

Bank of America Investment Conference

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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.

- **Macro Trends Support Business Growth**
- **Organic Growth and Margin Expansion Focus**
 - **AERO – Program Wins, Breadth / Depth of Technologies**
 - **ACS – Global Expansion, New Products / Customers**
 - **TS – Program Wins, New Markets / Technologies**
 - **SM – UOP, Strong Cycle**
- **Strong Financial Performance and Cash Generation**

Aerospace – \$11.0B

Honeywell

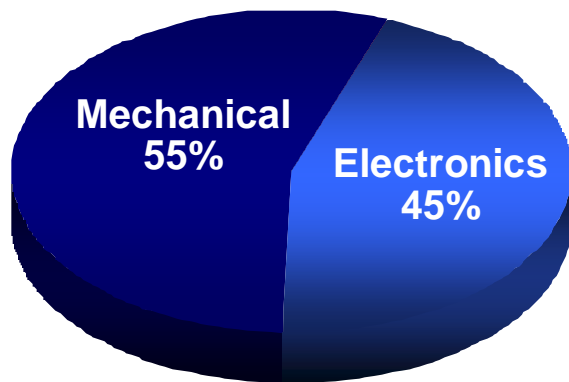
Macro Trends

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

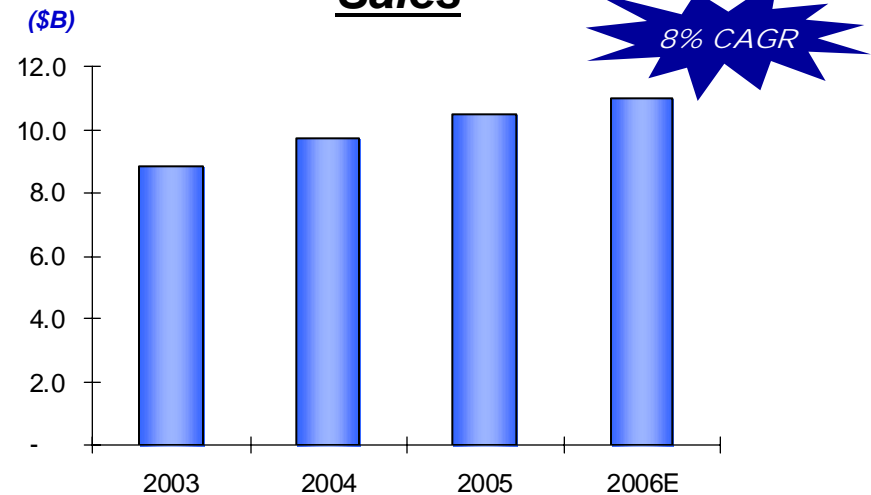
Honeywell Position

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

Product Mix



Sales



Strong Franchise With Great Future

