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.
<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:00</td>
<td>WELCOME</td>
<td></td>
</tr>
<tr>
<td>8:05</td>
<td>INTRODUCTION</td>
<td>Cote</td>
</tr>
<tr>
<td>8:30</td>
<td>SPECIALTY MATERIALS</td>
<td>Dicciani</td>
</tr>
<tr>
<td>9:00</td>
<td>AUTOMATION AND CONTROL</td>
<td>Fradin</td>
</tr>
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<td>10:05</td>
<td>TRANSPORTATION SYSTEMS</td>
<td>Brown</td>
</tr>
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<td>10:35</td>
<td>AEROSPACE</td>
<td>Gillette</td>
</tr>
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<td>11:20</td>
<td>FINANCIAL REVIEW</td>
<td>Anderson</td>
</tr>
<tr>
<td>11:50</td>
<td>SUMMARY / Q&amp;A</td>
<td>Cote / All</td>
</tr>
<tr>
<td>12:15</td>
<td>LUNCH</td>
<td></td>
</tr>
</tbody>
</table>
Introduction

Dave Cote
Chairman and CEO
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
# 2006 Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>V’05</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>$27.6</td>
<td>$31.4</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Organic</strong></td>
<td></td>
<td></td>
<td>7%</td>
</tr>
<tr>
<td><strong>Segment Profit</strong></td>
<td>$3.4</td>
<td>$4.1</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Margin %</strong></td>
<td>12.2%</td>
<td>13.0%</td>
<td>+80 bps</td>
</tr>
<tr>
<td><strong>EPS, Reported</strong></td>
<td>$1.92</td>
<td>$2.52</td>
<td>31%</td>
</tr>
<tr>
<td><strong>EPS, Adjusted (1)</strong></td>
<td>$1.99</td>
<td>$2.59</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>$1.8</td>
<td>$2.5</td>
<td>41%</td>
</tr>
<tr>
<td><strong>Conversion</strong></td>
<td>107%</td>
<td>119%</td>
<td></td>
</tr>
</tbody>
</table>

(1) Reflects 2005 tax charge for cash repatriation ($0.18) and Income from Discontinued Operations ($0.11), as well as 2006 FAS 123R Stock Option expense ($0.07)

**Another Great Year Completed**
## 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>~$32.8</td>
<td>~5%</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>$4.1</td>
<td>$4.4 - 4.5</td>
<td>9 - 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>$2.85 - 2.95</td>
<td>13 - 17%</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$2.5</td>
<td>$2.5 - 2.7</td>
<td>3 - 11%</td>
</tr>
<tr>
<td>Conversion</td>
<td>119%</td>
<td>+100%</td>
<td></td>
</tr>
</tbody>
</table>

Another Great Year Coming
2003 – 2007 Financials

Sales

- 9% CAGR

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>23.1</td>
</tr>
<tr>
<td>2004</td>
<td>23.1</td>
</tr>
<tr>
<td>2005</td>
<td>23.1</td>
</tr>
<tr>
<td>2006</td>
<td>~32.8</td>
</tr>
<tr>
<td>2007E</td>
<td>~32.8</td>
</tr>
</tbody>
</table>

EPS

- 18% CAGR

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1.50</td>
</tr>
<tr>
<td>2004</td>
<td>1.50</td>
</tr>
<tr>
<td>2005</td>
<td>1.50</td>
</tr>
<tr>
<td>2006</td>
<td>2.85 - 2.95</td>
</tr>
<tr>
<td>2007E</td>
<td>2.85 - 2.95</td>
</tr>
</tbody>
</table>

Free Cash Flow

- 14% CAGR

<table>
<thead>
<tr>
<th>Year</th>
<th>Free Cash Flow ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1.5</td>
</tr>
<tr>
<td>2004</td>
<td>1.5</td>
</tr>
<tr>
<td>2005</td>
<td>1.5</td>
</tr>
<tr>
<td>2006</td>
<td>~2.5 - 2.7</td>
</tr>
<tr>
<td>2007E</td>
<td>~2.5 - 2.7</td>
</tr>
</tbody>
</table>

ROI (1)

- +9 Points

<table>
<thead>
<tr>
<th>Year</th>
<th>ROI (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>11%</td>
</tr>
<tr>
<td>2004</td>
<td>9%</td>
</tr>
<tr>
<td>2005</td>
<td>9%</td>
</tr>
<tr>
<td>2006</td>
<td>~20%</td>
</tr>
<tr>
<td>2007E</td>
<td>~20%</td>
</tr>
</tbody>
</table>

(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).

Track Record Continues
### Cash Deployment

<table>
<thead>
<tr>
<th>($B)</th>
<th>2006</th>
<th>2003-2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Cash Flow</td>
<td>2.5</td>
<td>7.4</td>
</tr>
<tr>
<td>Dividends</td>
<td>(0.7)</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Stock Repurchase</td>
<td>(1.9)</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Acquisitions*</td>
<td>(0.6)</td>
<td>(3.9)</td>
</tr>
<tr>
<td>Divestitures</td>
<td>0.7</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Reinvestment Ratio:
- 1.1 to 1.0 in 2006
- 1.1 to 1.0 during 2003-2006

- 10% Increase Last 3 Years
- 98M Shares (45M in 2006)
- Basic Share Count, 862 to 801

Accretion ‘03 - ‘06 Acquisitions Incremental ~$0.26 ’03 - ‘06

*Excludes Payment of Debt Assumed and Cash Acquired in Acquisitions
Valuation Metrics

PEG Ratio

<table>
<thead>
<tr>
<th>Range</th>
<th>Average</th>
<th>HON</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.8</td>
<td>1.5</td>
<td>1.0</td>
</tr>
</tbody>
</table>

HON 2nd Lowest

Dividend Yield

<table>
<thead>
<tr>
<th>Range</th>
<th>Average</th>
<th>HON</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.9%</td>
<td>1.5%</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

HON 3rd Highest

ROIC

<table>
<thead>
<tr>
<th>Range</th>
<th>Average</th>
<th>HON</th>
</tr>
</thead>
<tbody>
<tr>
<td>37%</td>
<td>21%</td>
<td>19%</td>
</tr>
</tbody>
</table>

HON 3rd Highest

2007 FCF Multiple

<table>
<thead>
<tr>
<th>Range</th>
<th>Average</th>
<th>HON</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>19</td>
<td>15</td>
</tr>
</tbody>
</table>

HON 2nd Lowest

2007 P/E Ratio

<table>
<thead>
<tr>
<th>Range</th>
<th>Average</th>
<th>HON</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>17</td>
<td>16</td>
</tr>
</tbody>
</table>

HON Lowest

Total Return

<table>
<thead>
<tr>
<th>Honeywell</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compounded</td>
<td>107%</td>
</tr>
<tr>
<td>2006</td>
<td>24</td>
</tr>
<tr>
<td>2005</td>
<td>8</td>
</tr>
<tr>
<td>2004</td>
<td>8</td>
</tr>
<tr>
<td>2003</td>
<td>43</td>
</tr>
</tbody>
</table>

Good Call Historically

Good Performance And Undervalued = Upside

1) Range, average calculated using eight multi-industry peers
2) Honeywell 2/23/2007 closing stock price: $47.69
3) See Appendix for further details
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**

**Air Transport & 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

**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.)

**Great Growth Market For Honeywell**

**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

**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!**

<table>
<thead>
<tr>
<th>Sales ($B)</th>
<th>Segment Profit ($B)</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>~11.750</td>
<td>~1.4</td>
<td>~11.5</td>
</tr>
<tr>
<td>11.0</td>
<td>1.2</td>
<td>11.1</td>
</tr>
</tbody>
</table>

