

# Electrical Products Group

**Dave Cote**  
Chairman and CEO

Longboat Key, Florida  
May 21, 2007

**Honeywell**

# Forward Looking Statements

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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.*

# Key Messages

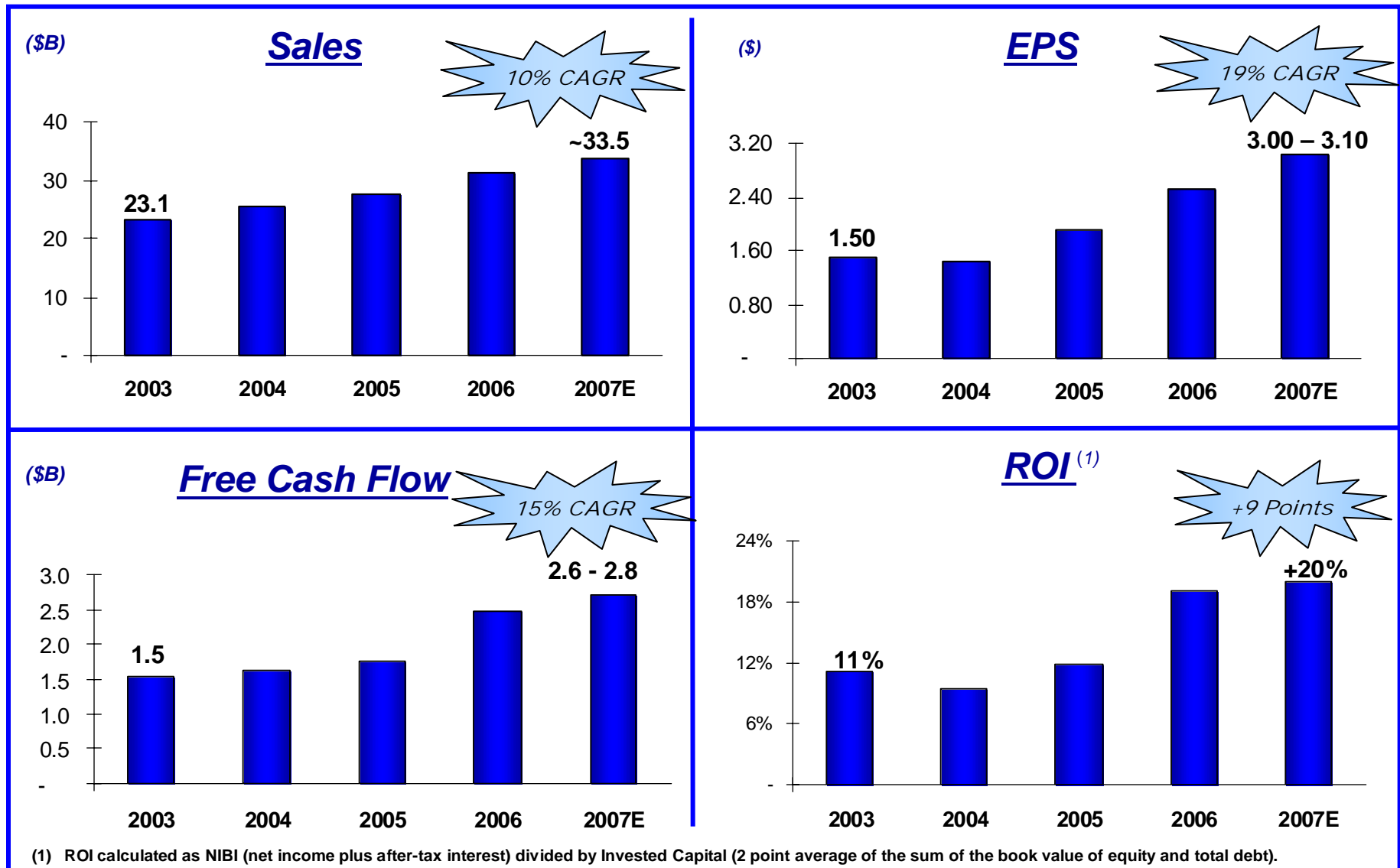
Honeywell

- **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**

*Lots Of Room To Continue Growing*

# 2003 – 2007 Financials

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*Building A Performance Track Record*

# Cash Deployment

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- **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?

