

# **JPMorgan Basics and Industrials Conference**

**Dave Anderson**

**Senior Vice President and CFO**

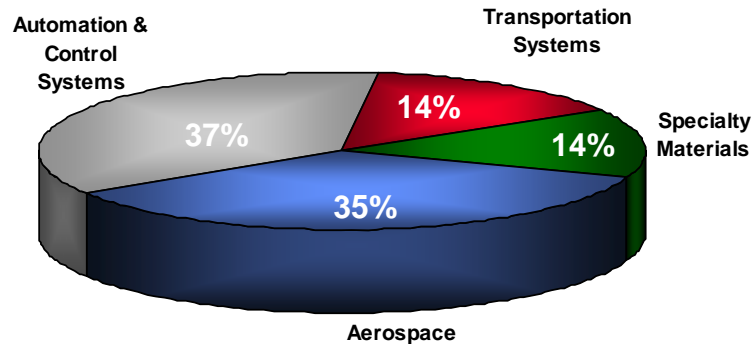
**June 4, 2008**

**Honeywell**

# Forward Looking Statements

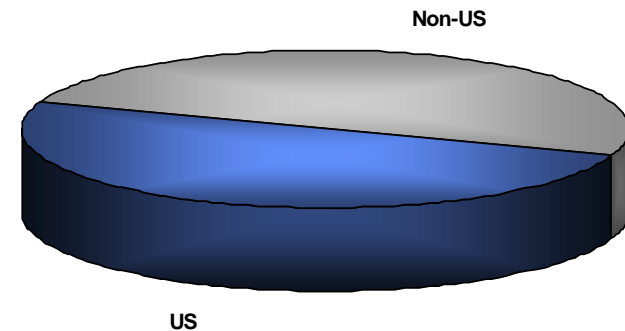
*This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or 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.*