Sales and margin growth profile attractive!
**Specialty Materials**

**Transformed Business**

- 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

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

**Great Position And Technology**

**Multiple Growth Opportunities**

**UOP**

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

**A Jewel**

<table>
<thead>
<tr>
<th>Sales ($B)</th>
<th>Segment Profit ($M)</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2007E</td>
<td></td>
</tr>
<tr>
<td>4.6</td>
<td>~4.660</td>
<td>12.3</td>
</tr>
<tr>
<td>568</td>
<td>~638</td>
<td>~13.7</td>
</tr>
</tbody>
</table>

* Reported
** Adjusted for exited businesses (~2%) and exited low margin sales (~2%)
**Transportation Systems**

**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

**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

**Demand Growing**

**Outlook Very Good**
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 & Marketing Excellence
- Strategic Marketing Program a Big Win
  - 2,900 People Since 2004
  - Key Projects to Drive Growth
    - Orion CEV
    - Ammonium Sulfate Nitrate

Important And Frequently Overlooked

Marketing And Technology Integration Winning

Global Growth

Sales Outside US

Sales & Marketing Excellence

New Products / Services

Gaining Ground

Exciting Stuff In Every Business

• Velocity Product Development
• After Great Job Every Day, Next Question is “What’s New?”
• Each SBG Driving
### Velocity Product Development (VPD™)

**Deliver Products and Services Customers Want to Market Faster**

<table>
<thead>
<tr>
<th>Process</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reduce Cycle Time Up to 50%</td>
<td>• Annual Invention Disclosures up 100% From 2002</td>
</tr>
<tr>
<td>• Eliminating Re-work a Big Deal</td>
<td>• 2006 New Products Utilizing VPD™</td>
</tr>
<tr>
<td>• Standard Platform Approach</td>
<td>• 30-40% Cycle Time Reduction</td>
</tr>
<tr>
<td>• Ties to Strategic Marketing Program</td>
<td></td>
</tr>
</tbody>
</table>

#### Examples

<table>
<thead>
<tr>
<th>HTS - India Advantage</th>
<th>HTS - China / Czech Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 500 Employees in 2002 → 5,000+ in 2007</td>
<td>• 155 Employees in 2002 → 1,000+ in 2007</td>
</tr>
<tr>
<td>• CMM Level 5 Software Development</td>
<td>• 130+ Patents in China, Central Europe Last Two Years</td>
</tr>
<tr>
<td>• 50% Engineers Software Focused</td>
<td>• 50% Increase in Asia Localized Products</td>
</tr>
</tbody>
</table>

**Making A Difference**

- Annual Invention Disclosures up 100% From 2002
- 2006 New Products Utilizing VPD™
  - 30-40% Cycle Time Reduction

- HTS - India Advantage
  - 500 Employees in 2002 → 5,000+ in 2007
  - CMM Level 5 Software Development
  - 50% Engineers Software Focused

- HTS - China / Czech Republic
  - 155 Employees in 2002 → 1,000+ in 2007
  - 130+ Patents in China, Central Europe Last Two Years
  - 50% Increase in Asia Localized Products
M&A Track Record

### 2003-2006 Activity

<table>
<thead>
<tr>
<th></th>
<th>Cash Impact</th>
<th>Sales Impact(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>33 Acquisitions</td>
<td>($3.9)(1)</td>
<td>$3.5</td>
</tr>
<tr>
<td>23 Divestitures</td>
<td>2.2</td>
<td>(1.5)</td>
</tr>
</tbody>
</table>

(1) Excludes payment of debt assumed and cash acquired in acquisitions
(2) Excludes sales related to Novar / FT discontinued operations

- 90% Acquisitions at or Ahead of Valuation Model
- ~$0.26 Incremental Accretion 2003 - 2006
- Criteria
  - Accretion in 2nd year
  - IRR > Cost of Capital
  - ROI > 10% in 5th year
- Process Working

### Gas Detection*

<table>
<thead>
<tr>
<th></th>
<th>($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>$949</td>
</tr>
<tr>
<td>Divestitures</td>
<td>(183)</td>
</tr>
<tr>
<td>Net Price</td>
<td>$766</td>
</tr>
</tbody>
</table>

**EBITDA Multiple**
- At Purchase ~11.2x
- Net of Divestitures / Synergies ~7.5x

- Synergies Exceeding Model
- Non-core Sold for More Than Planned
- Important New Growth Platform
- From No Position to Worldwide Leadership

*Zellweger and First Technology

Excellent Record; Important New Growth Platforms
Honeywell Operating System (HOS)

Integrated System Built on Six Sigma Foundation to Accelerate Improvement in Factories

• 2006 – 34 of 245 Sites Began Implementation
  - 16,500 Employees; ~30% of Manufacturing Cost Base

• Big Improvements Showing As Maturity Builds
  - Delivery and Inventory = 15-20% Improvements
  - Quality = 25-90% Reduction in Customer Defects
  - Cost = 10-15% Reduction
  - Safety = 10-30% Incident Reduction

• 2007 – Begin Deployment At 28 Additional Sites
  - ~50% of Manufacturing Cost Base by Year End
Census Management

Sales

+42%

2003 $23.1B

2007 $32.8B

Global Census

+9%

2003 108K

2007 118K

Developed Markets

Emerging Markets

Aggressively Managing Census And Structure
Transform Honeywell’s Administrative Functions to Deliver Benchmark Performance in Quality, Speed, Cost

**Functional Cost / Sales**

- 2005: 7.2%
- 2007E: 6.4%
- 2010E: 4.1%

**Scope**

- Finance
- IT
- HR
- Procurement
- Legal
- Real Estate
- Security
- Contracts / HS&E

**Why?**

- Cost
- Quality of Service
- Complexity
- Lack of Standardization

**Big Cost And Service Impacts**
## 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**
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

Bright Future
Summary

• Another Great Year

• More To Come
Specialty Materials

Dr. Nance Dicciani
President and CEO

Honeywell
Specialty Materials Transformation

**Sales**

($B)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>3.2</td>
</tr>
<tr>
<td>2004</td>
<td>3.5</td>
</tr>
<tr>
<td>2005</td>
<td>3.2</td>
</tr>
<tr>
<td>2006</td>
<td>4.6</td>
</tr>
</tbody>
</table>

**Segment Profit / Margin**

($M)

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>4.3%</td>
</tr>
<tr>
<td>2004</td>
<td>5.3%</td>
</tr>
<tr>
<td>2005</td>
<td>7.9%</td>
</tr>
<tr>
<td>2006</td>
<td>12.3%</td>
</tr>
</tbody>
</table>

**Highlights**

- **Significant Portfolio Transformation**
  - ~$1.7 Billion Exited
  - ~$1.7 Billion Added
- **Strong Organic Growth Throughout Transformation**
- **8 Points Segment Margin Expansion**
- **UOP Acquisition a Success**
- **Significantly Reduced Exposure to Raw Materials**
- **Increased Sales Outside U.S. From 37% to 51%**

**Strong Value Creation**

Honeywell
2006 Portfolio Highlights

**Portfolio**
- Specialty Products: 24%
- Fluorine Products: 19%
- UOP: 34%
- Resins & Chemicals: 23%

**Regional Sales**
- U.S.
- Asia Pacific incl. China
- Europe, Middle East, Africa, India
- Other Americas

**Highlights**
- **Strong Revenue Growth**
  - Organic: 7%
  - Acquisition / Divestiture: 36%
- **Organic Growth in Every Business**
  - Sales and Segment Profit
- **Disciplined Cost Management**
  - HOS
  - Functional Transformation
  - Productivity
  - Census
- **Successful UOP Integration; Benefits Across HON**
- **Investing For Growth**
  - Tripling Asian Lab Space
  - Renewable Energy Initiative
  - Low Global Warming Products

