

Honeywell

2008 Outlook

December 13, 2007

Forward Looking Statements

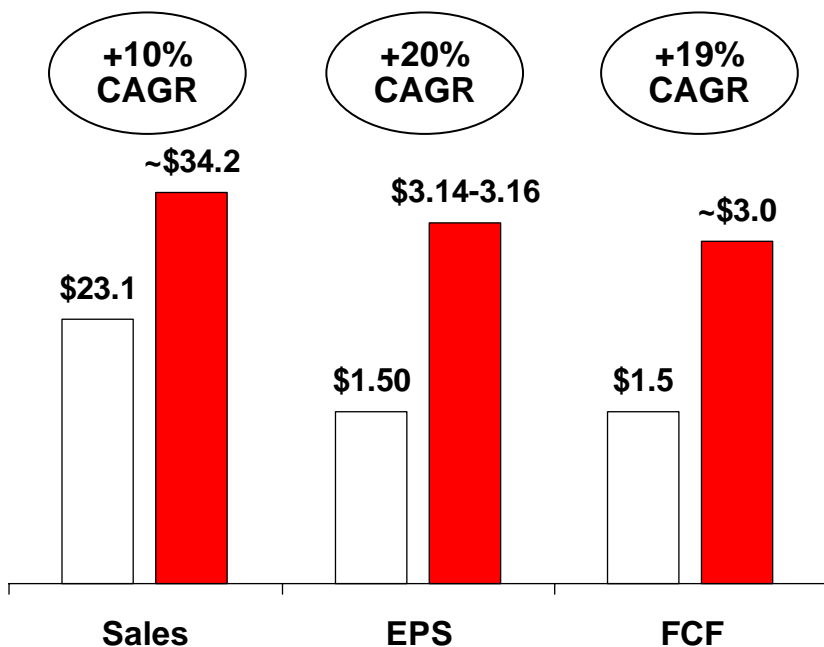
This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may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

2007 Summary

Quarterly Performance

| | 1Q | V'06 | 2Q | V'06 | 3Q | V'06 | 4QE | V'06 |
|-------|---------|------|---------|------|---------|------|-----------------|------|
| Sales | \$ 8.0 | 11% | \$ 8.5 | 8% | \$ 8.7 | 10% | ~\$8.9 | ~7% |
| EPS | \$ 0.66 | 27% | \$ 0.78 | 24% | \$ 0.81 | 23% | \$0.89 - \$0.91 | ~25% |
| FCF | \$ 458 | 291% | \$ 820 | 4% | \$ 736 | 16% | ~\$1,000 | ~6% |

2003-2007E Track Record



2007 Highlights

- **Macro Trends Drive Revenue Growth Across All Businesses**
- **Key Contract Wins Emphasize Franchise Strength**
- **~\$1.2B Acquisitions**
- **~\$4B Share Repurchases**
- **100%+ Free Cash Flow Conversion**

Track Record Continues

- **Overall Expectation For Softening Global Economy**
 - US Residential and Credit Market Ripple Effect
 - Continued Strength in Emerging Regions
 - Inflationary Pressures Continue, Including High Energy Costs
 - More Stable Commodity Costs and Major Currencies
- **Planning Focus: Achievable Top Line / Cost Management**
 - Moderate Sales Growth While Keeping Fixed Costs Flat
 - Contribution from HOS and FT
 - Continued Investment in New Products and ERP
- **Bottom-Up 2008 Performance Targets**
 - In-depth Business Review Process
 - Targeting ~18% EPS Growth and 100%+ Free Cash Flow Conversion

Planning Conservatively

Key Market Assumptions

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| Business | Drivers | Key Assumptions |
|-------------------------|---|--|
| AT&R | Flight Hours OE Deliveries | +5% +10% |
| B&GA | OE Deliveries | +9% |
| Defense | DOD Budget | +4% |
| ACS – Developed Markets | US Housing Starts US Non-Res Construction Retrofit / Regulation Europe | No Recovery Slower Growth Increasing Moderating |
| ACS – Emerging Markets | New Construction | Double Digit Growth |
| Passenger Vehicles | Europe Auto Production Europe Diesel Penetration | Flat to +2% +2 pts |
| Commercial Vehicles | NA Class 8 Truck Production | Rebounding |
| UOP | Refining and Petrochemicals | Continued Strength |

Detailed Bottom-Up Analysis

2008 Financial Guidance Summary

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| Consolidated (\$B) | 2008 Financial Outlook | Growth 2008E vs. 2007E |
|-----------------------|---------------------------|---------------------------|
| Revenues | \$ 36.1 - 36.7 | 5% - 7% |
| Segment Profit | 5.0 - 5.2 | 9% - 14% |
| Segment Margin | 14.0% - 14.3% | 50 bps - 80 bps |
| Net Income | 2.8 - 2.9 | 13% - 17% |
| EPS | \$ 3.65 - 3.80 | 16% - 21% |
| Free Cash Flow | \$ 3.2 - 3.4 | 7% - 13% |

