Citigroup Industrial Manufacturing Conference

Dave Anderson
Senior Vice President and CFO

March 4, 2008

Honeywell
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.
Honeywell Today

2007 Sales: $34.6B

- Automation & Control Systems: 36%
- Transportation Systems: 15%
- Specialty Materials: 14%
- Aerospace: 35%

Geographic Split

- US: 51%
- Non-US: 49%

Key Strategies

- Great Positions In Good Industries
- Global Growth and Innovation
- HOS Implementation (Early Stage)
- FT / ERP Leverage

Cash Deployment ’03-’07

- $5.0B for 45 Acquisitions
  - New Platforms, Higher Growth
- $7.8B Share Repurchases
- $3.5B Dividends

Balanced, Global Portfolio
Financial Results

**Sales**

($B)

- 2003: 23.1
- 2004: 23.1
- 2005: 23.1
- 2006: 23.1
- 2007: 34.6

11% CAGR

**EPS**

($)

- 2003: 1.50
- 2004: 1.50
- 2005: 1.50
- 2006: 1.50
- 2007: 3.16

20% CAGR

**Free Cash Flow**

($B)

- 2003: 1.5
- 2004: 1.5
- 2005: 1.5
- 2006: 3.1
- 2007: 3.1

20% CAGR

**ROI**

(1)

- 2003: 11%
- 2004: 11%
- 2005: 11%
- 2006: 22%
- 2007: 22%

(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).

Performance Track Record
Honeywell Operating System (HOS)

- 50% of Manufacturing Cost Base Initiated
- Quality, Delivery, Safety, Cost, and Inventory Focus
- Driving Step Change in Service and Cost
- Sustainable and Repeatable – Cultural Change

3 - 4 Year Performance Step Change

Early Stages of Deployment, Measurable Impact
Functional Transformation (FT)

**Transform Honeywell’s Administrative Functions To Deliver Benchmark Performance In Quality, Speed, Cost**

**Functional Cost / Sales**

- **2007**: 5.6%
- **2008E**: 5.3%
- **2010E**: 4.1%

**Scope**
- Finance
- IT
- HR
- Procurement
- Legal
- Real Estate
- Security
- Contracts / HS&E

**Focus**
- Common Processes and Systems
- ERP Implementation and Lean
- Low Cost Centers of Excellence

**Full Engagement And Momentum**
Innovation

Velocity Product Development (VPD™)

- **VPD™**
  - Aggressive Organic Growth Focus
  - Common Processes and Metrics Drive Predictable Outcomes
  - Cycle Time Reductions Increase Development Capacity and Speed to Market
  - Multi-Functional Approach
  - New Product Pipeline Reinvigorated

- **Honeywell Technology Solutions**
  - India, China, Czech Republic Locations
  - 6,000 Engineers (vs. 500 in 2002)
  - Cross Business Fertilization
  - Superior Cost and Productivity Focus
  - Next-Gen Products and Technology

**Driving Organic Growth**
Acquisitions

• $1.2B Deployed for 12 Attractive Bolt-On’s in 2007
  - *Hand Held* - Growth Platform in Attractive AIDC Segment
  - *Enraf* - Leader in Mission Critical Terminal Automation
  - *Dimensions International* - Sweet-Spot of DoD Logistics / Reset

• Building on Successful Track Record
  - $5B+ Deployed for 45 Transactions Since 2003
  - Created Three New Growth Platforms (Gas Detection, UOP, AIDC)
  - Disciplined Identification, Valuation, Due Diligence
  - Highly Effective Integration Process
Aerospace

2007 Sales: $12.2B

2007 Highlights
- Sales up 10% to Record $12.2B
- Segment Margin up 100 bps to 18.0%
- Airbus A350XWB Mechanical Win
- Dimensions International Acquisition

2008 Financial Outlook
- Revenues: $12.8 - $13.0B
- Segment Profit: $2.4 - $2.5B
- Segment Margin: 18.7 – 19.0%

2008 Priorities
- Execution on Key AT&R Platforms
- High-Value B&GA Position Focus
- Expand Defense Logistics / Services
- 75% HOS Deployment

Executing In A Favorable Environment
# Key Macro Trends

**Trends** | **Initiatives**
---|---
**Flight Efficiency** | • Air Traffic Management Growth Role  
• Safety Leader  

**Aftermarket Outsourcing** | • Winning Profitable R&O Business  
• Spares, Storefronts, Logistics, Trading  

**Competition and Business Model Change** | • AT&R: Larger, Integrated Work Packages  
• B&GA: Renewal, Win High-Value A/C Positions  
• Services and Upgrades, Product Suites  

**Growing Global Demand** | • Sourcing and Customer Support in Asia / EMEA  
• Expanding International B&GA, D&S Business  

**Growing Defense Budget** | • Affordable Upgrades / Platforms  
• Logistics Opportunities  

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**Actions To Leverage Growth Potential**
Automation & Control Solutions