*Portfolio Poised For Future Growth*
**Highlights**

- **Truly Global Business**
  - Present in Every Refinery Worldwide

- **Significant New Wins**
  - Greater Than 80% Win Rate on Key Technology Projects in 2006

- **Investing in Leading-Edge Technology**
  - More Than 1,100 Patents in Last 5 Years

- **Technology Crossover to Other HON Businesses**
  - UOP / TS Emission Control
  - UOP / ACS - HPS

- **New Opportunities**
  - Biofuels
  - Heavy Crude
  - Coal to Liquid
  - Gas Monetization (Methanol-to-Olefin)

---

**Great Investment At The Right Time**

---
Fluorine Products

Sales

Highlights

- Refrigerant / Foam Growth Driven by:
  - Increasing Regulation
  - Demand for Energy Efficiency
  - Strengthening Patent Portfolio

- Near-Term Auto Refrigerant Price Pressure

- New Opportunities
  - New Products to Address Global Warming
  - Nuclear Energy Renaissance
  - Geographic Expansion

Great Position, Focus On Next Generation
Resins And Chemicals

Sales

- Ammonium Sulfate
- Chemicals
- Other
- Caprolactam

Highlights

- World’s Best Cost Position
- Margin Expansion, Productivity Improvements
- Long-Term Customer Agreements
- Formula Pricing Reduces Raw Materials Exposure
- Increasing Demand from China
- New Opportunities
  - Ammonium Sulfate Used for Corn (Ethanol)
  - Ammonium Sulfate Nitrate: A Better, Significantly Safer Fertilizer

Caprolactam Will Remain Tight

(90% Capacity Utilization Through 2010)
Specialty Products

Sales

Performance Products

Specialty Chemicals

Electronic Materials

Highlights

• Organic Growth Focus
• Strong Technology Positions
• Increasing Global Presence
• New Opportunities:
  – Materials for Semiconductors; Adjacent Markets
  – Advanced Fibers for Rope, Security Applications
  – Additives for Anti-Counterfeiting, Brand Security Applications
  – Solvents, Reagents for Drug Discovery

Electronic Materials: Metals and Chemicals for Semiconductors; New Technology for LCDs

Performance Products: Advanced Fibers and Composites, Additives, Specialty Films

Specialty Chemicals: High-Purity Solvents, Reagents; Customized Chemicals

High Growth, Global, Technology-Driven Markets
Chemical Industry Outlook

- Global Chemicals Outlook Remains Strong
- Asian and Indian Markets Fuel Growth
- Capacity Expansion to Continue
- Product Differentiation Key to Profitable Growth
- Regulations Increasing Worldwide
  - Energy Efficiency
  - Global Warming
  - Environmental Impact
- Fuel and Energy Demand Increasing

Industry Outlook Favorable
Operating Priorities

Growth

• VPD™ Success
  – 20% of Sales From New Products (vs. 14% Chemical Industry Average)

• Aligned With Megatrends

• Geographic Expansion

• Asian Lab

• University and Government Alliances

• New Product Development With Customers

• World-Class Safety Performance

Productivity

• HOS Deployment at Three Sites in 2006:
  – Quality: +67%
  – Delivery: 92% to 94%
  – Four Add’l Sites in 2007

• Customer Supplier Awards

• Focus on Operations:
  – Maintenance Excellence
  – Process Engineering
  – Streamlined Supply Chain
  – Yield Improvements
2007 Outlook

<table>
<thead>
<tr>
<th>2007 Estimates</th>
<th>2006</th>
<th>2007E</th>
<th>V%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>4,631</td>
<td>~4,660</td>
<td>~1%*</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>568</td>
<td>~638</td>
<td>~12%</td>
</tr>
<tr>
<td>Margin</td>
<td>12.3%</td>
<td>~13.7%</td>
<td>~140 bps</td>
</tr>
</tbody>
</table>

*~5% sales growth adjusted for exited businesses (~2%) and exited low margin sales (~2%)

Business Drivers

+ Worldwide Energy Demand
+ Environmental Regulations, Security, Energy Efficiency
+ Semiconductor / Electronics Industry Growth
- U.S. Residential Construction / Automotive

Segment Profit / Margin

Continued Margin Expansion
Summary

• Portfolio Transformation a Success

• Businesses Aligned with Worldwide Megatrends
  - Safety & Security
  - Environment
  - Energy

• Reduced Exposure to Raw Material Volatility

• Safety, HOS, VPD™ Fostering Growth and Driving Operational Improvement

Well Positioned For Profitable Growth
ACS – Summary

2006 Highlights

• **Strong Organic Growth, +10%; Broad Based Across all SBUs and Regions**
  – China, India, Middle East up Big
  – Solutions Orders up 15%
  – 200+ New Products

• **Solid Segment Profit Performance, +15%**
  – Margin Impacted by 50 bps SAP / Acquisition Dilution

• **Integrated:** Novar, Zellweger; **Closed:** First Technology, Gardiner, Sempra

**Strong 2006 Performance... 2007 Another Big Year**
ACS... A Transformed Business

<table>
<thead>
<tr>
<th>Transformation</th>
<th>2002</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$7.0B</td>
<td>$11.0B</td>
</tr>
<tr>
<td>Organic Growth</td>
<td>(2%)</td>
<td>+10%</td>
</tr>
</tbody>
</table>

Key Changes

- Growth-Oriented Leadership Team… 5-Year Track Record
- “Fixed the Fundamentals”
- Globalization
- Productivity
- Major Investment in New Products / Offerings and Sales Capability / Capacity
- Sales and Marketing Excellence
- Proven Acquisition Model
- Teamwork

Positioned To Outperform
ACS… Sustaining The Transformation

• 5%+ Organic Growth Will Continue
  - Good Markets and Macro-trends (e.g., Security, Energy, Productivity, Safety, Convenience / Control)
  - Focus on Fastest Growing Segments (e.g., China, India, Infrastructure)
  - Gain Share on Strength of Brand, Products / Solutions and Channel Partners
  - Expand the Size of the Pie (e.g., Labor Replacement, New Services)

• Segment Profit Will Grow Even Faster
  - Fixed Cost Leverage From Growth
  - Productivity From Key Initiatives (HOS, FT) and SAP

A Great Foundation For The Future
2003 – 2007 ACS Margin Expansion

• Expanded Margins in Core by 280 bps Since 2003
• Investments Drive Future Growth and Margin Expansion

* 2007 margin excluding investments for future growth and mix
** Includes intangible amortization from acquisitions
## Competitive Landscape

<table>
<thead>
<tr>
<th>Products</th>
<th>Projects &amp; Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Comfort Controls</td>
<td>Building Controls</td>
</tr>
<tr>
<td>Honeywell</td>
<td>✓</td>
</tr>
<tr>
<td>Emerson</td>
<td>✓</td>
</tr>
<tr>
<td>GE</td>
<td>✓</td>
</tr>
<tr>
<td>Johnson Controls</td>
<td>✓</td>
</tr>
<tr>
<td>Schneider</td>
<td>✓</td>
</tr>
<tr>
<td>Siemens</td>
<td>✓</td>
</tr>
<tr>
<td>Tyco</td>
<td>✓</td>
</tr>
<tr>
<td>UTC</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Industry Growth %**
- 2-4
- 2-4
- 5
- 5-6
- 2-5
- 2-4
- 4