## Growth Focus

- Great Positions in Good Industries
- Organic Growth (Four Pillars / VPD™)
- Acquisitions Capability

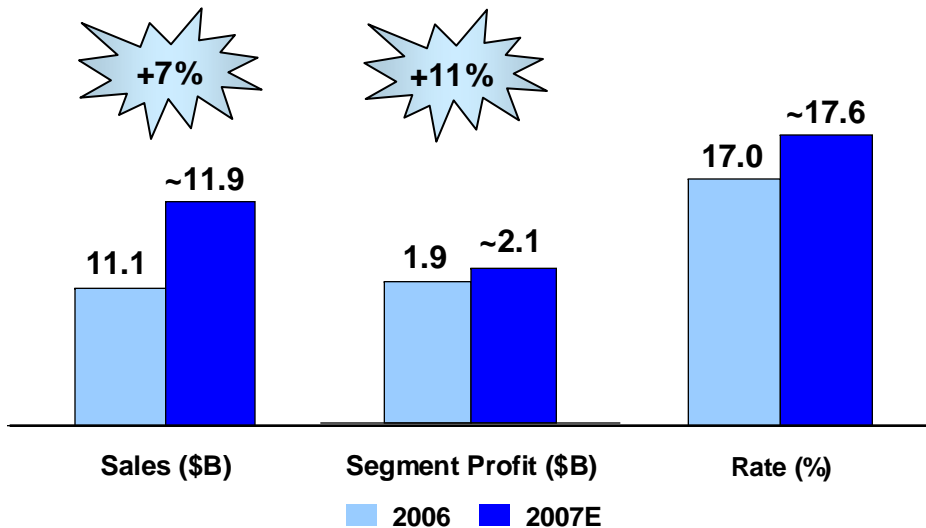
## Combined With Productivity Focus

- Honeywell Operating System (HOS)
- Census Management
- Functional Transformation (FT)

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

# Aerospace

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## 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

