

Citigroup Industrial Manufacturing Conference

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March 4, 2008

Honeywell

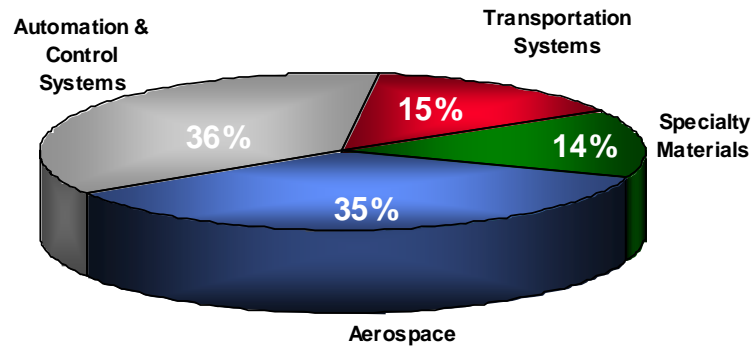
Forward Looking Statements

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.

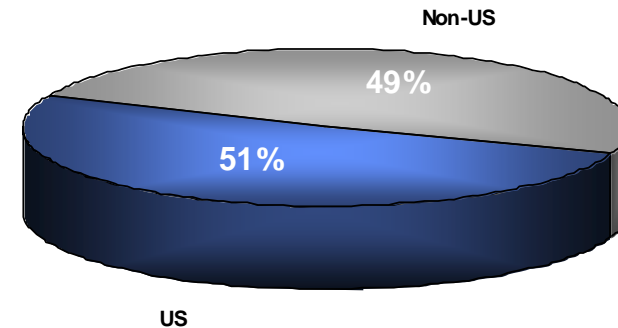
Honeywell Today

Honeywell

2007 Sales: \$34.6B



Geographic Split



Key Strategies

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

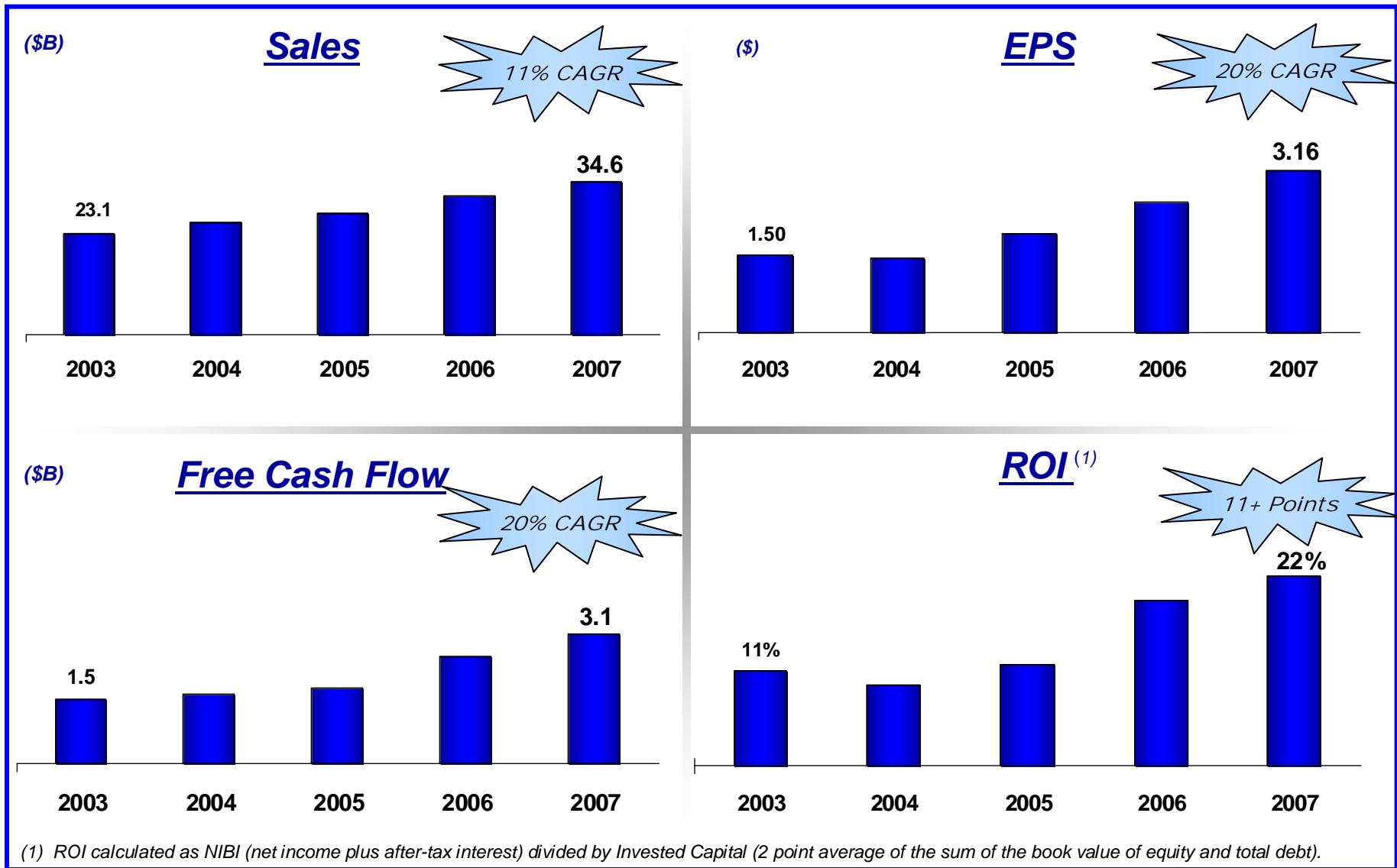
Cash Deployment '03-'07

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

Balanced, Global Portfolio

Financial Results

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Performance Track Record

Honeywell Operating System (HOS)

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Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