## 2008E Sales: \$37.1B\*



\*Represents midpoint of guidance range

## Geographic Split



## Key Strategies

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

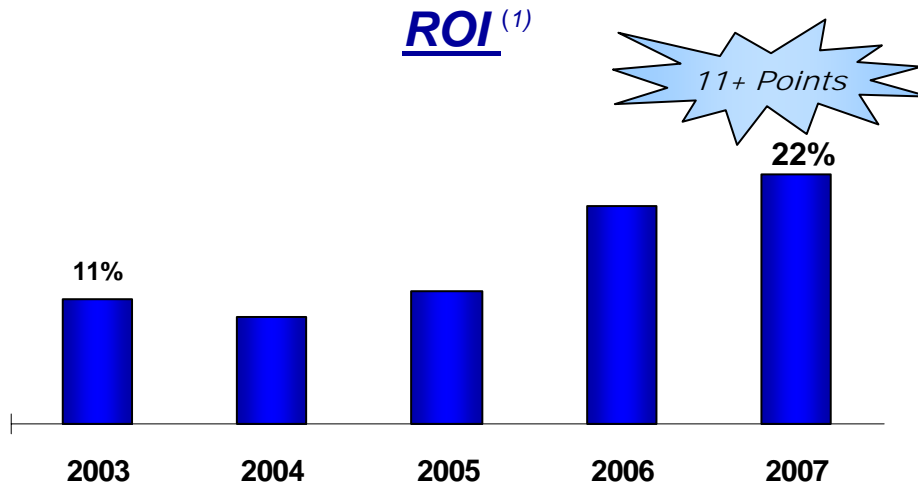
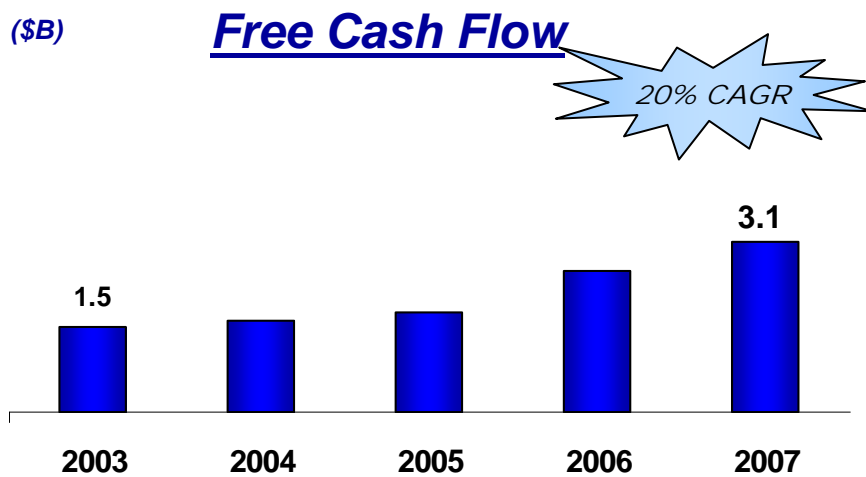
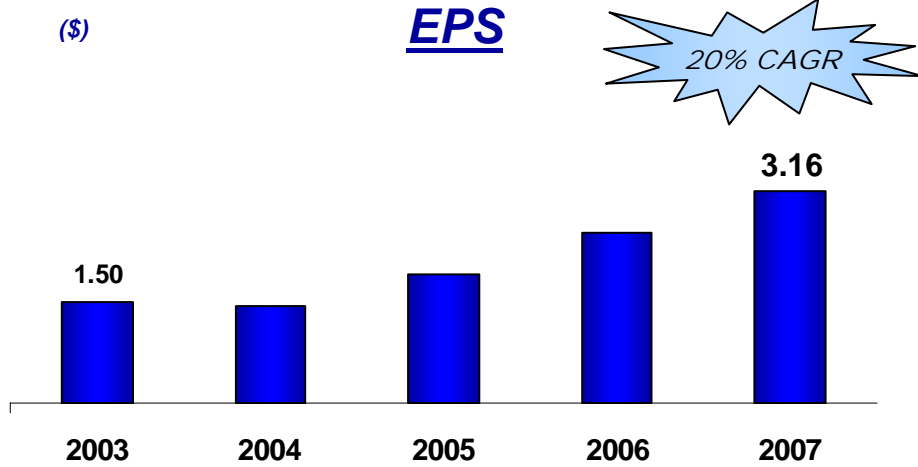
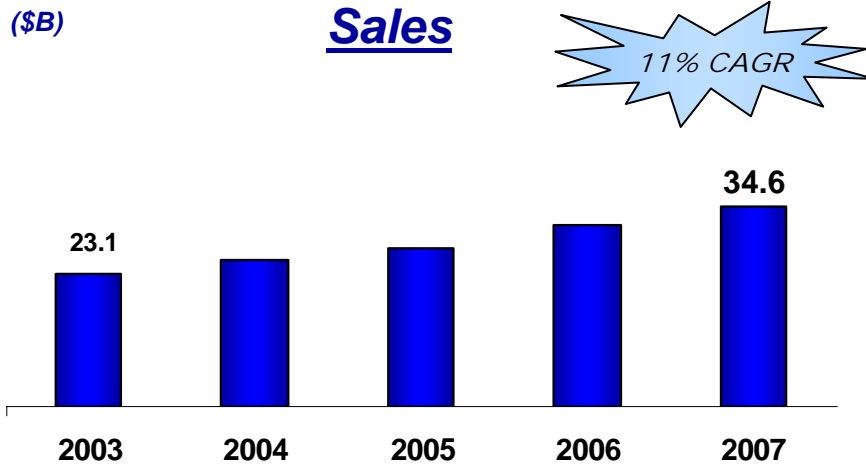
## Cash Deployment Since 2003

- \$7B+ Acquisitions
  - New Platforms, Higher Growth
- \$8B+ Share Repurchases
- \$3B+ Dividends

*Balanced, Global Portfolio*

# Financial Results

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).

*Performance Track Record*

# 1Q08 Financial Performance

Honeywell

<i>(M)</i>	<u>1Q07</u>	<u>1Q08</u>	
<b>Sales</b>	<b>\$8,041</b>	<b>\$8,895</b>	<ul style="list-style-type: none"><li>• <b>11% Growth</b><ul style="list-style-type: none"><li>◆ 8% Organic</li><li>➢ 3% F/X Impact</li></ul></li></ul>
<b>Segment Profit</b>	<b>\$1,079</b>	<b>\$1,249</b>	<ul style="list-style-type: none"><li>• <b>16% Growth</b></li></ul>
<i>Margin %</i>	<i>13.4%</i>	<i>14.0%</i>	<ul style="list-style-type: none"><li>• <b>+60 bps</b></li></ul>
<b>Net Income</b>	<b>\$526</b>	<b>\$643</b>	<ul style="list-style-type: none"><li>• <b>22% Growth</b></li></ul>
<b>EPS</b>	<b>\$0.66</b>	<b>\$0.85</b>	<ul style="list-style-type: none"><li>• <b>30% Growth</b></li></ul>
<b>Free Cash Flow</b>	<b>\$458</b>	<b>\$571</b>	<ul style="list-style-type: none"><li>• <b>25% Increase</b></li></ul>