**Great Growth Market For Honeywell**

## Business Jet

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

**Great Growth Market For Honeywell**

## Defense

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

**Honeywell Upside / Downside Smaller**

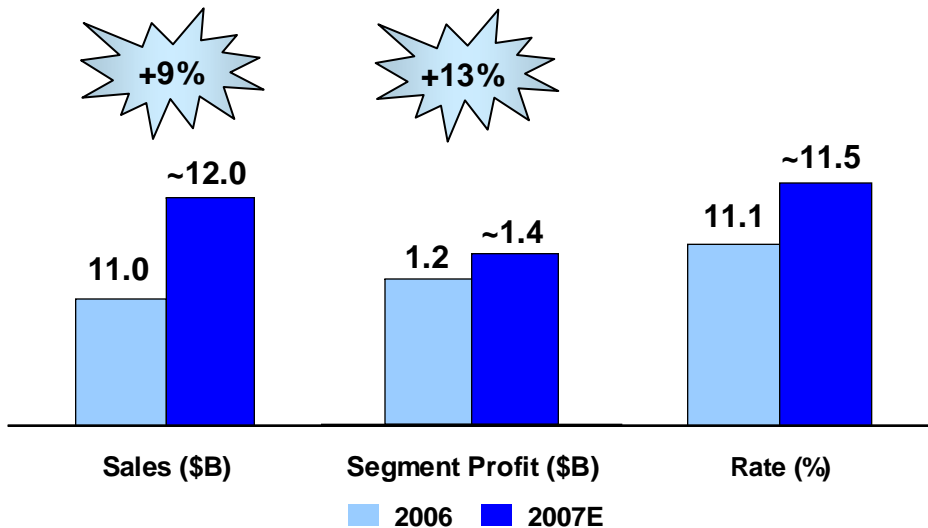
## Space

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

**Excellent Growth Potential For Honeywell**

# Automation And Control Solutions

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## Macro Trends

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

*Favorable For Every Business*

## Business Strengths

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

*Great Base To Continue Building*

## Outlook

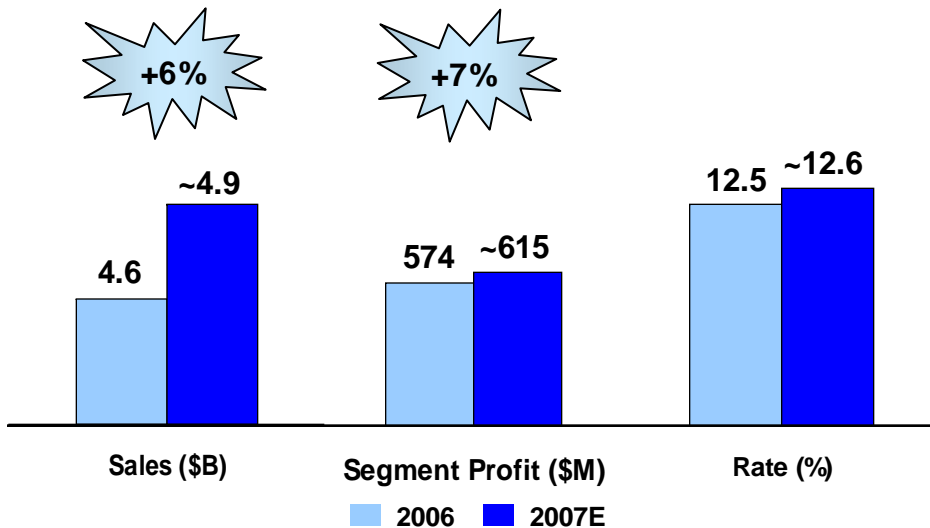
- Energy Efficiency and Energy Generation Demand Increasing
- Gas Detection Industry Growth
- Security Products / Distribution Model Good
- Internal Operations Opportunity With Enablers

*Sales And Margin Growth Profile Attractive!*



# Transportation Systems

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## Consumer Products Group

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

**Stable Grower**

## Turbochargers

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

**Demand Growing**

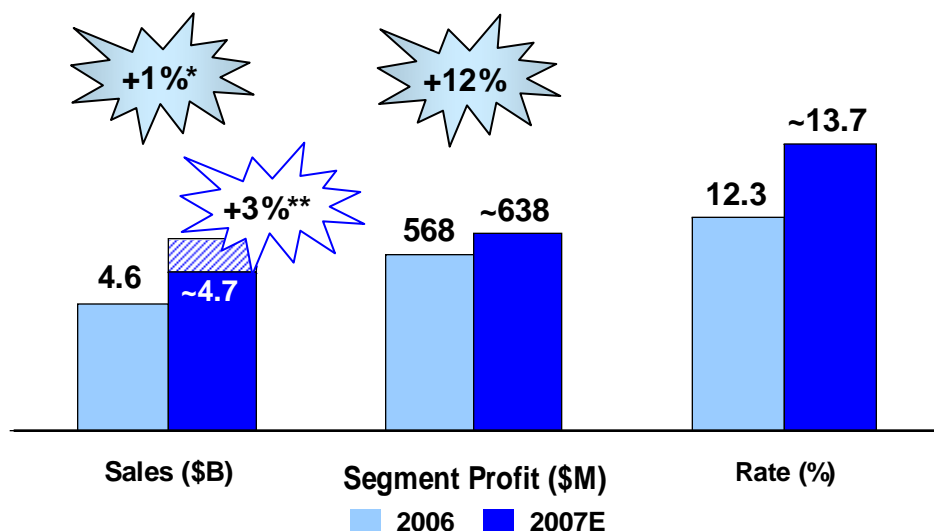
## Turbo Outlook

- 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

Honeywell



\* Reported