<i>Organizational Readiness</i>	<i>Baseline and Planning</i>	<i>Learning Through Observation</i>	<i>Work Process Improvement</i>	<i>Pursuing Excellence</i>

3 - 4 Year Performance Step Change

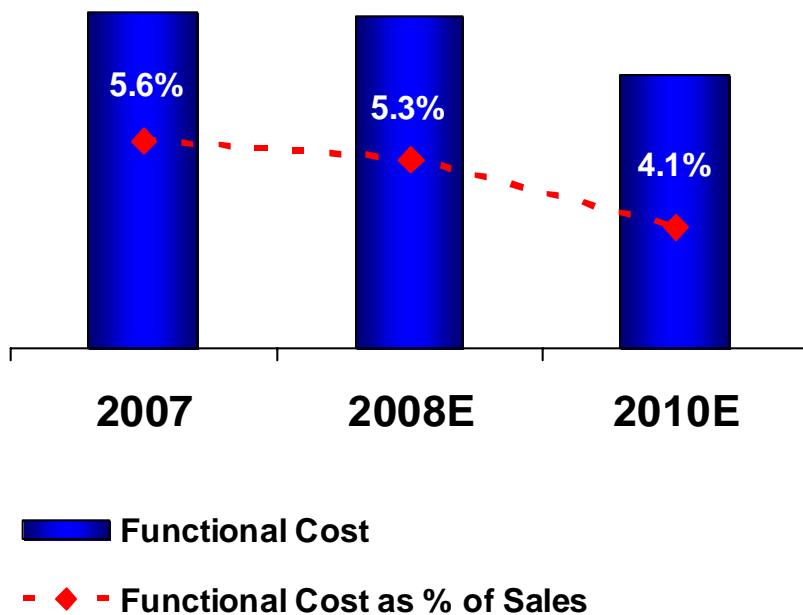
- **50% of Manufacturing Cost Base Initiated**
- **Quality, Delivery, Safety, Cost, and Inventory Focus**
- **Driving Step Change in Service and Cost**
- **Sustainable and Repeatable – Cultural Change**

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



Scope

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

Focus

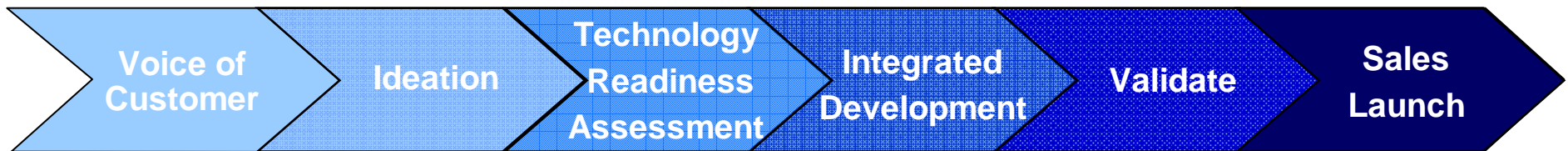
- Common Processes and Systems
- ERP Implementation and Lean
- Low Cost Centers of Excellence

Full Engagement And Momentum

Innovation

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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