2007 Sales: $12.5B

- Sales up 13% to $12.5B
- Segment Margin up 20 bps to 11.3%
- 300+ New Products
- 8 Bolt-on Acquisitions

2008 Financial Outlook

- Revenues: $13.3 - $13.5B
- Segment Profit: $1.5 - $1.6B
- Segment Margin: 11.6 – 11.9%

2008 Priorities

- Sustain Global Leadership
- Acquisition Pipeline and Integration
- New Products and Technologies
- 75% HOS Deployment

Diversified, Global Portfolio Strength
# Key Macro Trends

<table>
<thead>
<tr>
<th>Buildings</th>
<th>Macro Trends</th>
<th>HON Position</th>
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</thead>
<tbody>
<tr>
<td>• Energy Costs</td>
<td>• Broad Content / Coverage</td>
<td></td>
</tr>
<tr>
<td>• Safety / Security</td>
<td>• Multi-Channel / Brand Strategy</td>
<td></td>
</tr>
<tr>
<td>• Regulation / Codes</td>
<td>• 25K Contracts (HBS)</td>
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</table>

<table>
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<tr>
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<th>Macro Trends</th>
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</thead>
<tbody>
<tr>
<td>• Convenience / Control</td>
<td>• Premier Brands</td>
<td></td>
</tr>
<tr>
<td>• Energy Efficiency</td>
<td>• Product Breadth / Vitality</td>
<td></td>
</tr>
<tr>
<td>• Technology</td>
<td>• Channel Access / Partners</td>
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</table>

<table>
<thead>
<tr>
<th>Industrial</th>
<th>Macro Trends</th>
<th>HON Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Productivity</td>
<td>• $17B Installed Base (HPS)</td>
<td></td>
</tr>
<tr>
<td>• Safety / Security</td>
<td>• Advanced Solutions</td>
<td></td>
</tr>
<tr>
<td>• Monitor / Control</td>
<td>• Product Breadth / Sensors</td>
<td></td>
</tr>
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</table>

**Positioned To Capitalize On Key Trends**
Transportation Systems

2007 Sales: $5.0B

- Sales up 9% to $5.0B
- Segment Margin Down 90 bps to 11.6%
- Diesel Penetration and Platform Wins
- CPG Challenges

2007 Highlights

2008 Financial Outlook

- Revenues: $5.1 - $5.2B
- Segment Profit: $0.6 - $0.7B
- Segment Margin: 12.3 – 12.6%

2008 Priorities

- Flawless Platform Launches
- Emerging Region Growth
- CPG Turnaround
- 100% HOS Deployment

Multi-Year Positive Outlook
Key Macro Trends

Global Turbo Industry Growth*

Source: Honeywell

Regional Outlook

Turbo Penetration – Passenger Vehicles

*Passenger Vehicle & Commercial Vehicles

Turbo Drivers

• Demand for Fuel Economy
• Emission Legislation, CO₂ Reduction
• Improved Drivability

Proven, Reliable, Cost-Efficient Solution
Specialty Materials

2007 Sales: $4.9B

- Sales up 5% to $4.9B
- Segment Margins up 120 bps to 13.5%
- Refining and Petrochemical Strength
- New Products > 20% of Sales

2008 Financial Outlook

- Revenues: $4.9 - $5.0B
- Segment Profit: $0.69 - $0.72B
- Segment Margin: 14.2 – 14.5%

2008 Priorities

- Expand Global Footprint
- Meet Growing Demand
- Price and Productivity Focus
- 70% HOS Deployment

Well Positioned Portfolio
# Key Macro Trends

## Growth Drivers

**UOP**
- Global Energy Demand
- Developing Markets Growth
- Alternative Energy

**Resins and Chemicals**
- Asia Growth
- Agricultural Expansion

**Fluorine Products**
- Regulation (CFC / HCFC Phase-Out)
- Energy Efficiency
- Nuclear Energy Demand

**Specialty Products**
- Semiconductor Demand
- Drug Discovery

## New Focus Areas

- Biofuels
- Heavy Crudes
- Methanol to Olefins
- Safer Fertilizer
- Low Global Warming Refrigerants and Blowing Agents
- Materials for Flat Panel Displays
- Authentication
- Photovoltaics
## 2008 Financial Summary

<table>
<thead>
<tr>
<th>($B)</th>
<th>2007</th>
<th>2008E</th>
<th>V’07</th>
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<tbody>
<tr>
<td>Sales</td>
<td>$34.6</td>
<td>$36.1 - 36.7</td>
<td>4% - 6%</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>$4.7</td>
<td>$5.0 - 5.2</td>
<td>8% - 13%</td>
</tr>
<tr>
<td>- Margin %</td>
<td>13.5%</td>
<td>14.0% - 14.3%</td>
<td>50 bps - 80 bps</td>
</tr>
<tr>
<td>EPS</td>
<td>$3.16</td>
<td>$3.65 - 3.80</td>
<td>16% - 21%</td>
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<tr>
<td>Free Cash Flow</td>
<td>$3.1</td>
<td>$3.2 - 3.4</td>
<td>2% - 8%</td>
</tr>
<tr>
<td>Conversion</td>
<td>129%</td>
<td>116%</td>
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</table>

