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.
Key Messages

• Company Track Record Continues

• Excellent Cash Generation and Deployment

• Business Performance Will Continue
  - Great Positions in Good Industries
  - Leveraging Sales Growth
  - Company Processes, (HOS, FT, VPD™) Create Upside
  - Five Initiatives Work and Will Continue
Building A Performance Track Record

2003 – 2007 Financials

Sales

- 10% CAGR

2003 2004 2005 2006 2007E

$23.1 $27.7 $30.5 $33.5

EPS

- 19% CAGR

2003 2004 2005 2006 2007E

$1.50 $1.60 $1.80 $2.00 $2.40

Free Cash Flow

- 15% CAGR

2003 2004 2005 2006 2007E

$1.5 $1.7 $2.0 $2.6 - 2.8

ROI

- +9 Points

2003 2004 2005 2006 2007E

11% 6% 12% 18% 24%

+20%

(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 A Performance Track Record
Cash Deployment

- **Business Investment**
  - Global Growth / Expansion; Reinvestment Ratio ~1.1

- **Acquisitions**
  - Buying Higher Growth / Attractive Businesses
  - Active Pipeline: 33 Acquisitions / 23 Divestitures, 2003 - 2006

- **Dividends**
  - Increased 10% Each of Last 3 Years; ~1.7% Yield

- **Repurchases**
  - $1.9B in 2006; Shares Outstanding Reduced 7% from 2003 to 2006
  - Announced New $3B Share Repurchase Authorization
  - $1.2B in 1Q07; 1Q Average Fully Diluted Share Count 802M

*Disciplined And Balanced*
Why Should Performance Continue?

<table>
<thead>
<tr>
<th>Growth Focus</th>
<th>Combined With Productivity Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Great Positions in Good Industries</td>
<td>- Honeywell Operating System (HOS)</td>
</tr>
<tr>
<td>- Organic Growth (Four Pillars / VPD™)</td>
<td>- Census Management</td>
</tr>
<tr>
<td>- Acquisitions Capability</td>
<td>- Functional Transformation (FT)</td>
</tr>
</tbody>
</table>

Sales Growth Combined With Disciplined Cost Management Yields Higher Margins – Lots More Room!
## Aerospace

### Great Growth Market For Honeywell

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales ($B)</th>
<th>Segment Profit ($B)</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Growth</td>
<td>11.1</td>
<td>1.9</td>
<td>17.0</td>
</tr>
<tr>
<td>Aerospace</td>
<td>+7%</td>
<td>+11%</td>
<td>~11.9</td>
</tr>
<tr>
<td>Rate (%)</td>
<td>~11.9</td>
<td>~17.6</td>
<td></td>
</tr>
</tbody>
</table>

### Air Transport and Regional

- Strong Industry Growth Dynamic
  - Global GDP Growth
  - Ticket Price Competition
- Good Presence on All Platforms
- Safety Avionics / New Air Traffic Control System

### Business Jet

- Industry Strong
  - Moving to Bigger Jets
- Installed Base Growing Rapidly
- Strong Presence Especially on Larger Platforms

### Defense

- Moderate Industry Growth
- Surface Spending Volatility
  - HON Less Impacted
- “Reset” Benefits

### Space

- NASA Rejuvenating
- Honeywell Avionics Significant Contribution to Team Win on CEV
- Avionics Critical to Follow-on Programs (CLV, Lunar, etc.)

### Honeywell Upside / Downside Smaller

- Excellent Growth Potential For Honeywell
Automation And Control Solutions

**Business Strengths**
- Installed Base / Replacement
- Distribution Brand Management
- Acquisition Process
- Software Development
- Rejuvenated Business

**Great Base To Continue Building**

**Macro Trends**
- Energy Efficiency
  - Homes / Buildings
- Energy Generation Cycle
- Security / Fire Detection Demand
- Sensors Everywhere
- Emerging Markets Growth

**Favorable For Every Business**

**Outlook**
- Energy Efficiency and Energy Generation Demand Increasing
- Gas Detection Industry Growth
- Security Products / Distribution Model Good
- Internal Operations Opportunity With Enablers

**Sales And Margin Growth Profile Attractive!**

![Graph showing sales and profit growth](image-url)
Transportation Systems

Turbochargers
- Energy Efficiency Big
- Reduce Fuel Usage and Emissions by 10-35%
  - Especially Effective on Diesels
- Diesel Trend Growing Worldwide