- **\$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**

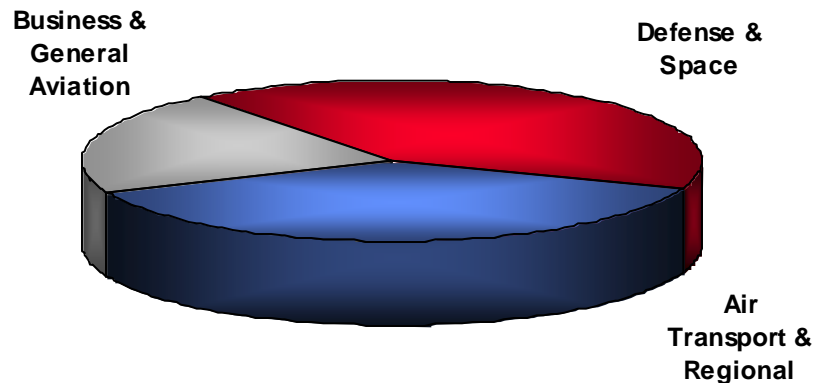
- \$5B+ Deployed for 45 Transactions Since 2003
- Created Three New Growth Platforms (Gas Detection, UOP, AIDC)
- Disciplined Identification, Valuation, Due Diligence
- Highly Effective Integration Process

Building Core Competency

Aerospace

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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

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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
- Sourcing and Customer Support in Asia / EMEA



Growing Global Demand

- Expanding International B&GA, D&S Business



Growing Defense Budget

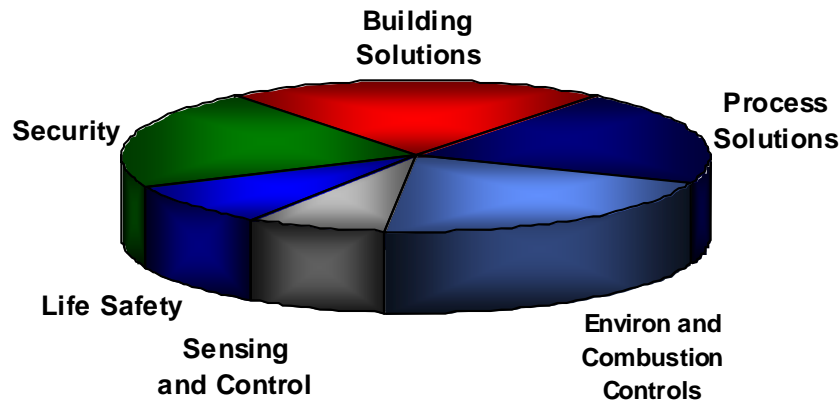
- Affordable Upgrades / Platforms
- Logistics Opportunities

Actions To Leverage Growth Potential

Automation & Control Solutions

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2007 Sales: \$12.5B



2007 Highlights

- 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

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Buildings



Macro Trends

- Energy Costs
- Safety / Security
- Regulation / Codes

HON Position

- Broad Content / Coverage
- Multi-Channel / Brand Strategy
- 25K Contracts (HBS)

Homes



- Convenience / Control
- Energy Efficiency
- Technology

- Premier Brands
- Product Breadth / Vitality
- Channel Access / Partners

Industrial



- Productivity
- Safety / Security
- Monitor / Control

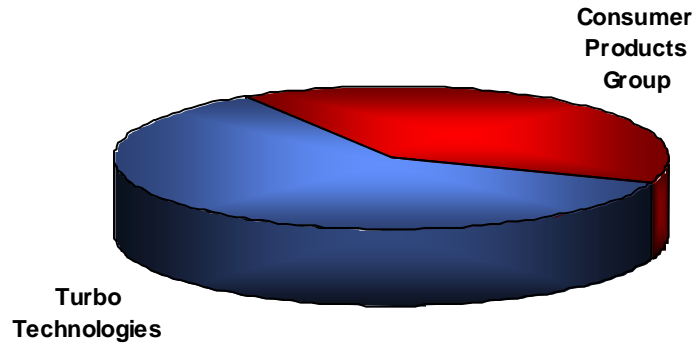
- \$17B Installed Base (HPS)
- Advanced Solutions
- Product Breadth / Sensors