*Terrific Start To 2008*

# 2Q08 Preview

Honeywell

(\$B)

	<u>Sales</u>	<u>Comments</u>
<b>Aerospace</b>	<b>~\$3.2</b>	<ul style="list-style-type: none"><li>• ~6% Growth</li><li>• Continued AT&amp;R and B&amp;GA Growth</li><li>• Flight Hours up ~5%</li></ul>
<b>Automation &amp; Control</b>	<b>~3.4</b>	<ul style="list-style-type: none"><li>• ~12% Growth</li><li>• Balanced Products / Solutions Growth</li><li>• Selective Softening</li></ul>
<b>Transportation</b>	<b>~1.3</b>	<ul style="list-style-type: none"><li>• ~4% Growth</li><li>• Turbo Growth, Weaker Europe</li><li>• Continued CPG Softness</li></ul>
<b>Specialty Materials</b>	<b>~1.3</b>	<ul style="list-style-type: none"><li>• ~7% Growth</li><li>• All Businesses Contributing</li><li>• UOP Mix / Timing</li></ul>

*2Q08 Sales ~\$9.2B  
EPS \$0.92 – 0.94, Up 18 – 21%*

# 2008 Financial Summary

Honeywell

(\$B)

	<u>2007</u>	<u>2008E</u>	<u>V'07</u>
<b>Sales</b>	\$34.6	\$36.8 – 37.4	6 - 8%
<b>Segment Profit</b>	\$4.7	\$5.1 - 5.3	10 - 15%
<i>Margin %</i>	13.5%	14.0 - 14.3%	50 - 80 bps
<b>EPS</b>	\$3.16	\$3.70 – 3.80	17 - 21%
<b>Free Cash Flow</b>	\$3.1	\$3.2 - 3.4	2 - 8%
<i>Conversion</i>	129%	+100%	

*Moving Guidance To High End Of Guidance Range*

- **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*



# Honeywell Operating System (HOS)

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**

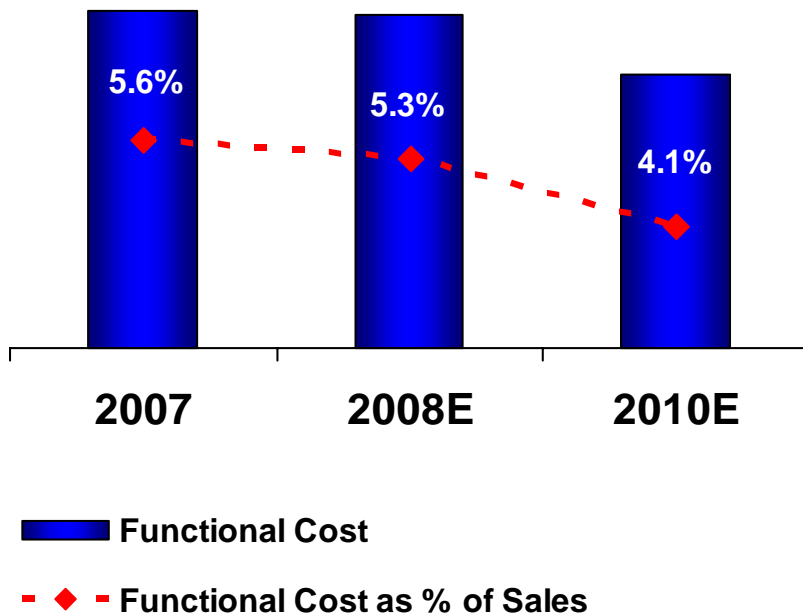
- **50% of Manufacturing Cost Base Initiated**
- **Quality, Delivery, Safety, Cost, and Inventory Focus**
- **Driving Step Change in Service and Cost**
- **Sustainable and Repeatable – Cultural Change**

*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



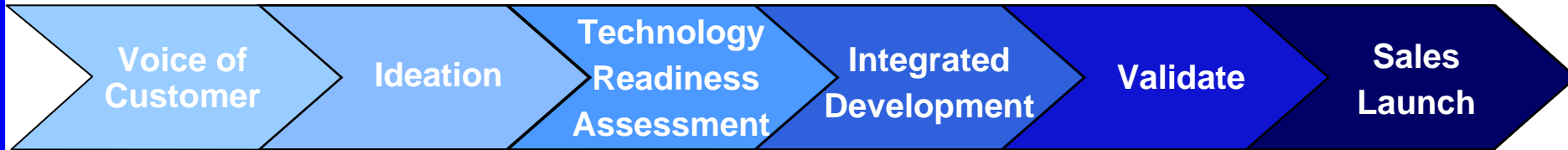
## Scope

- 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*



## Velocity Product Development

- Organic Growth Enabler
- 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*