Automation And Control Solutions – \$11.0B **Honeywell**

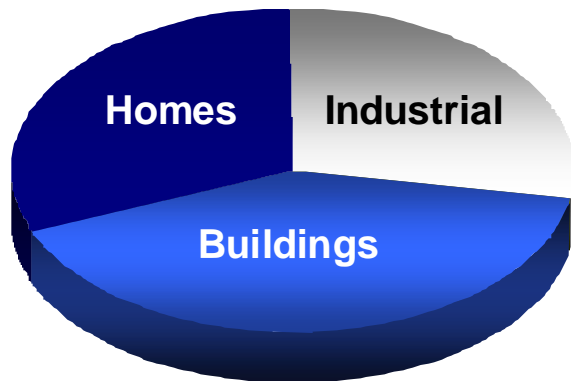
Macro Trends

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

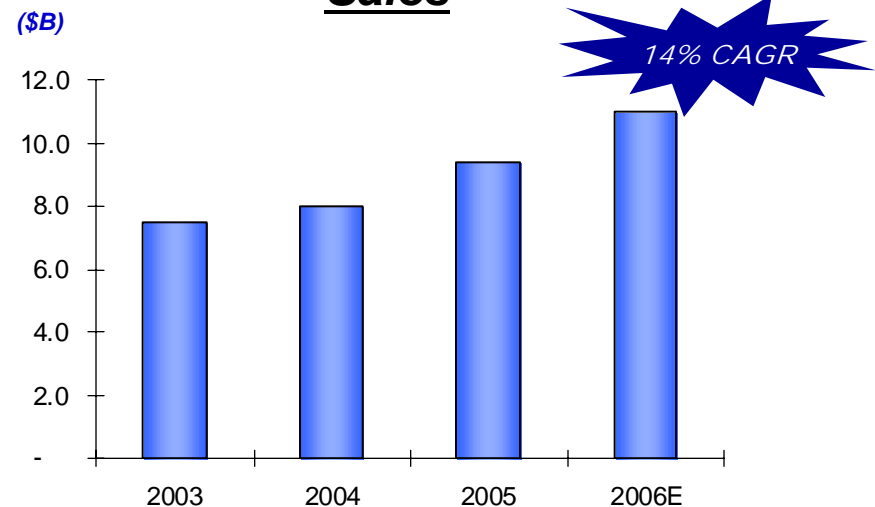
Honeywell Position

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

Verticals



Sales



Momentum Building In Strengthened Portfolio

Transportation Systems – \$4.5B

Honeywell

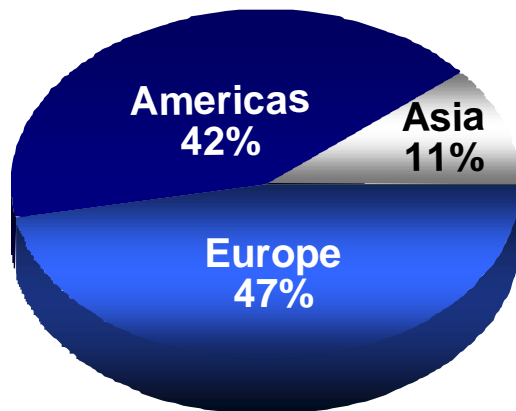
Macro Trends

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

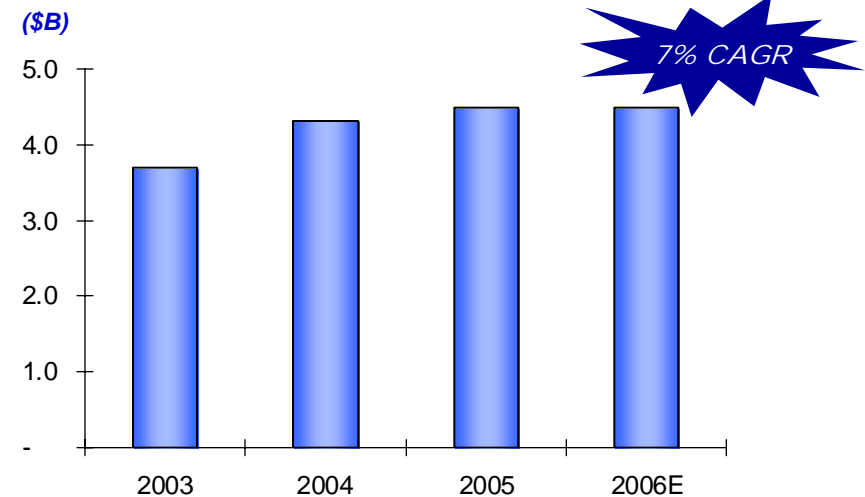
Honeywell Position

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

Global Mix



Sales



Technology Leader In Long-term Growth Segment

Specialty Materials – \$4.5B

Honeywell

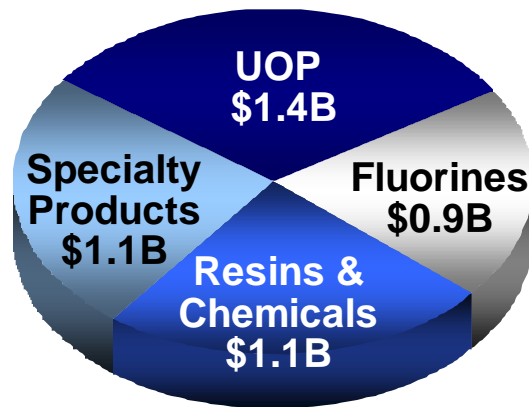
Macro Trends

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

