program Wins, Breadth / Depth of Technologies

- Strong Financial Performance and Cash Generation
Honeywell
Appendix
Reconciliation of non-GAAP Measures to GAAP Measures
## Reconciliation of Free Cash Flow to Cash Provided by Operating Activities and Calculation of Cash Flow Conversion

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Provided by Operating Activities</strong></td>
<td>$2,199</td>
<td>$2,253</td>
</tr>
<tr>
<td>Expenditures for Property, Plant and Equipment</td>
<td>(655)</td>
<td>(629)</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>1,544</td>
<td>1,624</td>
</tr>
<tr>
<td><strong>Cash Provided by Operating Activities</strong></td>
<td>$2,199</td>
<td>$2,253</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>1,289</td>
<td>1,246</td>
</tr>
<tr>
<td><strong>Operating Cash Flow Conversion %</strong></td>
<td>171%</td>
<td>181%</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>$1,544</td>
<td>$1,624</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>1,289</td>
<td>1,246</td>
</tr>
<tr>
<td><strong>Free Cash Flow Conversion %</strong></td>
<td>120%</td>
<td>130%</td>
</tr>
</tbody>
</table>
## Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin

<table>
<thead>
<tr>
<th></th>
<th>1H05</th>
<th>1H06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$13,477</td>
<td>$15,139</td>
</tr>
<tr>
<td>Cost of Products and Services Sold</td>
<td>(10,585)</td>
<td>(11,627)</td>
</tr>
<tr>
<td>Selling, General and Administrative Expenses</td>
<td>(1,789)</td>
<td>(2,088)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$1,103</td>
<td>$1,424</td>
</tr>
<tr>
<td>FAS 123R, Stock Option Expense</td>
<td>$0</td>
<td>$41</td>
</tr>
<tr>
<td>Repositioning and Other Charges</td>
<td>210</td>
<td>245</td>
</tr>
<tr>
<td>Pension and OPEB Expense</td>
<td>282</td>
<td>244</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>$1,595</td>
<td>$1,954</td>
</tr>
<tr>
<td>Operating Income Margin %</td>
<td>8.2%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Segment Profit Margin %</td>
<td>11.8%</td>
<td>12.9%</td>
</tr>
</tbody>
</table>

(1) Included in costs of products and services sold and selling, general and administrative expenses.
Reconciliation of Free Cash Flow to Cash Provided by Operating Activities and Calculation of Cash Flow Conversion

<table>
<thead>
<tr>
<th></th>
<th>1H05</th>
<th>1H06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$898</td>
<td>$1,174</td>
</tr>
<tr>
<td>Expenditures for Property, Plant and Equipment</td>
<td>(294)</td>
<td>(271)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>604</td>
<td>903</td>
</tr>
<tr>
<td>Cash Provided by Operating Activities (SM)</td>
<td>$898</td>
<td>$1,174</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>660</td>
<td>957</td>
</tr>
<tr>
<td>Operating Cash Flow Conversion %</td>
<td>136%</td>
<td>123%</td>
</tr>
<tr>
<td>Free Cash Flow (SM)</td>
<td>$604</td>
<td>$903</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>660</td>
<td>957</td>
</tr>
<tr>
<td>Free Cash Flow Conversion %</td>
<td>92%</td>
<td>94%</td>
</tr>
</tbody>
</table>
## Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin

### Honeywell

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>$27.6</td>
<td>$31.0</td>
</tr>
<tr>
<td><strong>Cost of Products and Services Sold</strong></td>
<td>(21.5)</td>
<td>(23.9)</td>
</tr>
<tr>
<td><strong>Selling, General and Administrative Expenses</strong></td>
<td>(3.7)</td>
<td>(4.0)</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>$2.4</td>
<td>$3.1</td>
</tr>
<tr>
<td><strong>FAS 123R, Stock Option Expense</strong>&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Repositioning and Other Charges</strong>&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Pension and OPEB Expense</strong>&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Segment Profit</strong></td>
<td>$3.4</td>
<td>$4.1</td>
</tr>
</tbody>
</table>

\[
\text{Operating Income Margin} = \frac{\text{Operating Income}}{\text{Sales}}
\]

\[
\text{Segment Profit Margin} = \frac{\text{Segment Profit}}{\text{Sales}}
\]

### Notes

1. Included in costs of products and services sold and selling, general and administrative expenses
<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$2,442</td>
<td>$2,900 - 3,100</td>
</tr>
<tr>
<td>Expenditures for Property, Plant and Equipment</td>
<td>(684)</td>
<td>(800)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$1,758</td>
<td>$2,100 - 2,300</td>
</tr>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$2,442</td>
<td>$2,900 - 3,100</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>$1,638</td>
<td>$2,050 - 2,100</td>
</tr>
<tr>
<td>Operating Cash Flow Conversion %</td>
<td>149%</td>
<td>+135%</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$1,758</td>
<td>$2,100 - 2,300</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>$1,638</td>
<td>$2,050 - 2,100</td>
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