- **\$3B+ Deployed for 18 Attractive Bolt-On's in 2007/08\***
  - *Hand Held / Metrologic* – Attractive AIDC Segment
  - *Enraf* – Leader in Mission Critical Terminal Automation
  - *Dimensions International* – Sweet-Spot of DoD Logistics / Reset
  - *Norcross* – Attractive Personal Protection Equipment Platform
- **Building on Successful Track Record**
  - ~\$7B for 50+ Transactions Since 2003\*
  - Created Four New Growth Platforms (Gas, UOP, AIDC, PPE)
  - Disciplined Identification, Valuation, Due Diligence
  - Highly Effective Integration Process

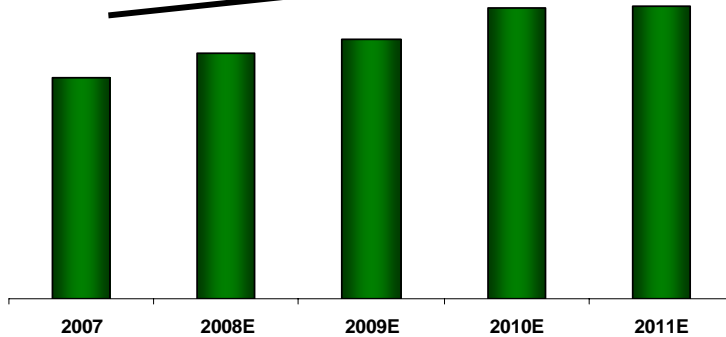
*\*Includes Norcross and Metrologic Acquisitions Announced on April 4 and April 28, 2008 respectively*