\*\* Adjusted for exited businesses (~1%) and exited low margin sales (~1%)

## UOP

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

**A Jewel**

## Resins & Chemicals

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

**Transformed Business**

## Fluorines

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

**Great Position And Technology**

## Specialty Products

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

**Multiple Growth Opportunities**

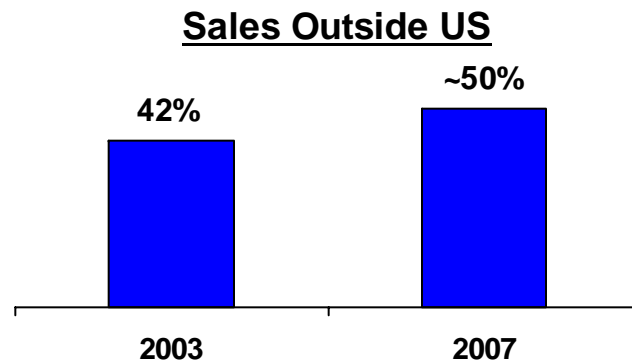
# Organic Growth – 4 Pillars

## 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**

*Important And Frequently Overlooked*

## Global Growth



*Gaining Ground*

## 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**

*Exciting Stuff In Every Business*

# Common Processes

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	<u>Focus</u>	<u>Goals / Achievements</u>
<b>VPD™</b>	<b>Engineering &amp; Marketing</b>	<ul style="list-style-type: none"><li>• <b>Deliver Products and Services Customers Want to Market Faster</b></li><li>• <b>Reduce Cycle Time Up to 50%</b></li><li>• <b>Built HTS – India / China / Czech (650 Employees in 2002 to 6,000+ in 2007)</b></li></ul>
<b>M&amp;A</b>	<b>Bolt-on Acquisitions</b>	<ul style="list-style-type: none"><li>• <b>Active M&amp;A Pipeline; Business Ownership</b></li><li>• <b>90% Acquisitions 2003 – 2006 At or Ahead of Valuation Model</b></li><li>• <b>~\$0.26 Incremental Accretion 2003 – 2006</b></li></ul>