**ACS 2006 Orders Growth %**
- 4
- 10
- 11
- 9
- 17
- 12

*Expanding Leadership Position In All Segments*
2007 Focus Areas

• **Growth**
  - Grow in Emerging Markets
  - Build Presence in Buildings
  - Expand Content in the Home
  - Sell More to Installed Base
  - Enable Energy Efficiency
  - Grow Position in New Gas Detection Space
  - More Sensors Everywhere
  - Invest in Key Technologies

• **Margin Expansion**
  - Fixed Cost Leverage From Growth
  - Productivity From Initiatives (HOS, FT) and SAP
# Growth – Emerging Markets (~$1B Sales)

## Overview
- **China** – ~9% GDP Growth, Even Stronger in Infrastructure; Localization Key
- **India** – ~8% GDP Growth, Construction 10%, Strong Energy Infrastructure Growth
- **Middle East** – Major Projects Growing 15% (Airports, Buildings, Oil & Gas)

## India
- Strong Position Getting Stronger
- Build Upon #1 Position in Process Solutions, Building Solutions, Life Safety
- Infrastructure Focus
- New Investments in Security, Life Safety, Wiring
- Engineering / R&D Center Key Advantage

## Middle East
- Leveraging Installed Base
- #1 Position in Process and Building Solutions, Life Safety, Comfort Control
- O&G and Buildings Booming
- Preference for High-End Western Goods
- Well-Established Channel Partners

## China
- Remains Biggest Opportunity
- Aggressive Product Localization
- New Design Centers in Shanghai and Nanjing
- Infrastructure Focus

---

*Investing To Outperform In Emerging Markets*
Growth – Build Presence In Buildings

Broad Content Coverage
- Controls
- Fire
- Security
- Wiring
- Integrated Systems
- Services
  - Mini-Retrofit
  - Mechanical

Broad Market Coverage
- Multi-Channel / Multi-Brand Strategy
  - Excellent Channel Partners and Portfolio of Brands Covering Indirect Channel
  - HBS Direct for High-End, Sophisticated Segments

Capitalizing on Trends
- Mega-Trends Favor ACS Offerings
  - Energy Cost / Scarcity
  - Security / Safety
  - End-User Influence
  - Regulation / Codes
- Leading With Innovation
  - Labor Replacement
- Tridium Provides World-Class Integration Platform

Well Positioned To Grow
Growth – Expand Content In The Home

Strong Starting Position

- Premier Brand
- Strong Channel Partners
- Comfort Control
- Security & Fire
- Zoning & IAQ
- Combustion
- Water
- Structured Wiring

Key New Products

- GSM Radio
- PowerVent Water Heater
- 6270 TOUCHCENTER

Capitalizing on Trends

- Convenience / Control
- Energy Efficiency
- Peace of Mind
- Health / Environment
- Disruptive Technology Shifts (e.g., VoIP)

Strong Presence Getting Stronger
Growth – Sell More To Installed Base

**Honeywell Process Solutions (HPS)**
- $17B Installed Base
- 5,000 Customers
- Global Service Footprint

**Honeywell Building Solutions (HBS)**
- Great Relationships with Existing Customer Base
- >25,000 Service Contracts

**Growth Initiatives**
- Migrate / Expand DCS Base
- Advanced Solutions
- Corrosion Monitoring
- Industrial Wireless
- Gas Detection
- UOP

**Growth Initiatives**
- Service-Base Management
- Mini-Retrofit
- Retro-Commissioning
- Mec. Maintenance
- Additional Content (e.g., Life Safety)

Broader And Deeper Relationships With Customers
## Growth – Enable Energy Efficiency

### U.S. Residential

<table>
<thead>
<tr>
<th>Energy Consumption – Base</th>
<th>Energy Consumption with HON-Like Technologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>123</td>
</tr>
<tr>
<td>2005</td>
<td>2030</td>
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**ACS Enabling Technologies**

<table>
<thead>
<tr>
<th>Savings</th>
<th>Programmable Thermostat</th>
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<td>Zoning</td>
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Note: Consumption (indexed) measured in QuadBTUs

**26 pt. Improvement!**

### U.S. Commercial

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<th>Savings</th>
<th>Advanced Building Controls</th>
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<tr>
<td></td>
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<td>15-30%</td>
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<td></td>
<td>Energy Performance Contracting</td>
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<td>Energy Performance Contracting</td>
<td>20-30%</td>
</tr>
</tbody>
</table>

**45 pt. Improvement!**

**ACS Enabling Technologies**

**ACS ... Enabling Increased Energy Efficiency**
Growth – Gas Detection

Overview

• ~$1.9B Industry, 7% CAGR
  - Fixed / Portable Market Split 50/50

ACS Positioned to Win

• Leading Position ~$400M Sales
• Synergies with All ACS SBUs

Key Trends / Needs

• Demand for Portable / Personal Protection
• Ease of Use - Smaller Size, Greater Uptime
• Higher Reliability - Fewer False Alarms
• Increasing Regulations Driving Growth

Big New Growth Space For ACS
Growth – More Sensors Everywhere

Well Positioned To Capitalize On Favorable Trends

Extensive Portfolio

#1 Globally Honeywell

Focused on Key Verticals

Consumer Electronics
• Mobile Phones

Industrial
• Embedded OEM and Intelligent Sensing

Medical
• Respiratory

Transportation
• Diesel Emissions

Aerospace
• Pressure Sensors and Switches

Capitalizing on Trends…

• Megatrends Favor ACS Offerings
  • Safety / Security
  • Monitor & Control
  • Productivity
  • Energy Efficiency

• Leading with Innovation
  • Wireless
  • Miniaturization
  • Low Cost
  • Low Power
  • Rugged
  • Non-Intrusive

Investing in Next Generation of Sensors

Speed & Direction, Position, Pressure, Thermal, Test & Measurement

Basic / Limit Switches, Custom Controls, Aerospace Products

Consumer Sensor Module  Smart Position Sensor  Medical Respiratory

Well Positioned To Capitalize On Favorable Trends
**Growth – Investment In Key Technologies**

<table>
<thead>
<tr>
<th>Market / Technology Trends</th>
<th>Key ACS Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sensors</strong></td>
<td></td>
</tr>
<tr>
<td>- Miniaturization</td>
<td>- Emissions Sensors</td>
</tr>
<tr>
<td>- Wireless / Remote Sensing</td>
<td>- Gas / Chem / Fire Sensors</td>
</tr>
<tr>
<td>- Gas Detection and Evaluation</td>
<td>- SAW Pressure and Torque</td>
</tr>
<tr>
<td></td>
<td>- Nano-Enabled Sensors</td>
</tr>
<tr>
<td></td>
<td>- Micro Gas Chromatograph</td>
</tr>
<tr>
<td><strong>Wireless</strong></td>
<td></td>
</tr>
<tr>
<td>- Robust / Harsh Environments</td>
<td>- Industrial Wireless (RAPTOR)</td>
</tr>
<tr>
<td>- Self-Defining Networks</td>
<td>- Wireless Location and Tracking</td>
</tr>
<tr>
<td>- Leverage Global Platforms (802.11, 802.15.4, GSM)</td>
<td>- Next Generation Wireless</td>
</tr>
<tr>
<td></td>
<td>- Wireless Home Systems</td>
</tr>
<tr>
<td><strong>Security</strong></td>
<td></td>
</tr>
<tr>
<td>- Crowd Security / Surveillance</td>
<td>- CFAIRS</td>
</tr>
<tr>
<td>- Identity Tracking</td>
<td>- Appearance Models</td>
</tr>
<tr>
<td>- Biometric Access Control</td>
<td>- Cyber Security</td>
</tr>
<tr>
<td></td>
<td>- tHz Trace Detection</td>
</tr>
<tr>
<td><strong>Knowledge Services</strong></td>
<td></td>
</tr>
<tr>
<td>- “Intuitive Controls”</td>
<td>- First Responder 3D Display</td>
</tr>
<tr>
<td>- Intelligibility</td>
<td>- Tools Usability</td>
</tr>
<tr>
<td>- Usability</td>
<td>- Non-Linear Controller</td>
</tr>
</tbody>
</table>