*Building Core Competency*

# Aerospace: Cycles Remain Robust

## Air Transport Deliveries

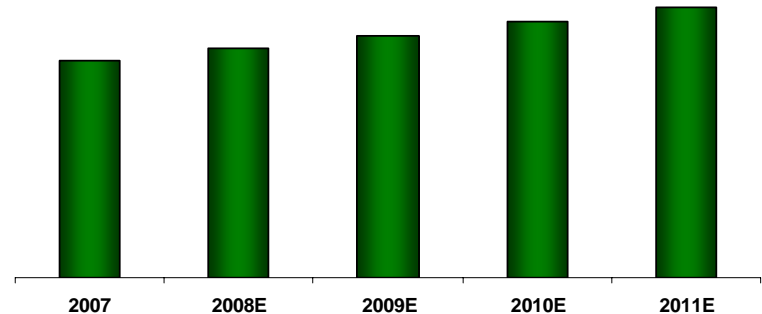
2007-2011E CAGR: 7%



\*Jets > 70 seats

## Worldwide Fleet Trends

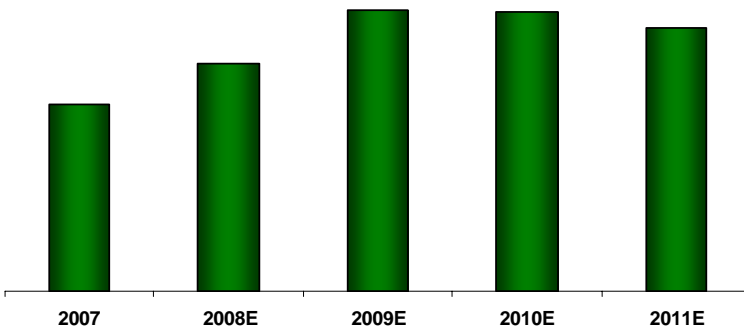
2007-2011E CAGR: 6%



\*Jets > 70 seats

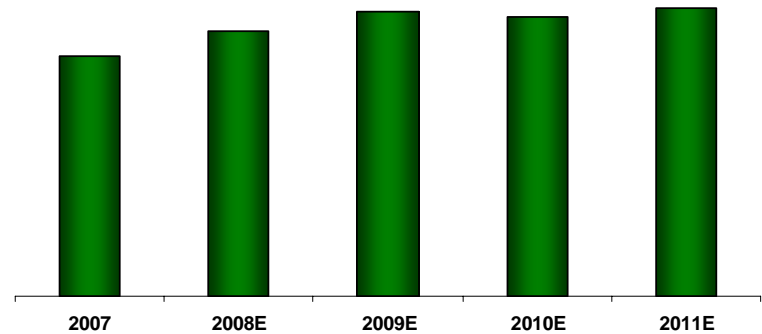
## Business Jet Deliveries

2007-2011E CAGR: 9%



## DoD Base Budget Outlook

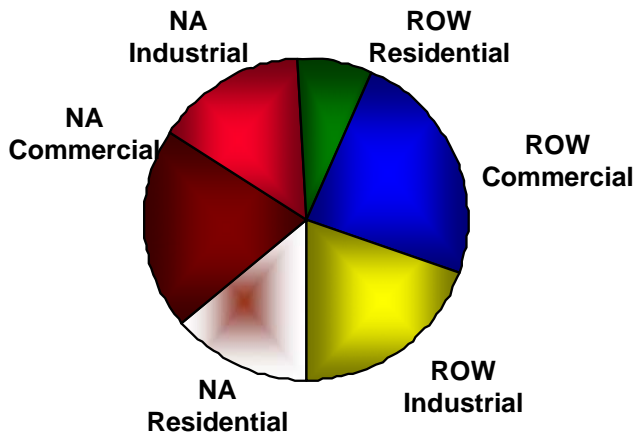
2007-2011E CAGR: 5%



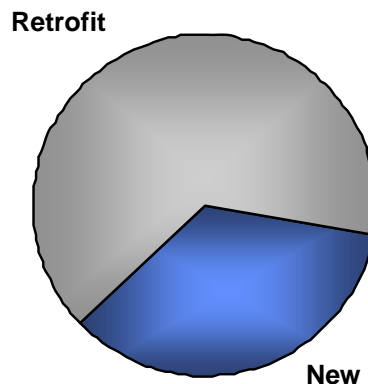
*Long-Term Demand And Platform Wins Fuel Growth*

# ACS: Strength Through Diversification

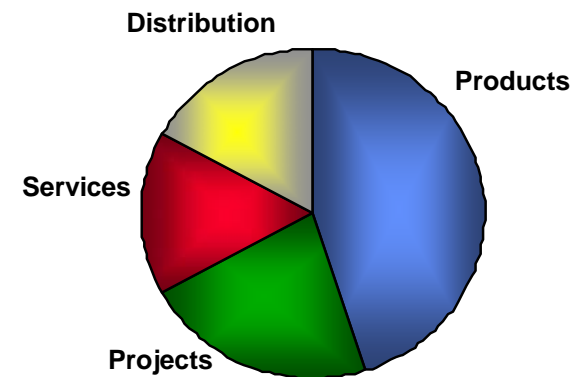
## By Vertical\*



## By Sale\*

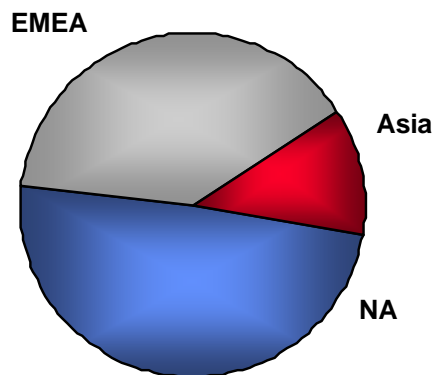


## By Channel



\* Management Estimates

## By Geography



## Macro Drivers

- Energy Efficiency
- Safety / Security
- Regulation / Codes
- Convenience / Control
- Productivity