Demand Growing

Consumer Products Group
- Retail Aftermarket Primarily
- Strong Brands
- Slow Industry Growth
- New Products

Stable Grower

Turbo Outlook
- Won Over 60% of Passenger and Over 70% of Commercial Vehicle Platforms Awarded Worldwide in 2006
- Platforms Launch in 2008 and 2009
- Cost and Technology Advantage

Outlook Very Good
**Specialty Materials**

**Resins & Chemicals**
- Two Thirds of Sales on Formula Pricing
- Caprolactam Demand Strong
- World Leading Cost Position
- New Fertilizer Products

**Fluorines**
- HFC Growth
- Low GWP Products
- Nuclear Energy Upside
- High Efficiency Insulation

**UOP**
- Cycle Extending
- World Leading Technology
- Biofuels, Heavy Crude, Other Opportunities

**Specialty Products**
- Electronic Materials Strong
- Additives Technology
- Multiple Applications for Advanced Fibers
- Solvents, Reagents for Drug Discovery

**Transformed Business**

**Great Position And Technology**

**Multiple Growth Opportunities**

*Sales ($B)*

- $4.6$ ~$4.7$

*Segment Profit ($M)*

- $568$ ~$638$

*Rate (%)*

- $12.3$ ~$13.7$

**A Jewel**

*Reported

**Adjusted for exited businesses (~1%) and exited low margin sales (~1%)
Organic Growth – 4 Pillars

Do a Great Job for Customers Every Day

- Uniform Quality and Delivery Metrics
  - 54% PPM Improvement 2005-2006
  - Delivery From Below to At Competitive Parity…More to Go
- Big Progress and More Upside

Sales and Marketing Excellence

- Strategic Marketing Program a Big Win
  - 2,900 People Since 2004
  - Key Projects to Drive Growth
    - Orion CEV
    - Ammonium Sulfate Nitrate

Marketing And Technology Integration Winning

New Products / Services

- Velocity Product Development
- After Great Job Every Day, Next Question is “What’s New?”
- Each SBG Driving

Global Growth

Sales Outside US

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Outside US</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>~42%</td>
</tr>
<tr>
<td>2007</td>
<td>~50%</td>
</tr>
</tbody>
</table>

Important And Frequently Overlooked

Gaining Ground

Exciting Stuff In Every Business
## Common Processes

<table>
<thead>
<tr>
<th>Focus</th>
<th>Goals / Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VPD™ Engineering &amp; Marketing</strong></td>
<td>• Deliver Products and Services Customers Want to Market Faster</td>
</tr>
<tr>
<td></td>
<td>• Reduce Cycle Time Up to 50%</td>
</tr>
<tr>
<td></td>
<td>• Built HTS – India / China / Czech (650 Employees in 2002 to 6,000+ in 2007)</td>
</tr>
<tr>
<td><strong>M&amp;A Bolt-on Acquisitions</strong></td>
<td>• Active M&amp;A Pipeline; Business Ownership</td>
</tr>
<tr>
<td></td>
<td>• 90% Acquisitions 2003 – 2006 At or Ahead of Valuation Model</td>
</tr>
<tr>
<td></td>
<td>• ~$0.26 Incremental Accretion 2003 – 2006</td>
</tr>
</tbody>
</table>

## Cross Portfolio Leverage
# Common Processes

## Focus

<table>
<thead>
<tr>
<th>FT</th>
<th>Administrative Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOS</td>
<td>Manufacturing Plants</td>
</tr>
</tbody>
</table>

## Goals / Achievements

- **FT**
  - Improve Quality, Speed, Cost
  - ~50% Reduction as % of Sales

- **HOS**
  - Significant Cost, Quality, Delivery, Safety, Inventory Improvements
  - 2006 – 34 Sites Began Implementation, ~30% Mfg Cost Base
  - ~50% of Mfg Cost Base by Year End 2007