**Investing To Secure Future ACS Growth**
Growth – VPD™ (Thermostats)

**Beta**
- Designed in China
- Reuses 80% of Gamma
- 26% Cycle Time Reduction

**Commercial Vision Pro**
- Reuses 95% of Vision Pro
- Commercial Feature Set
- 75% Cycle Time Reduction

**Gamma**
- Reuses 80% of Delta
- 29% Cycle Time Reduction

**Vision Pro**
- Customization Capability
- 39% Cycle Time Reduction

**VPD™ Cycle Time Reduction Driven by Re-use**
- Knowledge and Expertise
- Standard Circuits
- Modular, Re-usable Software

**Supported by Electronics Excellence**

**More New Products, Built Off Existing Platforms**
- Delta IAQ
- Omega
- EU Gamma
- Vision Pro Wireless

**VPD™ – Getting More Out Of Our Growth Investments**
## Growth – VPD™ (Vista)

### Vista Platform
- New Core Security System Control Panel
  - Standard Parts – Modular Code
  - Replace 8 Legacy Designs
  - Reuses 90% of Code, 100% Hardware
  - 46% Cycle Time Reduction

### Panel of Choice for Top Installers
- First Alert
- ADT
- Monitronics
- Protection One

### International
- Easy Language / Feature Conversions
- Reuses 85% of Code, 100% Hardware
- 29% Cycle Time Reduction

### New Opportunity – “Care Watch”
- Assists “At-Home” Caregivers
- Target 90% Reuse of Code

### Connects to All Standard Security Peripherals and RF Products
- RF Products
  - Best in Class Performance
  - Wireless – Simple Installation
- User Interface Products
  - Touch Screen, Intuitive
- Peripherals
  - Wide Range of Input / Output Modules

---

**Common Platform Easily Tailored To New Markets**
## Margin Expansion – Key Initiatives

### Value Engineering

- **2006 VE Savings up 60% vs. 2005**
- **80 Dedicated VE Resources**

**VE Example #1 – HLS Fire Call Point**
- Reduced Part Count by 92%!
- Reduced Cost by 33%!

**VE Example #2 – HPS Transmitter**
- Redesigned Meter Body and Purchased Components
- 30% Cost Reduction!

### SAP Implementation

- **Kicked Off in 2005**
- **First Implementation Underway in UK**
- **Full Rollout Globally by 2010**
- **Will Deliver $100M+ Savings**
  - Finance, ISC, IT Primary Levers
  - Project Management for HBS / HPS
- **Current ACS Structural Complexity**
  - 100+ ACS Legacy ERPs
  - 800+ ACS Rooftops
- **Best Practice Implementation**
  - ~50% ACS SAP Leaders From Other SBGs With Implementation Experience

**Continued Progress In Key Areas**
Margin Expansion – HOS

Implementation Focus

Comprehensive Focus on a Common Operating System ... Not “Just” Lean & Six Sigma Tools

More Mature Sites Delivering Step-Change Results Across ACS

• Emmen – Improved Quality by 59%, Inventory by 52%
• St Charles – Improved Quality by 51%
• Phx IM&C – Improved Quality by 75%, Cost by 10%, Inventory by 24%
• Freeport – Improved Delivery by 7 Points, Cost by 9%

14 Factories Launched in 2006, Another 12 in 2007 Plus Pilots in Engineering and Distribution Centers

2006 Comparative Results

HOS And SIOP Readiness Assessments... Enablers Of Next-Level Performance Progress
Summary

• Transformation That Began in 2002 Now Bearing Fruit… Strengthened Portfolio, Improving Performance

• Strong Growth From All ACS Businesses in 2006… Outperforming Their Peers

• ACS Structured to Deliver Double Digit Profit Growth… and Margin Expansion… in 2007 and Beyond

• High Quality Acquisitions – Both in The Past and The Future – Will Make a Great Franchise Even Better

Strong Outlook For 2007 And Beyond
Transportation Systems

Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>3.7</td>
</tr>
<tr>
<td>2004</td>
<td>4.3</td>
</tr>
<tr>
<td>2005</td>
<td>4.5</td>
</tr>
<tr>
<td>2006</td>
<td>4.6</td>
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<tr>
<td>2007E</td>
<td>~4.6</td>
</tr>
</tbody>
</table>

Segment Profit / Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
<th>($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>12.6</td>
<td>$0.5</td>
</tr>
<tr>
<td>2004</td>
<td>13.3</td>
<td>$0.6</td>
</tr>
<tr>
<td>2005</td>
<td>12.4</td>
<td>$0.6</td>
</tr>
<tr>
<td>2006</td>
<td>12.5</td>
<td>$0.6</td>
</tr>
<tr>
<td>2007E</td>
<td>~12.6</td>
<td>$0.6</td>
</tr>
</tbody>
</table>

A Leader In Key Segments

Turbo Technologies 57%

Consumer Products Group 43%
Segment Outlook

**Global New Vehicle Build**
- 71M (2006) 2% CAGR
- 80M (2011) 8% Boosted CAGR

**Total Vehicle Population**
- 827M (2006)
- 939M (2011) 3% CAGR

**India / China**
- 53M (2006) 10% CAGR
- 86M (2011) 10% CAGR

**Source:** Global Insight

**Mega-Trends**
- Emissions Regulations
- Engine Downsizing; Fuel Economy
- Expanding Auto Ownership

**HON Position**
- Technology Leader; WW Operations
- Global Customer Base
- Brand Leadership

**Significant Growth Opportunities For Turbo And CPG**
Market Drivers

Performance
- OEM Differentiator
- Significant Buyer Criteria
- Enables Engine Downsizing

Fuel Economy
- Energy Independence
- Buyer Decision Criteria
- Political Agenda

Emissions
- CO₂ Reduction
- Euro 6, US 2010
- New Filtration Opportunities

Europe
Gas Boosting To Meet CO₂ Targets

US
Fuel Economy Pressure Drives Turbo Diesel

Asia
Auto Industry & Diesel Penetration Grow

Mega-Trends Favor Honeywell Technologies
Turbocharger Powertrain Applications

**Turbo Diesel (17M '06 Build)**
- 20 - 40% Better Mileage
- Strong Torque
- Reduced Emissions

**Turbo Gasoline (1M '06 Build)**
- 10 - 20% Better Mileage
- Boost for Performance
- CO₂ Reduction

**Alternative Powertrains**
- Gas Hybrids
- Turbo Diesel Hybrids
- Alternative Fuels
- Hydrogen

- Developing Next-Generation Turbos

**Value**
- US, Asia, Emerging Regions
- +5M Units** by 2011

**Opportunity**
- European OEMs, Domestic and Export
- +3M Units** by 2011

*On Highway Vehicles
**Source: Global Insight

Applicability Across All Powertrains
Turbo Technologies – $2.6B

Sales by Region:
- Europe: 62%
- Americas: 23%
- Asia: 15%

Sales by Segment:
- Passenger Vehicles: 70%
- Comm Vehicle: 30%

* Note: 2007E

- 2006 Turbo Win Rate - PV > 60%; CV > 70%
- US Light Vehicle Dieselization
- Emerging Region Growth
- Global Commercial Vehicle Segment
US Light Vehicle Dieselization