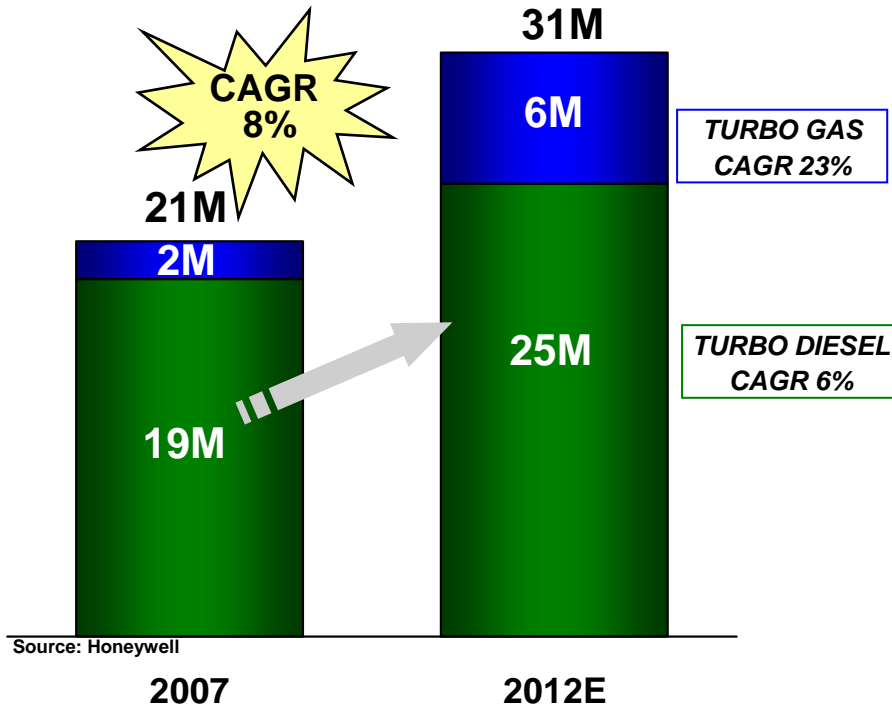
## HON Position

- Premier Brands
- Technology Breadth / Vitality
- Global Presence
- Multi-Channel Strength
- Large Installed Base

*Well Balanced Portfolio*

# TS: Increasing Turbo Penetration

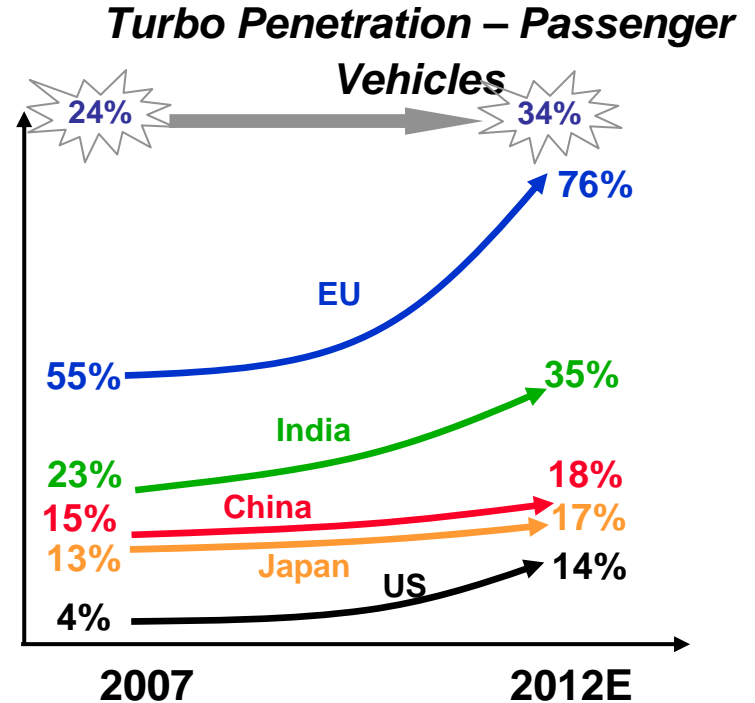
## Global Turbo Industry Growth\*



Source: Honeywell

\*Passenger Vehicle and Commercial Vehicles

## Regional Outlook



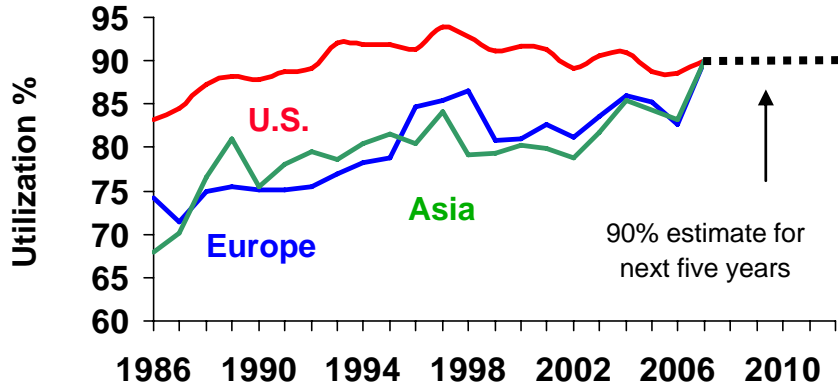
### Turbo Drivers

- Demand for Fuel Economy
- Emission Legislation, CO<sub>2</sub> Reduction
- Improved Drivability