Positioned To Capitalize On Key Trends

Transportation Systems

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2007 Sales: \$5.0B



2007 Highlights

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

2008 Financial Outlook

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

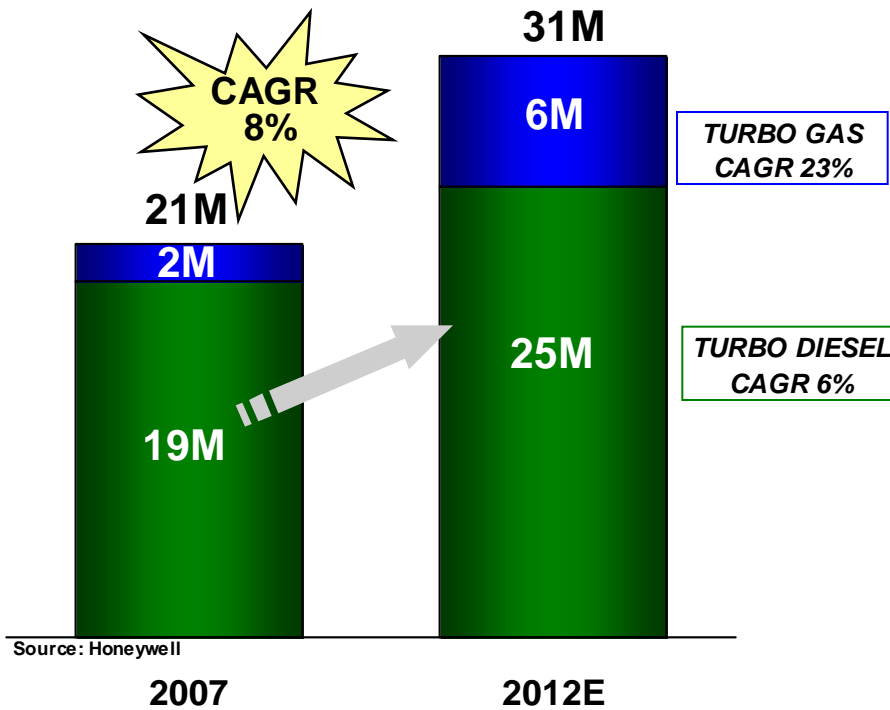
2008 Priorities

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

Multi-Year Positive Outlook

Key Macro Trends

Global Turbo Industry Growth*

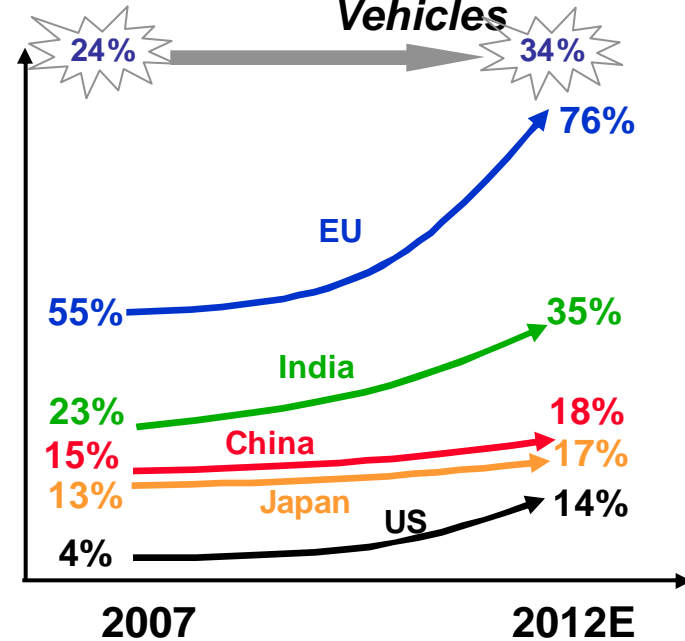


Source: Honeywell

*Passenger Vehicle & Commercial Vehicles

Regional Outlook

Turbo Penetration – Passenger Vehicles



Turbo Drivers

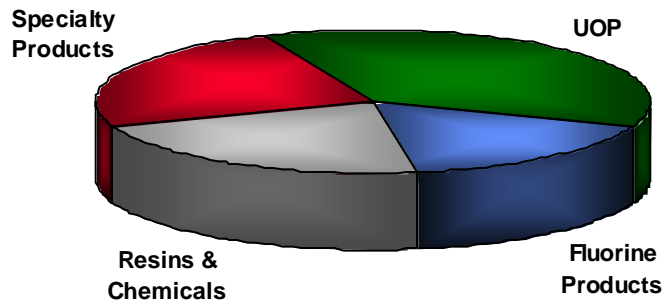
- Demand for Fuel Economy
- Emission Legislation, CO₂ Reduction
- Improved Drivability