- Ultra-Low Sulfur Diesel
- Mercedes Launches E320 Bluetec Sedan
- Mercedes and VW Launch 50-State Compliant Vehicles
- Honda to Introduce Ultra-Clean Diesel
- US ’10 Emissions

653,000 Vehicles ~1.9 Million Vehicles

16% CAGR

Making A “Clean” Return To The US
Emerging Region Growth

Diesel Vehicle Build

- **India**
  - 2006: 800K
  - 2011: 1.9M
  - CAGR 19%

- **Thailand**
  - 2006: 900K
  - 2011: 1.3M
  - CAGR 8%

- **China**
  - 2006: 1.7M
  - 2011: 2.3M
  - CAGR 7%

<table>
<thead>
<tr>
<th>Region</th>
<th>Diesel Vehicle Build</th>
<th>2011 Diesel Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>1.9M</td>
<td>44%</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.3M</td>
<td>68%</td>
</tr>
<tr>
<td>China</td>
<td>2.3M</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: Global Insight

Honeywell Position

- India Plant Operational; Tata and Leyland New Business
- Launching Nissan Thailand Application
- China Manufacturing Complemented by New Tech Center

Significant Diesel Opportunity
Global Commercial Vehicle Segment

CV Turbo Industry Growing Faster Than Overall CV Segment

US Class 8 “Pre-Buy” Impacts 2007 Demand

Fuel Prices Drive Boosting in Class 1-2 Vehicles

Economic Development Drives Emerging Region Growth

CV Segment Provides Significant Opportunity

*Source: ACT/Global Insight and HON
**Consumer Products Group - $2.0B**

* Channels*

- OE/OES 30%
- Retail/Aftermarket 70%

* Product Lines*

- Braking 41%
- Filtration 23%
- Ignition 10%
- Car Care 26%

* Note: 2007E

- Global Brand and Product Management
- Growing Global Car Parc
- New Products; Growth Initiatives Offset DIY Dynamics
- Steady Performer Throughout Business Cycle

**Brand Leadership, New Growth Areas**
CPG Growth Strategy

**Base Business**
- Win With Winners
- Up-Sell Brand Opportunities
- Extend Brands
- Grow Globally

**New Customers**
- Launching New Products and New Markets
- Growth Potential in China
- Developing Technology Portfolio

**Globalization**

**New Technologies**
- Diesel Particulate Filter
- Oil Mgmt

Secure Base, Grow New Areas
HOS / VPD™ Highlights

Honeywell Operating System

• Full Deployment at 8 Sites
  - 39% Quality Improvement to 11 PPM
  - 9% Inventory Reduction
  - 17% Safety Improvement

• 8 Additional Sites 2007

• Extending to Suppliers

Velocity Product Development™

• Cut Turbo Development Time
  - Turbo Bearing System

• Increased Lab Utilization
  - Doubled Turbo Lab Test Output

• CPG Launch Process
  - Reduced Man Hours
  - Reduced Cycle Time
  - Increased Output

HOS / VPD™ Key Enablers
TS Top Line Growth

2001-2004
- VNT Technology Differentiation
- European Diesel Penetration
- CPG Growth

2005-2007
- Asia Growth
- Engine Size Shift
- Flattening Diesel Penetration in Europe
- Fuel Price Impact on CPG

2008-2011
- 2006 Strong Turbo Win Rate
- US Dieselization
- Emerging Market Turbo Growth
- Increased Turbo Content
- CPG New Products
- CPG New Markets

Strong Foundation For Growth
Summary

- Technology Leader in Long-Term Growth Segment
- Mega-Trends Continue to Drive Turbo Opportunities
- Strong Turbo Win Rate Secures Future Growth
- CPG Launching New Products and New Markets
Overview

• Strong 2006 Financial Performance
  - Sales up 6% to Record $11.1B
  - Segment Margin up 1 Point to 17%

• Benefits of Organizational Change
  - $9.4B Key Wins; 86% Win Rate
  - Quality / Delivery Improvements

• Confident in Future Success
  - Strong Technology Pipeline
  - Performance Culture

• Another Great Year in 2007

Very Good 2006 And More To Come
Positioned For Growth

**Commercial Platform Breadth**

<table>
<thead>
<tr>
<th>Category</th>
<th>Platforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Transport</td>
<td>60+</td>
</tr>
<tr>
<td>Regional Transport</td>
<td>30+</td>
</tr>
<tr>
<td>Business Jets</td>
<td>~120</td>
</tr>
<tr>
<td>General Aviation</td>
<td>100+</td>
</tr>
<tr>
<td>Helicopters</td>
<td>20+</td>
</tr>
</tbody>
</table>

*Installed Base: ~300,000 Aircraft Worldwide*

**Defense & Space Platform Breadth**

<table>
<thead>
<tr>
<th>Category</th>
<th>Platforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft</td>
<td>60+</td>
</tr>
<tr>
<td>Helicopters</td>
<td>20+</td>
</tr>
<tr>
<td>Surface Vehicles</td>
<td>10+</td>
</tr>
<tr>
<td>Missile Systems</td>
<td>40+</td>
</tr>
<tr>
<td>Space</td>
<td>40+</td>
</tr>
</tbody>
</table>

*Installed Base: 25,000+ Vehicles Worldwide*

*Excludes missiles & missile systems*

**Strong Base, Diverse Platforms, Products, Customers**
### Win Rate

<table>
<thead>
<tr>
<th>Segment</th>
<th>% / Value of Pursuits Won</th>
<th>Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Air Transport &amp; Regional (AT&amp;R)</strong></td>
<td>• 86%</td>
<td>• RAAS for 251 Lufthansa Aircraft</td>
</tr>
<tr>
<td></td>
<td>• Value of Wins = $3.9B</td>
<td>• Ten Year Delta APU MSA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• NGS Certified on Two Boeing A/C</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• US Airways APU Retrofit</td>
</tr>
<tr>
<td><strong>Business &amp; General Aviation (B&amp;GA)</strong></td>
<td>• 89%</td>
<td>• TFE731-50 for Hawker 900XP</td>
</tr>
<tr>
<td></td>
<td>• Value of Wins = $1.6B</td>
<td>• Primus APEX for Pilatus PC-12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Primus APEX on Grob SPn</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• IPFD Selected by Gulfstream</td>
</tr>
<tr>
<td><strong>Defense &amp; Space (D&amp;S)</strong></td>
<td>• 81%</td>
<td>• Orion Crew Explorer Vehicle</td>
</tr>
<tr>
<td></td>
<td>• Value of Wins = $3.8B</td>
<td>• CSAR-X CH-47</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• AGT1500 TIGER</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• ARH 70 Propulsion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Greek and Turkish F16 Displays</td>
</tr>
</tbody>
</table>

**86% Total Win Rate, $9.4B New Business**
## Industry Outlook

### Key Indicators
- **AT&R**
  - Traffic Growth
  - Airline Profits

- **B&GA**
  - GDP Growth
  - Emerging OEMs
  - Global Demand

- **D&S**
  - DOD Budget
  - Reset
  - International

### Strategic Priorities
- **AT&R**
  - Narrow Body
  - A/M Growth
  - Asset Availability

- **B&GA**
  - 10K Launch
  - New Pursuits
  - RMUs / Services

- **D&S**
  - Helicopters
  - Guidance / Nav
  - Aftermarket

### Mega Trends
- **AT&R**
  - Airline Biz Model
  - New Platforms
  - Air Traffic
  - Emerging Markets

- **B&GA**
  - Med-Large A/C
  - Entry of VLJs
  - Price / Part 25
  - MRO Mergers