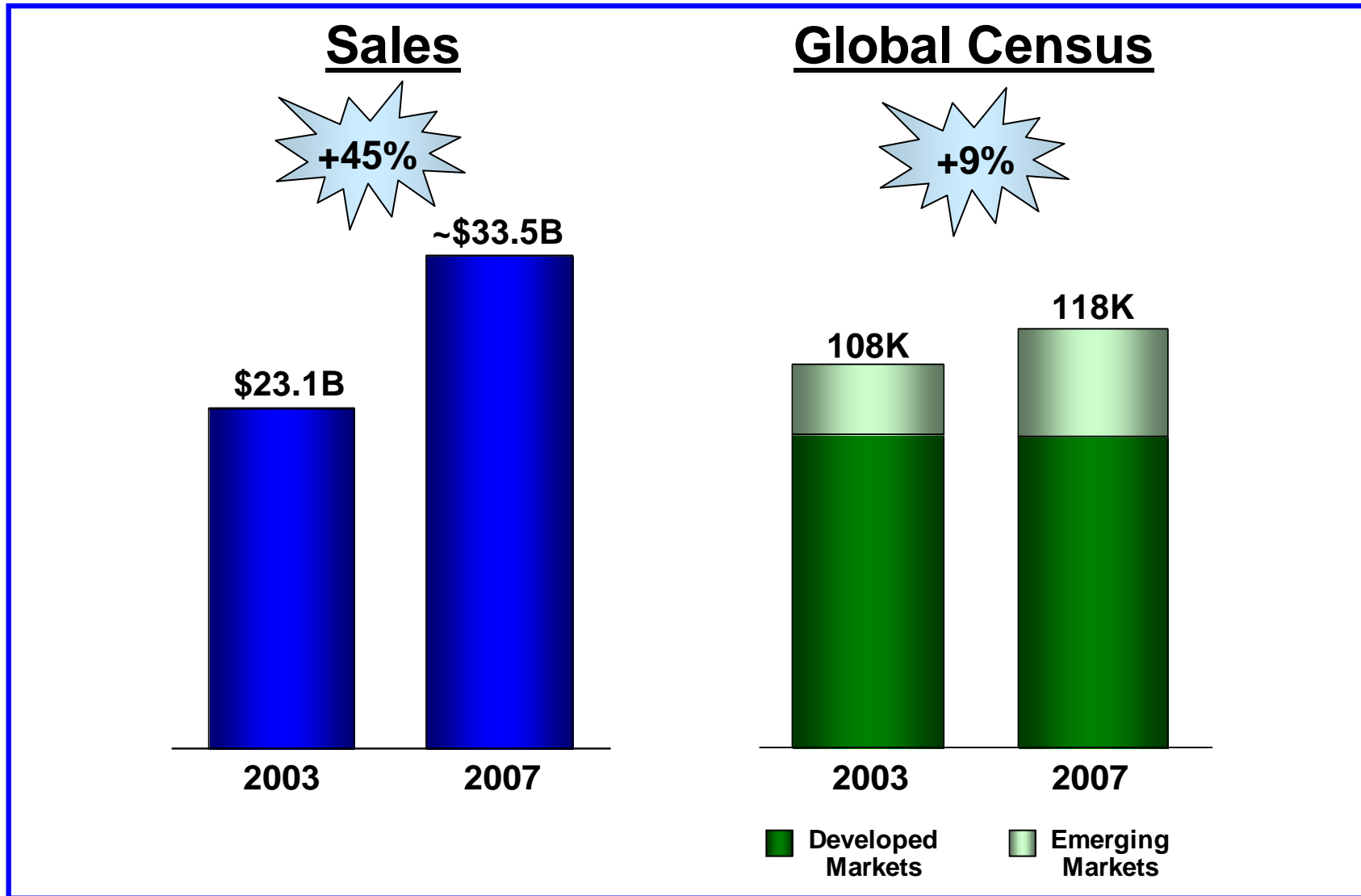
*Cross Portfolio Leverage*

# Common Processes

	<u>Focus</u>	<u>Goals / Achievements</u>
FT	Administrative Functions	<ul style="list-style-type: none"><li>• Improve Quality, Speed, Cost</li><li>• ~50% Reduction as % of Sales</li><li>• \$170M Savings 2005 – 2006; ~\$60M Additional Improvement in 2007</li></ul>
HOS	Manufacturing Plants	<ul style="list-style-type: none"><li>• Significant Cost, Quality, Delivery, Safety, Inventory Improvements</li><li>• 2006 – 34 Sites Began Implementation, ~30% Mfg Cost Base</li><li>• ~50% of Mfg Cost Base by Year End 2007</li></ul>

*Cross Portfolio Leverage*

# Census Management



*Aggressively Managing Census And Structure*

# One Honeywell Performance Culture

Honeywell

## Before (2002)

- Multiple Companies Acting Independently
- Product Focused
- Multiple Operating Structures
- Employee-Driven Performance Management and Career Development
- Fragmented, Inconsistent and U.S. Centric

## Today

- One Company, Multiple Businesses Aligned and Integrated
- Customer Driven
- Streamlined, Functionalized and Globalized
- Manager-Driven Performance and Development Linking Pay to Performance
- Standardized and Aligned Global Processes and Systems

*Significant Change Driving One Honeywell Culture*

# 1Q Financial Summary

Honeywell

<i>(M)</i>	<u>1Q06</u>	<u>1Q07</u>	
<b>Sales</b>	\$7,241	\$8,041	<ul style="list-style-type: none"> <li>• 11% Growth                             <ul style="list-style-type: none"> <li>◆ 9% Organic                                     <ul style="list-style-type: none"> <li>➢ 2% F/X Impact</li> </ul> </li> <li>◆ 2% Acq. / Div.</li> </ul> </li> </ul>
<b>Segment Profit</b>	\$920	\$1,079	<ul style="list-style-type: none"> <li>• 17% Growth</li> </ul>
<i>Margin %</i>	12.7%	13.4%	<ul style="list-style-type: none"> <li>• +70 bps</li> </ul>
<b>EPS</b>	\$0.52	\$0.66	<ul style="list-style-type: none"> <li>• 27% Growth</li> </ul>
<b>Free Cash Flow</b>	\$117	\$458	<ul style="list-style-type: none"> <li>• 291% Increase</li> </ul>

*Strong Financial Performance*



# 2Q07 Preview

Honeywell

(\$B)

	<u>Sales</u>	<u>Comments</u>
<b>Aerospace</b>	<b>~\$2.9</b>	<ul style="list-style-type: none"><li>• ~7% growth</li><li>• AT&amp;R OE driven growth</li><li>• Flying hours +5-6%</li></ul>
<b>Automation and Control</b>	<b>~3.0</b>	<ul style="list-style-type: none"><li>• ~8% organic growth</li><li>• More balanced Products / Solutions growth</li><li>• Continued Europe / Asia favorable conditions</li></ul>
<b>Transportation</b>	<b>~1.3</b>	<ul style="list-style-type: none"><li>• ~5% growth</li><li>• HTT PV growth offsets Class 8 impact</li><li>• CPG continued recovery</li></ul>
<b>Specialty Materials</b>	<b>~1.2</b>	<ul style="list-style-type: none"><li>• Down ~4%</li><li>• UOP, tough comp to 2Q06</li><li>• US residential exposure</li></ul>