Low End

- Lower Global Growth
- Unfavorable Mix - Aero OE / AM, ACS Products / Solutions
- Inflation / Productivity Worse
- Lower Pension Discount Rate
- Euro < \$1.40

High End

- + Stronger Global Growth
- + Favorable Mix - Aero OE / AM, ACS Products / Solutions
- + Inflation / Productivity Better
- + Higher Pension Discount Rate
- + Euro > \$1.40

2008 Another Great Year

Other Planning Assumptions

P&L Impacts (\$M)

Pension 70 -120

OPEB ~140

Environmental ~200

Net Asbestos ~160

Repo and Other ~150

BTL Subtotal ~510

- Pension Expense Sensitivity

| | | <u>Discount Rate</u> | |
|-----------------------|-----|----------------------|-----------|
| | | 5.75% | 6.00% |
| <u>Rate of Return</u> | 6% | 150 | 100 |
| | 9% | 120 | 70 |
| | 11% | 100 | 50 |

- NARCO Trust Funding Update

- Confirmation of Trust in Bankruptcy Court
- Appeals Expected
- Funding Possible Late 2008, Likely 2009

| (\$B) | 2008 Financial Outlook | Growth 2008E vs. 2007E |
|----------------|-----------------------------------|-----------------------------------|
| Revenues | \$ 12.8 - 13.0 | 5% - 7% |
| Segment Profit | 2.4 - 2.5 | 9% - 13% |
| Segment Margin | 18.7% - 19.0% | 80 bps - 110 bps |

Macro Drivers

- Strength in OE Build and Delivery Rates
- Global Flying Hours Growth
- DOD Budget and Spending Up
 - Reset / Logistics Trends
- Growing Role of Emerging Regions

Business Highlights

- New Platforms and New Products
 - A350 XWB, Synthetic Vision
- Defense Logistics / Services Growth
 - Tiger, Dimensions International
- Continued Strong Aftermarket
 - Key Contracts, Flight Hours / Engine Utilization Growth

Strong Franchise Executing In Favorable Environment

Automation And Control Solutions

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| (\$B) | 2008 Financial Outlook | Growth 2008E vs. 2007E |
|-----------------------|-----------------------------------|-----------------------------------|
| Revenues | \$ 13.3 - 13.5 | 7% - 9% |
| Segment Profit | 1.5 - 1.6 | 10% - 15% |
| <i>Segment Margin</i> | 11.6% - 11.9% | 40 bps - 70 bps |

Macro Drivers

- Strong Trends in Safety, Security, Energy Efficiency
- Anticipating Slower Growth in Developed Regions
- Continued Emerging Region Strength
- US Residential Softness; Non-Residential Growth Moderating

Business Highlights

- Continued New Product and Emerging Region Growth
 - 200+ New Products in 2007
- Broad Based Growth in Products and Solutions
 - Solutions > Products
- Acquisition Execution
 - Enraf, Hand Held, Maxon

Diversified, Global Portfolio Strength

| (\$B) | 2008 Financial Outlook | Growth 2008E vs. 2007E |
|----------------|---------------------------|---------------------------|
| Revenues | \$ 5.1 - 5.2 | 2% - 4% |
| Segment Profit | 0.6 - 0.7 | 8% - 12% |
| Segment Margin | 12.3% - 12.6% | 60 bps - 90 bps |

Macro Drivers

- Favorable Fuel Economy, Efficiency, Emissions Trends
- Continued Increase in Diesel Penetration
- Emerging Region Auto Ownership
- US Auto Aftermarket Softness
- N.A. Class 8 Rebound

Business Highlights

- Significant New Wins / New Products
 - Top 10 Platforms Contributing \$1B+ Future Revenues
- Commercial Turbo Rebound
- Launch Execution Focus
- CPG Operational Performance Improvement

Multi-Year Positive Outlook

| (\$B) | 2008 Financial Outlook | Growth 2008E vs. 2007E |
|-----------------------|-----------------------------------|-----------------------------------|
| Revenues | \$ 4.9 - 5.0 | 2% - 4% |
| Segment Profit | 0.69 - 0.72 | 7% - 10% |
| <i>Segment Margin</i> | 14.2% - 14.5% | 60 bps - 90 bps |

Macro Drivers

- Refining and Petrochemical Remain Strong
- Increasing Global Energy Demand
- Environmental Regulations
- Emerging Region Strength
- High Energy Costs / Commodity Pricing

Business Highlights

- UOP Growth / New Products
 - Robust Backlog
- Focus on Plant Performance
 - Caprolactam Demand > Supply
- Price and Productivity Driving Margin Growth
 - Offsetting Commodity Costs