Proven, Reliable, Cost-Efficient Solution

Specialty Materials

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2007 Sales: \$4.9B



2007 Highlights

- 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

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Growth Drivers

New Focus Areas

UOP



- Global Energy Demand
- Developing Markets Growth
- Alternative Energy

- Biofuels
- Heavy Crudes
- Methanol to Olefins

Resins and Chemicals



- Asia Growth
- Agricultural Expansion

- Safer Fertilizer

Fluorine Products



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

- Low Global Warming Refrigerants and Blowing Agents

Specialty Products



- Semiconductor Demand
- Drug Discovery

- Materials for Flat Panel Displays
- Authentication
- Photovoltaics

Pipeline Of Growth Opportunities

2008 Financial Summary

Honeywell

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

Continued Outperformance, Conservative Planning

Downturn Planning Readiness

Honeywell

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

Plans Developed Business By Business

Long Term Outlook Summary

Honeywell

- **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**

The New Honeywell

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

(\$B)	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Cash Provided by Operating Activities	\$2.4	\$2.2	\$2.2	\$2.4	\$3.2
Expenditures for Property, Plant and Equipment	(\$0.7)	(\$0.7)	(\$0.6)	(\$0.6)	(\$0.7)
Free Cash Flow	<u>\$1.7</u>	<u>\$1.5</u>	<u>\$1.6</u>	<u>\$1.8</u>	<u>\$2.5</u>
Cash Provided by Operating Activities	\$2.4	\$2.2	\$2.2	\$2.4	\$3.2
÷ Net Income	(\$0.2)	\$1.3	\$1.2	\$1.6	\$2.1
Operating Cash Flow Conversion %	<u>N/A</u>	<u>171%</u>	<u>181%</u>	<u>149%</u>	<u>154%</u>
Free Cash Flow	\$1.7	\$1.5	\$1.6	\$1.8	\$2.5
÷ Net Income	(\$0.2)	\$1.3	\$1.2	\$1.6	\$2.1
Free Cash Flow Conversion %	<u>N/A</u>	<u>120%</u>	<u>130%</u>	<u>107%</u>	<u>119%</u>

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

Honeywell

(\$B)	2006	2007
Sales	\$31.4	\$34.6
Cost of Products and Services Sold	(24.1)	(26.3)
Selling, General and Administrative Expenses	(4.2)	(4.6)
Operating Income	\$3.1	\$3.7
Stock Based Compensation ⁽¹⁾	\$0.1	\$0.1
Repositioning and Other Charges ⁽¹⁾	0.5	0.6
Pension and OPEB Expense ⁽¹⁾	0.4	0.3
Segment Profit	\$4.1	\$4.7
Operating Income	\$3.1	\$3.7
÷ Sales	\$31.4	\$34.6
Operating Income Margin %	9.9%	10.7%
Segment Profit	\$4.1	\$4.7
÷ Sales	\$31.4	\$34.6
Segment Profit Margin %	13.0%	13.5%

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

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

Honeywell

(\$B)	2007	2008E
Sales	\$34.6	\$36.1 - 36.7
Cost of Products and Services Sold	(26.3)	(27.2) - (27.5)
Selling, General and Administrative Expenses	(4.6)	(4.7) - (4.9)
Operating Income	\$3.7	\$4.2 - 4.3
Stock Based Compensation ⁽¹⁾	\$0.1	~0.1
Repositioning and Other Charges ⁽¹⁾	0.6	0.5 - 0.6
Pension and OPEB Expense ⁽¹⁾	0.3	~0.2
Segment Profit	\$4.7	\$5.0 - 5.2
Operating Income	\$3.7	\$4.2 - 4.3
÷ Sales	\$34.6	\$36.1 - 36.7
Operating Income Margin %	10.7%	11.6 - 11.7%
Segment Profit	\$4.7	\$5.0 - 5.2
÷ Sales	\$34.6	\$36.1 - 36.7
Segment Profit Margin %	13.5%	14.0 - 14.3%

(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

(\$B)	<u>2007</u>	<u>2008E</u>
Cash Provided by Operating Activities	\$3.9	\$4.1 - 4.3
Expenditures for Property, Plant and Equipment	(0.8)	~(0.9)
Free Cash Flow	<u>\$3.1</u>	<u>\$3.2 - 3.4</u>
Cash Provided by Operating Activities	\$3.9	\$4.1 - 4.3
÷ Net Income	\$2.4	\$2.8 - 2.9
Operating Cash Flow Conversion %	<u>160%</u>	<u>~147%</u>
Free Cash Flow	\$3.1	\$3.2 - 3.4
÷ Net Income	\$2.4	\$2.8 - 2.9
Free Cash Flow Conversion %	<u>129%</u>	<u>~116%</u>