- **D&S**
  - GWOT / Iraq
  - Reduce Costs
  - Industry Shifts
  - Budget Dynamics

### HON Implications
- **AT&R**
  - Lifecycles / Spares
  - OEM Differentiation
  - Free Flight

- **B&GA**
  - New Engines
  - Point Products
  - Upgrades / Services

- **D&S**
  - Logistics / Services
  - Data Security
  - Force Protection

---

**Positive Outlook In All Segments, Priorities Aligned**
Air Transport & Regional

2007E Sales $4.6B

Drivers

• Aftermarket MRO
• Mechanical Spares
• Narrow Body Deliveries

Avionics $1.5B
Mechanical $3.1B

Strategic Priorities

• Single Aisle Wins
• Integrated Avionics
• Safety Technologies / Systems

Imperatives

• Win Product Renewals on Narrow Body Pursuits
• Airbus on Wide Body Development
• Grow AM With Emphasis on:
  - Mechanical Components / APU
  - Asset Availability
• Relentless Cost Reduction

Strong Aftermarket, Poised For New Platforms
Extensive Content On All Core Platforms

Air Transport & Regional – 2007-2012

<table>
<thead>
<tr>
<th>Ship Set Content ($M)</th>
<th>Unit Deliveries</th>
<th>Total HON OEM Sales ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A380</td>
<td>Emerging Twin Aisle Jets</td>
<td>B787 &amp; A380</td>
</tr>
<tr>
<td>B787</td>
<td>Production Twin Aisle Jets</td>
<td>B777, B747, A330, A340</td>
</tr>
<tr>
<td>B777</td>
<td>Production Single Aisle Jets</td>
<td>B737 Family A319/320/321 Series</td>
</tr>
<tr>
<td>B747-400</td>
<td>Production 70-110 Seat Regional Jets</td>
<td>CRJ 700/900 E170/190 series</td>
</tr>
<tr>
<td>A330/340</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B737NG</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E170/190</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRJ700/900</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Expanding Installed Base Drives Significant Aftermarket Opportunity
AT&R Aircraft Deliveries - Strong Outlook

AT&R Deliveries*

2003 – 2011E

2003-2006

- Strong International Demand
- Driven by Narrow Body Orders

2007-2011E

- 787, A380 Entry into Service
- 2010-2011 Scale Back for Narrow Body Replacement

*Jets >70 seats

Continued Strength Through 2010
AT&R New Platforms

• Deliveries Underway for Boeing 787:
  - Navigation Package
  - Crew Information System / Management System
  - Flight Control Electronics
  - Astreon™ (LED) Exterior Lighting
  - EGPWS-TAWS
  - Bleed Valves and Anti-Icing

• All Honeywell Systems Certified on A380:
  - Secondary Electrical Power Distribution System
  - Aircraft Environment Surveillance System (AESS)
  - Air Data Inertial Reference Unit (ADIRU)
  - Flight Management System (FMS)
AT&R Installed Base - Aftermarket Momentum

**Worldwide Flight Hour Growth**

- Stabilizing at 4-6% YOY
- Asia-Pac Leads Growth
- Utilization Above Pre 9-11 Levels
- Increased Demand

**Worldwide Fleet Trends**

- Narrow Body Share Growing
- Retirements of Classic Aircraft Offset By Growth Platforms
- Asset Availability Emphasis

**Solid MRO Environment Ahead**
Business & General Aviation

2007E Sales $2.5B

Drivers

• Record A/C Deliveries
• More Globalized Demand
• Increased Utilization

Strategic Priorities

• Balanced Growth
  - HTF7000 → HTF10000 Re-use
  - EPIC → APEX Re-use

• Strengthen Execution
  - New Programs – On-Time, On-Cost
  - World-Class Customer Support

Imperatives

• Win High-Value Content on Growth Platforms
  - 2012+ Expansion of Medium to Long-Range
  - OEM Priorities → Low-Risk, High Re-use

• New Growth Near Term
  - Retrofit, Modifications and Upgrades (Safety, Up-time)
  - Data, Software and Services

New Product And Service Offerings

Avionics $1.0B
Mechanical $1.5B

Aviation

2007E Sales $2.5B
Strategic Priorities
• Balanced Growth
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New Product And Service Offerings
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  - Data, Software and Services

New Product And Service Offerings
Aviation
B&GA Delivery Outlook

Honeywell Business Jet Forecast, October 2006

- Industry Growth Through 2007 Driven by GDP, Fractional and Charter
- Survey Indicated Next 5 Years Will Level Off
  - GDP Slowdown Offset by More Global Demand
- 2007 Preliminary Outlook Continues to Strengthen

12,000 New Aircraft Worth $195B
Extensive Content On High Value Platforms

Aligned with Value Drivers – 2007-2012

<table>
<thead>
<tr>
<th>Industry Deliveries</th>
<th>HON Ship Set Content Range ($M)</th>
<th>Total OEM Sales ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium &amp; Larger Jets</td>
<td>50%</td>
<td>$.8M - $4.4M</td>
</tr>
<tr>
<td>Lt. Medium &amp; Smaller Jets</td>
<td>50%</td>
<td>$102B Value</td>
</tr>
<tr>
<td></td>
<td>20%</td>
<td>&lt;$1M - $1.8M</td>
</tr>
<tr>
<td>General Aviation &amp; Utility</td>
<td>25,000+ Units</td>
<td>$22B Value</td>
</tr>
<tr>
<td></td>
<td>0%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Well Positioned On Broad Spectrum Of Business Jets
Business Jet Fleet - Aftermarket Momentum

Installed Base Growth

- Broad Growth - All Classes
- New Models
- International Demand Increasing

HON BGA Aftermarket Sales ($B)

- RMU’s, Upgrades
- Safety System Growth
- Solid MRO Momentum

Installed Base Up 30+% Since 2001
B&GA New Product Highlights

- **Primus® Apex Integrated Avionics for Light to Mid-Size Business Jets**
  - Selected for Pilatus PC-12, Grob G-180
  - Cutting-Edge Features, Easier to Fly, 90 Lbs Lighter

- **Exploring 10,000 Pound Thrust Engine**
  - Builds Upon Successful HTF7000
  - Designed for Reliability and Ease of Operation and Maintenance

- **3D Synthetic Vision**
  - View Out The Window in Dark or Weather
  - Certification Expected This Year, Available on Gulfstream Aircraft

**Advances In Avionics, Propulsion And Safety**
Defense & Space

2007E Sales $4.7B

Drivers
- Global War On Terror
- Guidance and Navigation
- Reset and Space Programs

Strategic Priorities
- New Vehicles
- Navigation Technology Advances
- Total Logistics Solutions

Imperatives
- Tailor Technology to Customer Value
- Address Non-Traditional Threats
- Post War Equipment Repair / Reset
- Focus on Service I.T. Logistics

Diverse Business / Diverse Opportunities
D&S – DoD Budget Outlook

Strategic Priorities

- Equipment Reset
- Logistics
- Force Protection
- Special Forces / Classified
- Military Data Security
- Soldier Situational Awareness

Sources:
FY07 Greenbook/FY08 reflects FY08 submission, FY09-11 is current FY07 Budget – Supplemental data for 2007-8 per releases as of Feb. 2007