**Continued Outperformance, Conservative Planning**
Downturn Planning Readiness

- Tracking “Early Warning” Signs, Order Trends
- Scenario Analysis / Readiness Assessment
- Revenue and Income Contingencies
- Managing Cost Structure / Capital Spending
- Identifying Attractive Repositioning Opportunities
Long Term Outlook Summary

• Portfolio Aligned With Favorable Macro Trends

• Focus on Innovation and Global Growth

• Acceleration of Key Initiatives (HOS, FT / ERP, VPD™)

• Cash Generation Supported by Working Capital Focus

• Disciplined Capital Allocation and Cash Deployment
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>
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<th>2003</th>
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<td>Cash Provided by Operating Activities</td>
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<td>$2.2</td>
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<tr>
<td>Expenditures for Property, Plant and Equipment</td>
<td>($0.7)</td>
<td>($0.7)</td>
<td>($0.6)</td>
<td>($0.6)</td>
<td>($0.7)</td>
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<tr>
<td>Free Cash Flow</td>
<td>$1.7</td>
<td>$1.5</td>
<td>$1.6</td>
<td>$1.8</td>
<td>$2.5</td>
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<td>$3.2</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>($0.2)</td>
<td>$1.3</td>
<td>$1.2</td>
<td>$1.6</td>
<td>$2.1</td>
</tr>
<tr>
<td>Operating Cash Flow Conversion %</td>
<td>N/A</td>
<td>171%</td>
<td>181%</td>
<td>149%</td>
<td>154%</td>
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<tr>
<td>Free Cash Flow Conversion %</td>
<td>N/A</td>
<td>120%</td>
<td>130%</td>
<td>107%</td>
<td>119%</td>
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Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin

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<tr>
<th>($B)</th>
<th>2006</th>
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<tbody>
<tr>
<td>Sales</td>
<td>$31.4</td>
<td>$34.6</td>
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<tr>
<td>Cost of Products and Services Sold</td>
<td>(24.1)</td>
<td>(26.3)</td>
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<tr>
<td>Selling, General and Administrative Expenses</td>
<td>(4.2)</td>
<td>(4.6)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$3.1</td>
<td>$3.7</td>
</tr>
<tr>
<td>Stock Based Compensation (1)</td>
<td>$0.1</td>
<td>$0.1</td>
</tr>
<tr>
<td>Repositioning and Other Charges (1)</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Pension and OPEB Expense (1)</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>$4.1</td>
<td>$4.7</td>
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<tr>
<td>Operating Income Margin %</td>
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<td>Segment Profit Margin %</td>
<td>13.0%</td>
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(1) Included in cost of products and services sold and selling, general and administrative expenses
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<td>(4.7) - (4.9)</td>
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<td>$4.2 - 4.3</td>
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<tr>
<td><strong>Stock Based Compensation (1)</strong></td>
<td>$0.1</td>
<td>~0.1</td>
</tr>
<tr>
<td><strong>Repositioning and Other Charges (1)</strong></td>
<td>0.6</td>
<td>0.5 - 0.6</td>
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<tr>
<td><strong>Pension and OPEB Expense (1)</strong></td>
<td>0.3</td>
<td>~0.2</td>
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<td><strong>Operating Income Margin %</strong></td>
<td>10.7%</td>
<td>11.6 - 11.7%</td>
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<tr>
<td><strong>Segment Profit Margin %</strong></td>
<td>13.5%</td>
<td>14.0 - 14.3%</td>
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<td>Cash Provided by Operating Activities</td>
<td>$3.9</td>
<td>$4.1 - 4.3</td>
</tr>
<tr>
<td>Expenditures for Property, Plant and Equipment</td>
<td>(0.8)</td>
<td>~0.9</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$3.1</td>
<td>$3.2 - 3.4</td>
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</tbody>
</table>

Cash Provided by Operating Activities $3.9 $4.1 - 4.3

\[ \frac{\text{Free Cash Flow}}{\text{Net Income}} \]

<table>
<thead>
<tr>
<th>Operating Cash Flow Conversion %</th>
<th>160%</th>
<th>~147%</th>
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<tbody>
<tr>
<td>Free Cash Flow</td>
<td>$3.1</td>
<td>$3.2 - 3.4</td>
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<td>[ \frac{\text{Free Cash Flow}}{\text{Net Income}} ]</td>
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| Free Cash Flow Conversion %               | 129%      | ~116%     |