Strong Overall Performance

- **Well Balanced Portfolio**
 - Aligned to Favorable Macro Trends
 - Growing Faster Than Key Segments Served
- **Execution Focus**
 - Contribution from HOS, FT
 - Investments in New Products, ERP
- **Track Record Continues**
 - Double Digit Earnings Growth
 - 100%+ Free Cash Flow Conversion

Consistent Outperformance

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

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| <i>(\$M)</i> | 2003 | 2004 | 2005 | 2006 |
|--|--------------|--------------|----------------|----------------|
| Cash Provided by Operating Activities | \$2,199 | \$2,253 | \$2,442 | \$3,211 |
| Expenditures for Property, Plant and Equipment | (655) | (629) | (684) | (733) |
| Free Cash Flow | <u>1,544</u> | <u>1,624</u> | <u>\$1,758</u> | <u>\$2,478</u> |
| | | | | |
| Cash Provided by Operating Activities | \$2,199 | \$2,253 | \$2,442 | \$3,211 |
| ÷ Net Income | <u>1,289</u> | <u>1,246</u> | <u>\$1,638</u> | <u>\$2,083</u> |
| Operating Cash Flow Conversion % | <u>171%</u> | <u>181%</u> | <u>149%</u> | <u>154%</u> |
| | | | | |
| Free Cash Flow | \$1,544 | \$1,624 | \$1,758 | \$2,478 |
| ÷ Net Income | <u>1,289</u> | <u>1,246</u> | <u>\$1,638</u> | <u>\$2,083</u> |
| Free Cash Flow Conversion % | <u>120%</u> | <u>130%</u> | <u>107%</u> | <u>119%</u> |

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

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| <i>(\$M)</i> | <u>1Q07</u> | <u>2Q07</u> | <u>3Q07</u> | <u>4Q07E</u> |
|--|-------------|-------------|-------------|---------------|
| Cash Provided by Operating Activities | \$578 | \$983 | \$910 | ~\$1,300 |
| Expenditures for Property, Plant and Equipment | (120) | (163) | (174) | ~(300) |
| Free Cash Flow | <u>458</u> | <u>820</u> | <u>736</u> | <u>~1,000</u> |
| | | | | |
| Cash Provided by Operating Activities | \$578 | \$983 | \$910 | ~\$1,300 |
| ÷ Net Income | <u>526</u> | <u>611</u> | <u>618</u> | <u>~690</u> |
| Operating Cash Flow Conversion % | <u>110%</u> | <u>161%</u> | <u>147%</u> | <u>188%</u> |
| | | | | |
| Free Cash Flow | \$458 | \$820 | \$736 | ~\$1,000 |
| ÷ Net Income | <u>526</u> | <u>611</u> | <u>618</u> | <u>~690</u> |
| Free Cash Flow Conversion % | <u>87%</u> | <u>134%</u> | <u>119%</u> | <u>145%</u> |

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

| (\$B) | 2007E | 2008E |
|--|---------------|---------------------|
| Sales | ~\$34.2 | \$36.1 - 36.7 |
| Cost of Products and Services Sold | ~(25.9) | (27.2) - (27.5) |
| Selling, General and Administrative Expenses | ~(4.6) | (4.7) - (4.9) |
| Operating Income | <u>~\$3.7</u> | <u>\$4.2 - 4.3</u> |
| Stock Based Compensation⁽¹⁾ | ~0.1 | ~0.1 |
| Repositioning and Other Charges⁽¹⁾ | ~0.5 | ~0.5 |
| Pension and OPEB Expense⁽¹⁾ | ~0.3 | 0.2 - 0.3 |
| Segment Profit | <u>~\$4.6</u> | <u>\$5.0 - 5.2</u> |
| Operating Income | ~\$3.7 | \$4.2 - 4.3 |
| ÷ Sales | ~\$34.2 | \$36.1 - 36.7 |
| Operating Income Margin % | <u>~10.8%</u> | <u>11.6 - 11.7%</u> |
| Segment Profit | ~\$4.6 | \$5.0 - 5.2 |
| ÷ Sales | ~\$34.2 | \$36.1 - 36.7 |
| Segment Profit Margin % | <u>~13.5%</u> | <u>14.0 - 14.3%</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

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| (\$B) | 2007E | 2008E |
|--|--------------|--------------|
| Cash Provided by Operating Activities | ~\$3.8 | \$4.1 - 4.3 |
| Expenditures for Property, Plant and Equipment | ~(0.8) | ~(0.9) |
| Free Cash Flow | ~\$3.0 | \$3.2 - 3.4 |
| | | |
| Cash Provided by Operating Activities | ~\$3.8 | \$4.1 - 4.3 |
| ÷ Net Income | ~\$2.4 | \$2.8 - 2.9 |
| Operating Cash Flow Conversion % | ~158% | ~147% |
| | | |
| Free Cash Flow | ~\$3.0 | \$3.2 - 3.4 |
| ÷ Net Income | ~\$2.4 | \$2.8 - 2.9 |
| Free Cash Flow Conversion % | ~125% | ~116% |

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