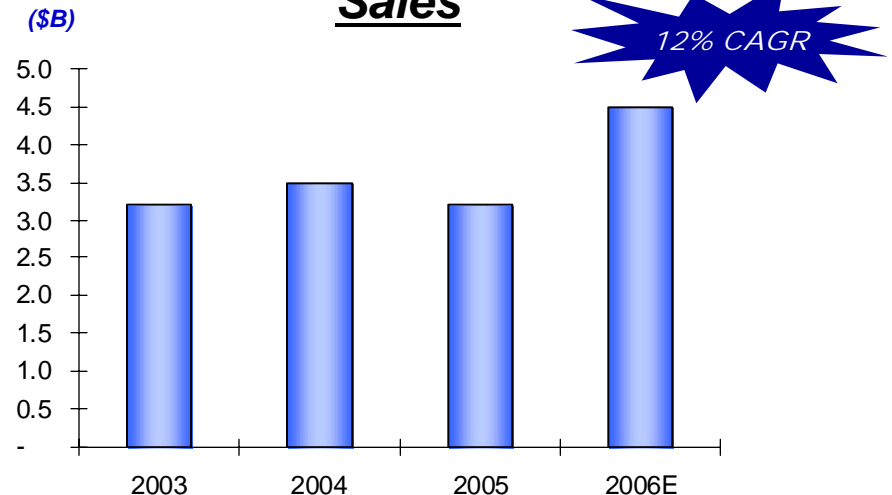
Honeywell Position

- 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



Sales



Transformed To Strong, Differentiated Positions

1H Financials

Honeywell

(\$M)	<u>1H05</u>	<u>1H06</u>	
Sales	\$13,477	\$15,139	<ul style="list-style-type: none"> • 12% Growth <ul style="list-style-type: none"> ➤ 7% Acq./Div. ➤ 5% Organic
Segment Profit	\$1,595	\$1,954	<ul style="list-style-type: none"> • 23% Growth
- Margin %	11.8%	12.9%	<ul style="list-style-type: none"> • +110 bps
EPS, Reported	\$0.78	\$1.15	<ul style="list-style-type: none"> • 47% Growth
EPS, Adjusted ⁽¹⁾	\$0.93	\$1.19	<ul style="list-style-type: none"> • 28% Growth
Free Cash Flow	\$604	\$903	<ul style="list-style-type: none"> • Up 50%

(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)