*Proven, Reliable, Cost-Efficient Solution*

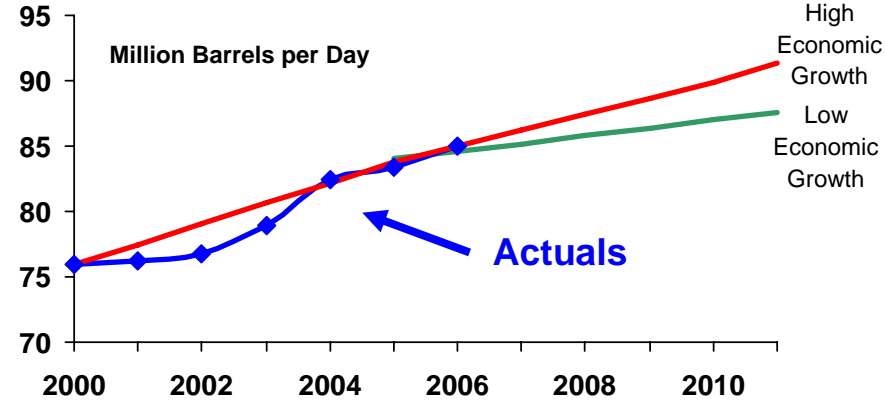
# SM: Continued Global Energy Demand

## Refining Capacity Utilization



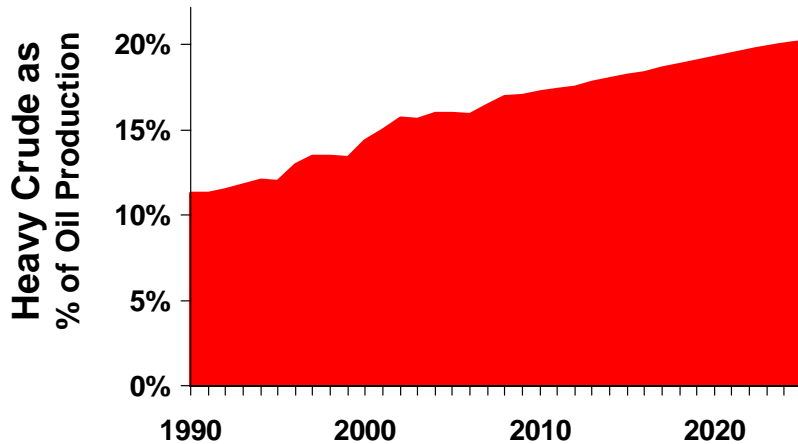
Source: Purvin & Gertz GPMO – 2007 Q3 Update

## Oil Consumption



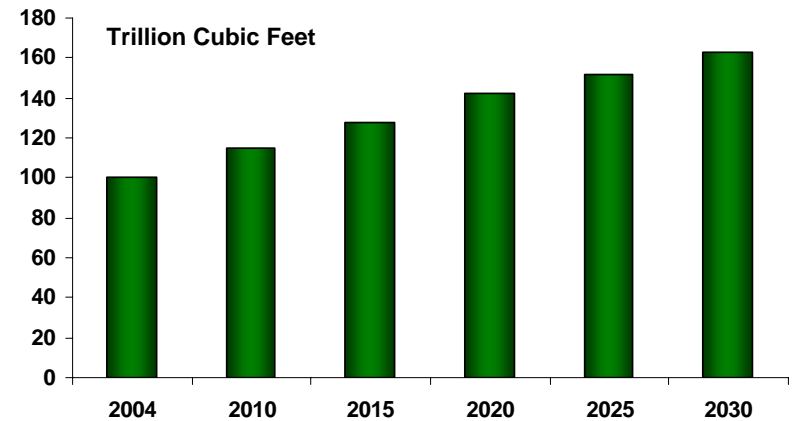
Source: UOP / U.S. Energy Information Association

## Increased Heavy Crude Use



Source: Purvin & Gertz

## Natural Gas Consumption



Source: U.S. Energy Information Association

*Benefiting From Long-Term Demand Trends*



- **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**

*Confident In Delivering Another Strong Year*

**Honeywell**

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*Appendix*  
*Reconciliation of non-GAAP Measures*  
*to GAAP Measures*