*2Q07 Sales ~\$8.4B  
EPS \$0.73 – 0.75, Up 16 – 19%*

# 2007 Financial Summary

Honeywell

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

*Another Great Year*

# Honeywell Expectations

Honeywell

- **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**

*Bright Future*

**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><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>
<b>Cash Provided by Operating Activities</b>	<b>\$2.2</b>	<b>\$2.2</b>	<b>\$2.4</b>
<b>Expenditures for Property, Plant and Equipment</b>	<b><u>(\$0.7)</u></b>	<b><u>(\$0.6)</u></b>	<b><u>(\$0.6)</u></b>
<b>Free Cash Flow</b>	<b><u><u>\$1.5</u></u></b>	<b><u><u>\$1.6</u></u></b>	<b><u><u>\$1.8</u></u></b>
<b>Cash Provided by Operating Activities</b>	<b>\$2.2</b>	<b>\$2.2</b>	<b>\$2.5</b>
<b>÷ Net Income</b>	<b><u>\$1.3</u></b>	<b><u>\$1.2</u></b>	<b><u>\$1.6</u></b>
<b>Operating Cash Flow Conversion %</b>	<b><u><u>171%</u></u></b>	<b><u><u>181%</u></u></b>	<b><u><u>149%</u></u></b>
<b>Free Cash Flow</b>	<b>\$1.5</b>	<b>\$1.6</b>	<b>\$1.8</b>
<b>÷ Net Income</b>	<b><u>\$1.3</u></b>	<b><u>\$1.2</u></b>	<b><u>\$1.6</u></b>
<b>Free Cash Flow Conversion %</b>	<b><u><u>120%</u></u></b>	<b><u><u>130%</u></u></b>	<b><u><u>107%</u></u></b>

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

<i>(\$M)</i>	<b>1Q06</b>	<b>1Q07</b>
Sales	\$7,241	\$8,041
Cost of Products and Services Sold	(5,600)	(6,150)
Selling, General and Administrative Expenses	(1,002)	(1,089)
Operating Income	<u>\$639</u>	<u>\$802</u>
FAS 123R, Stock Option Expense <sup>(1)</sup>	\$25	\$24
Repositioning and Other Charges <sup>(1)</sup>	130	179
Pension and OPEB Expense <sup>(1)</sup>	126	74
Segment Profit	<u>\$920</u>	<u>\$1,079</u>
Operating Income	\$639	\$802
÷ Sales	<u>\$7,241</u>	<u>\$8,041</u>
Operating Income Margin %	<u>8.8%</u>	<u>10.0%</u>
Segment Profit	\$920	\$1,079
÷ Sales	<u>\$7,241</u>	<u>\$8,041</u>
Segment Profit Margin %	<u>12.7%</u>	<u>13.4%</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

**Honeywell**

<i>(\$M)</i>	<u>1Q06</u>	<u>1Q07</u>
Cash Provided by Operating Activities	\$239	\$578
Expenditures for Property, Plant and Equipment	(122)	(120)
Free Cash Flow	<u>117</u>	<u>458</u>
Cash Provided by Operating Activities	\$239	\$578
÷ Net Income	<u>436</u>	<u>526</u>
Operating Cash Flow Conversion %	<u>55%</u>	<u>110%</u>
Free Cash Flow	\$117	\$458
÷ Net Income	<u>436</u>	<u>526</u>
Free Cash Flow Conversion %	<u>27%</u>	<u>87%</u>



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

**Honeywell**

<b>(\$B)</b>	<b>2006</b>	<b>2007E</b>
Sales	\$31.4	~\$33.5
Cost of Products and Services Sold	(24.1)	(25.5) - (25.6)
Selling, General and Administrative Expenses	(4.2)	~(4.2)
Operating Income	<u>\$3.1</u>	<u>\$3.7 - 3.8</u>
FAS 123R, Stock Option Expense <sup>(1)</sup>	\$0.1	~0.1
Repositioning and Other Charges <sup>(1)</sup>	0.5	~0.4
Pension and OPEB Expense <sup>(1)</sup>	0.4	~0.3
Segment Profit	<u>\$4.1</u>	<u>\$4.5 - 4.6</u>
Operating Income	\$3.1	\$3.7 - 3.8
÷ Sales	<u>\$31.4</u>	<u>~\$33.5</u>
Operating Income Margin %	<u>9.9%</u>	<u>11.1 - 11.4%</u>
Segment Profit	\$4.1	\$4.5 - 4.6
÷ Sales	<u>\$31.4</u>	<u>~\$33.5</u>
Segment Profit Margin %	<u>13.0%</u>	<u>13.5 - 13.9%</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

**Honeywell**

<b>(\$B)</b>	<b>2006</b>	<b>2007E</b>
Cash Provided by Operating Activities	\$3.2	\$3.4 - 3.6
Expenditures for Property, Plant and Equipment	(0.7)	~(0.8)
<b>Free Cash Flow</b>	<b>\$2.5</b>	<b>\$2.6 - 2.8</b>
Cash Provided by Operating Activities	\$3.2	\$3.4 - 3.6
÷ Net Income	\$2.1	\$2.4 - 2.5
<b>Operating Cash Flow Conversion %</b>	<b>154%</b>	<b>+140%</b>
Free Cash Flow	\$2.5	\$2.6 - 2.8
÷ Net Income	\$2.1	\$2.4 - 2.5
<b>Free Cash Flow Conversion %</b>	<b>119%</b>	<b>+100%</b>