---

**Cross Portfolio Leverage**
Census Management

Sales

$23.1B

2003

+$45%

$33.5B

2007

Global Census

108K

2003

+9%

Emerging Markets

118K

2007

Developed Markets

Aggressively Managing Census And Structure
## One Honeywell Performance Culture

<table>
<thead>
<tr>
<th>Before (2002)</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Multiple Companies Acting Independently</td>
<td>➔ One Company, Multiple Businesses Aligned and Integrated</td>
</tr>
<tr>
<td>• Product Focused</td>
<td>➔ Customer Driven</td>
</tr>
<tr>
<td>• Multiple Operating Structures</td>
<td>➔ Streamlined, Functionalized and Globalized</td>
</tr>
<tr>
<td>• Employee-Driven Performance Management and Career Development</td>
<td>➔ Manager-Driven Performance and Development Linking Pay to Performance</td>
</tr>
<tr>
<td>• Fragmented, Inconsistent and U.S. Centric</td>
<td>➔ Standardized and Aligned Global Processes and Systems</td>
</tr>
</tbody>
</table>

Significant Change Driving One Honeywell Culture
## 1Q Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>1Q06</th>
<th>1Q07</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$7,241</td>
<td>$8,041</td>
<td></td>
</tr>
<tr>
<td>Segment Profit</td>
<td>$920</td>
<td>$1,079</td>
<td></td>
</tr>
<tr>
<td>Margin %</td>
<td>12.7%</td>
<td>13.4%</td>
<td></td>
</tr>
<tr>
<td>EPS</td>
<td>$0.52</td>
<td>$0.66</td>
<td></td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$117</td>
<td>$458</td>
<td></td>
</tr>
</tbody>
</table>

- **11% Growth**
  - 9% Organic
  - 2% F/X Impact
  - 2% Acq. / Div.
- **17% Growth**
- **+70 bps**
- **27% Growth**
- **291% Increase**

---

**Strong Financial Performance**
## 2Q07 Preview

<table>
<thead>
<tr>
<th>($B)</th>
<th>Sales</th>
<th>Comments</th>
</tr>
</thead>
</table>
| Aerospace | ~$2.9 | • ~7% growth  
• AT&R OE driven growth  
• Flying hours +5-6% |
| Automation and Control | ~3.0 | • ~8% organic growth  
• More balanced Products / Solutions growth  
• Continued Europe / Asia favorable conditions |
| Transportation | ~1.3 | • ~5% growth  
• HTT PV growth offsets Class 8 impact  
• CPG continued recovery |
| Specialty Materials | ~1.2 | • Down ~4%  
• UOP, tough comp to 2Q06  
• US residential exposure |

### 2Q07 Sales ~$8.4B  
**EPS $0.73 – 0.75, Up 16 – 19%**
# 2007 Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007E</th>
<th>V’06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$31.4</td>
<td>~$33.5</td>
<td>~7%</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>$4.1</td>
<td>$4.5 - 4.6</td>
<td>10 - 12%</td>
</tr>
<tr>
<td>Margin %</td>
<td>13.0%</td>
<td>13.5 - 13.9%</td>
<td>50 - 90 bps</td>
</tr>
<tr>
<td>EPS</td>
<td>$2.52</td>
<td>$3.00 – 3.10</td>
<td>19 - 23%</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$2.5</td>
<td>$2.6 - 2.8</td>
<td>4 - 12%</td>
</tr>
<tr>
<td>Conversion</td>
<td>119%</td>
<td>+100%</td>
<td></td>
</tr>
</tbody>
</table>

Another Great Year
Honeywell Expectations

• Top Line Growth: ~5% Reasonable and Sustainable

• Margin Expansion in Every Business

• Census and Fixed Cost Focus = Margin Upside

• HOS, FT Initiatives = Margin Upside

• 20% Segment Margin = Strategic Target

• Segment Margin Translates to EPS and FCF
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>
<th>$(B)$</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$2.2</td>
<td>$2.2</td>
<td>$2.4</td>
</tr>
<tr>
<td>Expenditures for Property, Plant and Equipment</td>
<td>($0.7)</td>
<td>($0.6)</td>
<td>($0.6)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$1.5</td>
<td>$1.6</td>
<td>$1.8</td>
</tr>
</tbody>
</table>

Cash Provided by Operating Activities | $2.2   | $2.2   | $2.5   |
\[ \div \] Net Income | $1.3   | $1.2   | $1.6   |
| Operating Cash Flow Conversion % | 171%   | 181%   | 149%   |

Free Cash Flow | $1.5   | $1.6   | $1.8   |
\[ \div \] Net Income | $1.3   | $1.2   | $1.6   |
| Free Cash Flow Conversion % | 120%   | 130%   | 107%   |
## Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin

<table>
<thead>
<tr>
<th></th>
<th>1Q06</th>
<th>1Q07</th>
</tr>
</thead>
<tbody>
<tr>
<td>($M)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>$7,241</td>
<td>$8,041</td>
</tr>
<tr>
<td>Cost of Products and Services Sold</td>
<td>(5,600)</td>
<td>(6,150)</td>
</tr>
<tr>
<td>Selling, General and Administrative Expenses</td>
<td>(1,002)</td>
<td>(1,089)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$639</td>
<td>$802</td>
</tr>
<tr>
<td>FAS 123R, Stock Option Expense&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>$25</td>
<td>$24</td>
</tr>
<tr>
<td>Repositioning and Other Charges&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>130</td>
<td>179</td>
</tr>
<tr>
<td>Pension and OPEB Expense&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>126</td>
<td>74</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>$920</td>
<td>$1,079</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$639</td>
<td>$802</td>
</tr>
<tr>
<td>Divided by Sales</td>
<td>$7,241</td>
<td>$8,041</td>
</tr>
<tr>
<td>Operating Income Margin %</td>
<td>8.8%</td>
<td>10.0%</td>
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<tr>
<td>Segment Profit</td>
<td>$920</td>
<td>$1,079</td>
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<td>Segment Profit Margin %</td>
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<td>13.4%</td>
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<sup>(1)</sup> 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

<table>
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<tr>
<th></th>
<th>1Q06</th>
<th>1Q07</th>
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</thead>
<tbody>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$239</td>
<td>$578</td>
</tr>
<tr>
<td>Expenditures for Property, Plant and Equipment</td>
<td>(122)</td>
<td>(120)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>117</td>
<td>458</td>
</tr>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$239</td>
<td>$578</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>436</td>
<td>526</td>
</tr>
<tr>
<td>Operating Cash Flow Conversion %</td>
<td>55%</td>
<td>110%</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$117</td>
<td>$458</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>436</td>
<td>526</td>
</tr>
<tr>
<td>Free Cash Flow Conversion %</td>
<td>27%</td>
<td>87%</td>
</tr>
</tbody>
</table>
## Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin

<table>
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<tr>
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<tr>
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<td>(25.5) - (25.6)</td>
</tr>
<tr>
<td>Selling, General and Administrative Expenses</td>
<td>(4.2)</td>
<td>~(4.2)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$3.1</td>
<td>$3.7 - 3.8</td>
</tr>
<tr>
<td>FAS 123R, Stock Option Expense (1)</td>
<td>$0.1</td>
<td>~0.1</td>
</tr>
<tr>
<td>Repositioning and Other Charges (1)</td>
<td>0.5</td>
<td>~0.4</td>
</tr>
<tr>
<td>Pension and OPEB Expense (1)</td>
<td>0.4</td>
<td>~0.3</td>
</tr>
<tr>
<td>Segment Profit</td>
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<tr>
<td>Operating Income</td>
<td>$3.1</td>
<td>$3.7 - 3.8</td>
</tr>
<tr>
<td>Operating Income Margin %</td>
<td>9.9%</td>
<td>11.1 - 11.4%</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>$4.1</td>
<td>$4.5 - 4.6</td>
</tr>
<tr>
<td>Segment Profit Margin %</td>
<td>13.0%</td>
<td>13.5 - 13.9%</td>
</tr>
</tbody>
</table>

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

Electrical Products Group – May 21, 2007
Reconciliation of Free Cash Flow to Cash Provided by Operating Activities and Calculation of Cash Flow Conversion

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<th>2007E</th>
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<td>Cash Provided by Operating Activities</td>
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</tr>
<tr>
<td>Expenditures for Property, Plant and Equipment</td>
<td>(0.7)</td>
<td>~ (0.8)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$2.5</td>
<td>$2.6 - 2.8</td>
</tr>
</tbody>
</table>

\[
\frac{\text{Cash Provided by Operating Activities}}{\text{Net Income}} = \frac{\$3.2}{\$2.1} = 154\%
\]

\[
\frac{\text{Free Cash Flow}}{\text{Net Income}} = \frac{\$2.5}{\$2.1} = 119\%
\]

\[
\frac{\text{Free Cash Flow}}{\text{Net Income}} = \frac{\$2.6}{\$2.4} = 100\%
\]