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

**Honeywell**

<b>(\$B)</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
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)
<b>Free Cash Flow</b>	<b>\$1.7</b>	<b>\$1.5</b>	<b>\$1.6</b>	<b>\$1.8</b>	<b>\$2.5</b>
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
<b>Operating Cash Flow Conversion %</b>	<b>N/A</b>	<b>171%</b>	<b>181%</b>	<b>149%</b>	<b>154%</b>
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
<b>Free Cash Flow Conversion %</b>	<b>N/A</b>	<b>120%</b>	<b>130%</b>	<b>107%</b>	<b>119%</b>

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

**Honeywell**

<b>(\$B)</b>	<b>2006</b>	<b>2007</b>
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	<u>\$3.1</u>	<u>\$3.7</u>
Stock Based Compensation <sup>(1)</sup>	\$0.1	\$0.1
Repositioning and Other Charges <sup>(1)</sup>	0.5	0.6
Pension and OPEB Expense <sup>(1)</sup>	0.4	0.3
Segment Profit	<u>\$4.1</u>	<u>\$4.7</u>
Operating Income	\$3.1	\$3.7
÷ Sales	<u>\$31.4</u>	<u>\$34.6</u>
Operating Income Margin %	<u>9.9%</u>	<u>10.7%</u>
Segment Profit	\$4.1	\$4.7
÷ Sales	<u>\$31.4</u>	<u>\$34.6</u>
Segment Profit Margin %	<u>13.0%</u>	<u>13.5%</u>

(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**

(\$M)	<u>1Q07</u>	<u>1Q08</u>
Sales	\$8,041	\$8,895
Cost of Products and Services Sold	(6,150)	(6,672)
Selling, General and Administrative Expenses	(1,089)	(1,255)
Operating Income	<u>\$802</u>	<u>\$968</u>
Stock Based Compensation <sup>(1)</sup>	24	41
Repositioning and Other <sup>(1, 2)</sup>	179	213
Pension and OPEB Expense <sup>(1)</sup>	74	27
Segment Profit	<u>\$1,079</u>	<u>\$1,249</u>
Operating Income	\$802	\$968
÷ Sales	<u>\$8,041</u>	<u>\$8,895</u>
Operating Income Margin %	<u>10.0%</u>	<u>10.9%</u>
Segment Profit	\$1,079	\$1,249
÷ Sales	<u>\$8,041</u>	<u>\$8,895</u>
Segment Profit Margin %	<u>13.4%</u>	<u>14.0%</u>

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

(2) Includes repositioning, asbestos, environmental expenses and equity income (beginning 1/1/2008)

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

**Honeywell**

<i>(\$M)</i>	<b>1Q07</b>	<b>1Q08</b>
Cash Provided by Operating Activities	\$578	\$721
Expenditures for Property, Plant and Equipment	(120)	(150)
Free Cash Flow	<u>458</u>	<u>571</u>
Cash Provided by Operating Activities	\$578	\$721
÷ Net Income	526	643
Operating Cash Flow Conversion %	<u>110%</u>	<u>112%</u>
Free Cash Flow	\$458	\$571
÷ Net Income	526	643
Free Cash Flow Conversion %	<u>87%</u>	<u>89%</u>

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

**Honeywell**

(\$B)	<u>2007</u>	<u>2008E</u>
Sales	\$34.6	\$36.8 - 37.4
Cost of Products and Services Sold	(26.3)	(27.8) - (28.1)
Selling, General and Administrative Expenses	(4.6)	(4.7) - (4.9)
Operating Income	<u>\$3.7</u>	<u>\$4.3 - 4.4</u>
Stock Based Compensation <sup>(1)</sup>	0.1	~0.1
Repositioning and Other <sup>(1, 2)</sup>	0.6	0.5 - 0.6
Pension and OPEB Expense <sup>(1)</sup>	0.3	~0.2
Segment Profit	<u>\$4.7</u>	<u>\$5.1 - 5.3</u>
Operating Income	\$3.7	\$4.3 - 4.4
÷ Sales	<u>\$34.6</u>	<u>\$36.8 - 37.4</u>
Operating Income Margin %	<u>10.7%</u>	<u>11.7 - 11.8%</u>
Segment Profit	\$4.7	\$5.1 - 5.3
÷ Sales	<u>\$34.6</u>	<u>\$36.8 - 37.4</u>
Segment Profit Margin %	<u>13.5%</u>	<u>14.0 - 14.3%</u>

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

(2) Includes repositioning, asbestos, environmental expenses and equity income (beginning 1/1/2008)



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

**Honeywell**

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