
*First Quarter
Earnings Release*

April 20, 2007

Forward Looking Statements

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.

1Q Overview

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- **Financial Performance**
 - 11% Sales Growth, 9% Organic Growth
 - Segment Profit up 17%; Segment Margin Up 70 bps
 - 27% EPS Growth
 - \$458M Free Cash Flow
- **Business Highlights**
 - AERO – New Wins; Strong Aftermarket Performance
 - ACS – 12% Organic Sales Growth; Broad Based Momentum
 - TS – Turbo Wins, Passenger Vehicle Growth; CPG Volume
 - SM – Strong UOP Performance
- **Cash Deployment**
 - Repurchased 25.3M Shares; Average Fully Diluted Share Count 802M
- **Increasing 2007 Financial Guidance**
 - EPS Range +15 Cents to \$3.00 - \$3.10

1Q Financial Summary

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

Strong Financial Performance

Aerospace

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<i>(M)</i>	<u>1Q06</u>	<u>1Q07</u>	<u>Financial Highlights</u>
Sales	\$2,629	\$2,840	<ul style="list-style-type: none"> • Sales up 8% <ul style="list-style-type: none"> - Air Transport & Regional up 8% <ul style="list-style-type: none"> ◆ OE up 8% ◆ AM up 9% - Business & General Aviation up 11% <ul style="list-style-type: none"> ◆ OE up 12% ◆ AM up 11% - Defense & Space up 6%
Segment Profit	\$440	\$500	
Margin	16.7%	17.6%	
<u>Business Highlights</u>			<ul style="list-style-type: none"> • Segment Profit up 14% <ul style="list-style-type: none"> ◆ 90 bps margin expansion <ul style="list-style-type: none"> + Volume / price + Productivity - Inflation
<ul style="list-style-type: none"> + New Wins – AT&R, Defense + Commercial OE up 10% <ul style="list-style-type: none"> ◆ Strong build rates + Commercial AM up 9% <ul style="list-style-type: none"> ◆ Global AT&R flying hours up ~6% - Material costs 			

Great Start To 2007

Automation And Control Solutions

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<i>(M)</i>	<u>1Q06</u>	<u>1Q07</u>	<u>Financial Highlights</u>
Sales	\$2,365	\$2,801	<ul style="list-style-type: none"> • Sales up 18% <ul style="list-style-type: none"> ◆ Organic 12%; Acq. / Div. 6% <ul style="list-style-type: none"> ➢ F/X Impact 3% - Products up 18% - Solutions up 20%
Segment Profit	\$221	\$274	
Margin	9.3%	9.8%	
<u>Business Highlights</u>			<ul style="list-style-type: none"> • Segment Profit up 24% <ul style="list-style-type: none"> ◆ 50 bps margin expansion <ul style="list-style-type: none"> + Volume + Productivity - Inflation - Mix, acquisitions
<ul style="list-style-type: none"> + Products 9% organic growth + Solutions 18% organic growth <ul style="list-style-type: none"> ◆ Continued orders / backlog growth + Europe, Asia market conditions - North America residential softness 			

Growth Across The Business

Transportation Systems

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<i>(M)</i>	<u>1Q06</u>	<u>1Q07</u>	<u>Financial Highlights</u>
Sales	\$1,095	\$1,201	<ul style="list-style-type: none"> • Sales up 10% <ul style="list-style-type: none"> ◆ F/X Impact 6% - Turbo up 9% <ul style="list-style-type: none"> ◆ LV growth offsets Class 8 decline - CPG up 11% <ul style="list-style-type: none"> ◆ Growth in all brands
Segment Profit	\$142	\$156	
Margin	13.0%	13.0%	
<u>Business Highlights</u>			<ul style="list-style-type: none"> • Segment Profit up 10% <ul style="list-style-type: none"> ◆ Margin flat <ul style="list-style-type: none"> + Price + Productivity - Inflation
<ul style="list-style-type: none"> + HTT platform wins + HTT Europe demand <ul style="list-style-type: none"> ◆ Diesel penetration, LV production up - Class 8 sales - Material inflation 			

Turbo Growth And CPG Recovery

Specialty Materials

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<i>(M)</i>	<u>1Q06</u>	<u>1Q07</u>	<u>Financial Highlights</u>
Sales	\$1,152	\$1,199	<ul style="list-style-type: none"> • Sales up 4% <ul style="list-style-type: none"> - UOP up 21% <ul style="list-style-type: none"> ◆ Project timing - Specialty Products up 2% - Resins and Chemicals down 6% - Fluorine Products down 11% <ul style="list-style-type: none"> ◆ Pricing pressure • Segment Profit up 19% <ul style="list-style-type: none"> ◆ 190 bps margin expansion <ul style="list-style-type: none"> + Mix + Productivity + Price - Inflation
Segment Profit	\$162	\$192	
Margin	14.1%	16.0%	
<p style="text-align: center;"><u>Business Highlights</u></p> <ul style="list-style-type: none"> + UOP project wins + Price/Raws spread net favorable - US residential exposure - Refrigerant price pressure 			

Strong UOP Performance

2007 Financial Summary

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

Raising Guidance

2007 Segment Overview

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(\$B)

	<u>Sales</u>		<u>Segment Margin</u>	
	<u>2007E</u>	<u>V'06</u>	<u>2007E</u>	<u>V'06</u>
Aerospace	~\$11.9	~7%	~17.6%	~60 bps
Automation & Control	~12.0	~9%	~11.5%	~40
Transportation Systems	~4.9	~6%	~12.6%	~10
Specialty Materials	<u>~4.7</u>	<u>~1%</u>	<u>~13.7%</u>	<u>~140</u>
Total	~\$33.5	~7%	13.5 - 13.9%	50 – 90 bps

Sales Growth And Margin Expansion

2Q07 Preview

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(\$B)

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

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

- **Great Start to 2007**
- **Strong Execution Across The Portfolio**
- **Investing for Future Growth**
- **Confident in Prospects, Raising Guidance**

Appendix
Reconciliation of non-GAAP Measures
to GAAP Measures

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

<i>(\$M)</i>	1Q06	1Q07
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 ⁽¹⁾	\$25	\$24
Repositioning and Other Charges ⁽¹⁾	130	179
Pension and OPEB Expense ⁽¹⁾	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>	1Q06	1Q07
Cash Provided by Operating Activities	\$239	\$578
Expenditures for Property, Plant and Equipment	(122)	(120)
Free Cash Flow	117	458
Cash Provided by Operating Activities	\$239	\$578
÷ Net Income	436	526
Operating Cash Flow Conversion %	55%	110%
Free Cash Flow	\$117	\$458
÷ Net Income	436	526
Free Cash Flow Conversion %	27%	87%

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

Honeywell

(\$B)	2006	2007E
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 ⁽¹⁾	\$0.1	~0.1
Repositioning and Other Charges ⁽¹⁾	0.5	~0.4
Pension and OPEB Expense ⁽¹⁾	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)	2006	2007E
Cash Provided by Operating Activities	\$3.2	\$3.4 - 3.6
Expenditures for Property, Plant and Equipment	(0.7)	~(0.8)
Free Cash Flow	\$2.5	\$2.6 - 2.8
Cash Provided by Operating Activities	\$3.2	\$3.4 - 3.6
÷ Net Income	\$2.1	\$2.4 - 2.5
Operating Cash Flow Conversion %	154%	+140%
Free Cash Flow	\$2.5	\$2.6 - 2.8
÷ Net Income	\$2.1	\$2.4 - 2.5
Free Cash Flow Conversion %	119%	+100%

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