Strong Financial Performance

2006 Financial Summary

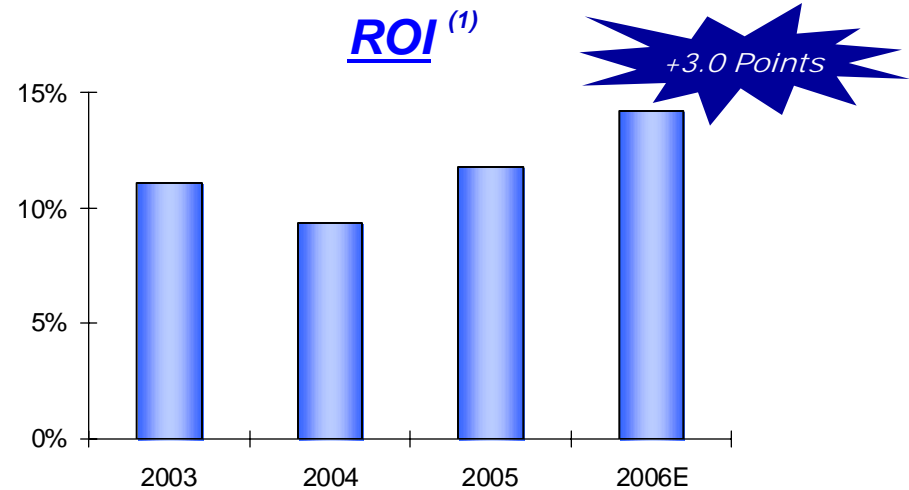
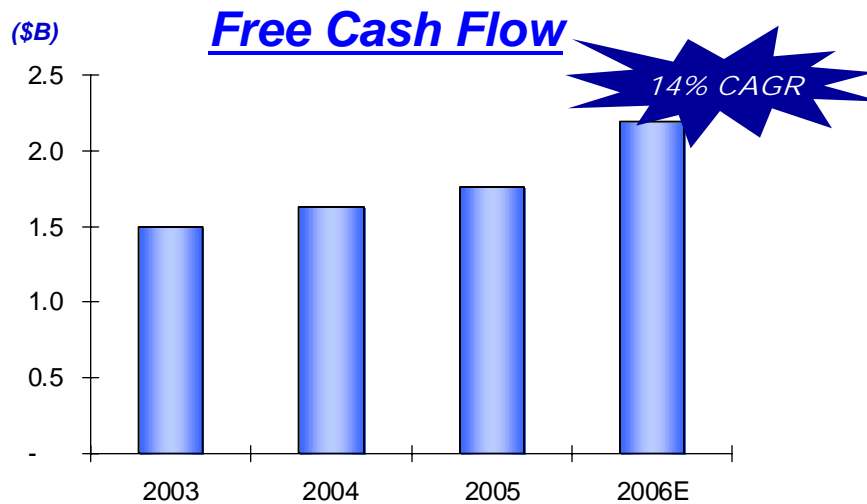
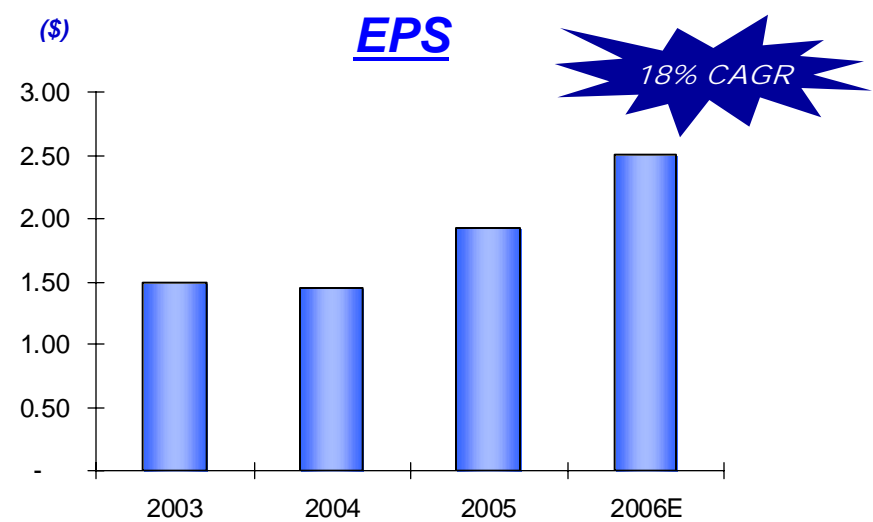
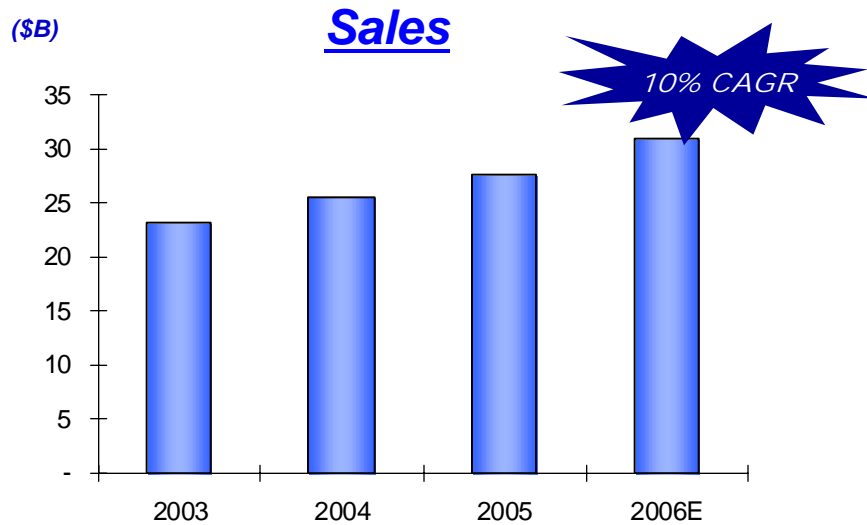
Honeywell

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

Significant Growth On All Fronts

2003 – 2006 Financials

Honeywell



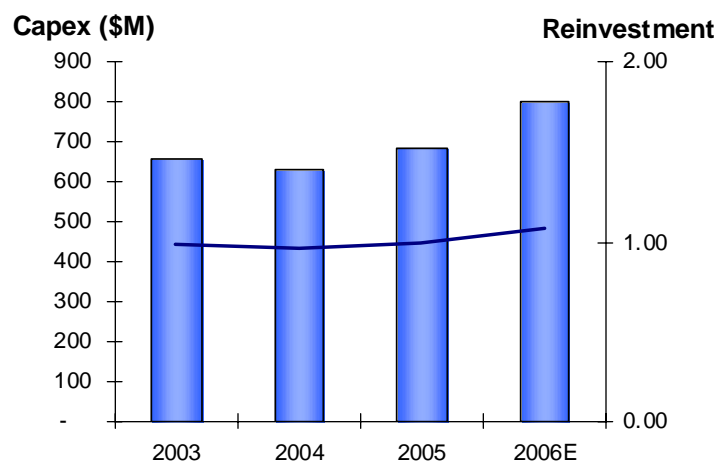
(1) ROI calculated as NIBI (net income plus after-tax interest) divided by Invested Capital (2 point average of the sum of the book value of equity and total debt).

Building Track Record Of Results

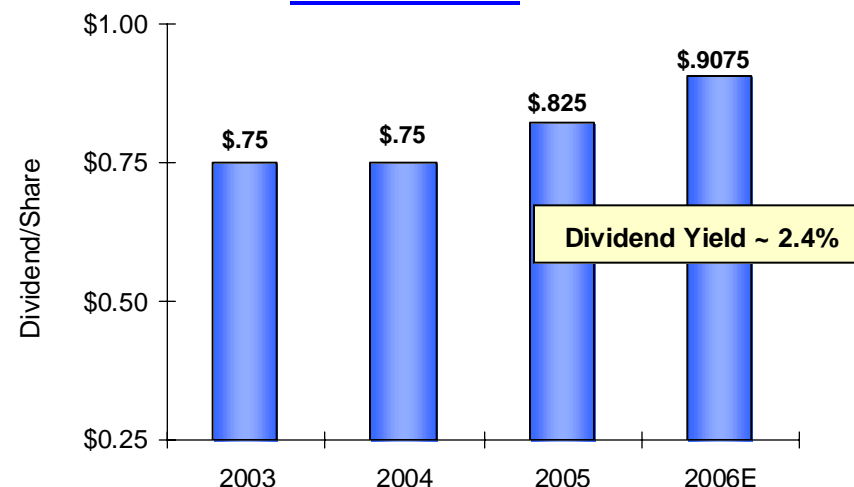
Cash Deployment

Honeywell

Business Investment



Dividends



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

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

Honeywell

<i>(\$M)</i>	2003	2004
Cash Provided by Operating Activities	\$2,199	\$2,253
Expenditures for Property, Plant and Equipment	(655)	(629)
Free Cash Flow	<u>1,544</u>	<u>1,624</u>
Cash Provided by Operating Activities	\$2,199	\$2,253
÷ Net Income	1,289	1,246
Operating Cash Flow Conversion %	<u>171%</u>	<u>181%</u>
Free Cash Flow	\$1,544	\$1,624
÷ Net Income	1,289	1,246
Free Cash Flow Conversion %	<u>120%</u>	<u>130%</u>

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

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

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

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

Honeywell

<u>(\$M)</u>	1H05	1H06
Cash Provided by Operating Activities	\$898	\$1,174
Expenditures for Property, Plant and Equipment	(294)	(271)
Free Cash Flow	<u>604</u>	<u>903</u>
Cash Provided by Operating Activities	\$898	\$1,174
÷ Net Income	660	957
Operating Cash Flow Conversion %	<u>136%</u>	<u>123%</u>
Free Cash Flow	\$604	\$903
÷ Net Income	660	957
Free Cash Flow Conversion %	<u>92%</u>	<u>94%</u>

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

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

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

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

Honeywell

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