FY07 Budget Requests Match Strengths
Reset Opportunities

GWOT Equipment Challenges

- 40% of Ground Equipment in Combat
- Billions Worth of Equipment Destroyed Monthly
- 6,500 Pieces of Equipment Too Sand Pitted to Use
- 7,000 Damaged Items Awaiting Shipment Home
- 1,000 M1 Tanks, Howitzers, etc. Sitting in Anniston
- 24,000 Items Already Worn Out
Extensive Content In New Build & Re-Man

Defense Aircraft Program Coverage – 2007-2012

Ship Set Content Range ($M)

*Unit Deliveries

HON OEM Sales ($B)

Production
Fighters
and
Trainers

F22
F18
M346

Production
Transports

C17
C130

Production
and
Emerging
Helicopters

CH47
AH64
H60
V22
ARH70

*Includes New & Re-man Production

+2,400 Deliveries

+$3B Aircraft Sales

Locked Into Major Helicopter, Fighter / Trainer And Transport Programs

**Honeywell Investor Conference – February 26, 2007**
D&S Opportunities

- T55 Applications / Upgrades
- Bell 417 / ARH, Retrofit, Civil Platforms, RMUs
- New Engines / Starter Spares
- Orion Crew Launch Vehicle
- Navigation Upgrades for Existing Platforms
- MAV, UAVs
- Guided Projectile & Rocket Retrofit
- C17, JPALS

Focused On Cost And Mission Outcome
• 30% Reduction in New Engine Cycle Time

Accomplished Through:
- Computing Clustering
- Reduced Testing / Rigs
- Design Time Reduced 50%

Advanced Technology

• Differentiating Core Products
• Growing Through New Functionality

More Electric Aircraft
Small Heavy Fuel Engine
New Fiber-based Gyro Technology

Speed To Market, Reduced Cost
## ERP And HOS

### 2006 ERP Results
- 8,000 Employees Using SAP
- 25% Annual Revenue in SAP
- 30 Sites Live on SAP

### 2007 ERP Plan
- 12,000 Employees Using SAP
- 50% Annual Revenue in SAP
- 43 Sites Live on SAP

### HOS Progress
- Full Scale Deployments at 5 Large Sites in 2006:
  - 26% Reduction in Defects
  - 19% Decrease in Inventory
  - 18% Reduction in Safety Incident Rate
- 7 Full Scale Deployments Planned for 2007

### Driving Productivity
Benefits From Aerospace Reorganization

• Strengthened Customer Alignment
  - Upgraded Emerging Market Talent
  - Customer and Strategic Marketing Embedded
  - SBU Sales Aligned With Customer and Product Support

• Improved Customer Service
  - Consolidation From 270 Service Phone Lines to 2
  - 12 Maintenance Plans to One
  - Intelligent Call Center Monitoring System in Place

Positive Feedback From Customers
Summary

• Depth / Breadth of Technology and Platforms

• Continued Favorable Market Conditions
  - AT&R – Growth Outlook Good
    ✷ Strong Presence All Platforms
    ✷ Installed Base / Aftermarket Growing
  - B&GA – Continues To Grow
    ✷ Well Represented on High Value Platforms
    ✷ Significant Growth in Installed Base
  - D&S – Outlook Good
    ✷ Space / Services Growth
    ✷ Lots of Additional Opportunities, Reset / Logistics

• Performance Culture Focused on Execution

• Confident in Financial Outlook

Continued Top Line Growth / Margin Expansion
Financial Review

Dave Anderson
Senior Vice President and CFO
## 2006 Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>V’05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$27.6</td>
<td>$31.4</td>
<td>13%</td>
</tr>
<tr>
<td>Organic</td>
<td></td>
<td></td>
<td>7%</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>$3.4</td>
<td>$4.1</td>
<td>21%</td>
</tr>
<tr>
<td>Margin %</td>
<td>12.2%</td>
<td>13.0%</td>
<td>+80 bps</td>
</tr>
<tr>
<td>EPS, Reported</td>
<td>$1.92</td>
<td>$2.52</td>
<td>31%</td>
</tr>
<tr>
<td>EPS, Adjusted</td>
<td>$1.99</td>
<td>$2.59</td>
<td>30%</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$1.8</td>
<td>$2.5</td>
<td>41%</td>
</tr>
<tr>
<td>Conversion</td>
<td>107%</td>
<td>119%</td>
<td></td>
</tr>
</tbody>
</table>

(1) Reflects 2005 tax charge for cash repatriation ($0.18) and income from Discontinued Operations ($0.11), as well as 2006 FAS 123R Stock Option expense ($0.07)
Asbestos Update

- Better Visibility With Respect to NARCO and Bendix
  - Downward Trend in Number of Claims and Resolution Values
  - Favorable Developments in Tort System and Manville / Other Trusts
- Reduced Total NARCO / Bendix Currents Reserves - $283M
  - NARCO Currents / Futures Remain Fully Reserved Through 2018
  - Bendix Currents Remain Fully Reserved
- Established Bendix Futures Reserve Through 2011 - $296M
  - To Date, No Prior Reserves Existed for Bendix Futures
  - Bendix Reserves Updated Quarterly; No Change to 2007 Guidance
- Total Year End 2006 Asbestos Reserves: $1.8B
- NARCO 524(g) Trust on Track; Late 2007 / Early 2008
  - 2007 FCF Guidance Incorporates Commencement of Funding
## 2006 Cash Deployment

### Cash Walk

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash 12/31/05</td>
<td>1.2</td>
</tr>
<tr>
<td>+ Operating Cash Flow</td>
<td>3.2</td>
</tr>
<tr>
<td>+ Other Investing Activities</td>
<td>0.1</td>
</tr>
<tr>
<td>- Capex</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Financing Activities</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Cash 12/31/06</td>
<td>1.2</td>
</tr>
</tbody>
</table>

### Balanced Allocation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capex</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Portfolio Improvement</td>
<td></td>
</tr>
<tr>
<td>- First Technologies (FT)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>- Gardiner</td>
<td>(0.1)</td>
</tr>
<tr>
<td>- Indalex</td>
<td>0.4</td>
</tr>
<tr>
<td>- FT - Safety &amp; Analysis</td>
<td>0.1</td>
</tr>
<tr>
<td>- FT - Automotive</td>
<td>0.1</td>
</tr>
<tr>
<td>Share Repurchase</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Dividends</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Net Cash Deployed</td>
<td>($3.3)</td>
</tr>
</tbody>
</table>

### $2.6B To Shareholders
Cash Deployment – 2003-2006

Using Cash To Build Value

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/1/03</td>
<td>$2.0</td>
<td>$1.2</td>
</tr>
<tr>
<td>+ 2003-2006 FCF</td>
<td>7.4</td>
<td></td>
</tr>
<tr>
<td>- Net Outflows</td>
<td>(8.2)</td>
<td></td>
</tr>
</tbody>
</table>

Inflows:
- Divestitures 2.2
- Debt Issuance 1.2

Outflows:
- Acquisitions (3.9)
- Share Repurchase (3.8)
- Dividends (2.7)
- Debt Repayment (1.2)
# Share Repurchase / Dividends

## Buying Back Shares

<table>
<thead>
<tr>
<th>Year</th>
<th>Repurchased (M)</th>
<th>Amount ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1.9</td>
<td>0.1</td>
</tr>
<tr>
<td>2004</td>
<td>20.1</td>
<td>0.7</td>
</tr>
<tr>
<td>2005</td>
<td>30.6</td>
<td>1.1</td>
</tr>
<tr>
<td>2006</td>
<td>45.4</td>
<td>1.9</td>
</tr>
</tbody>
</table>

- Reduced Shares Outstanding By 7%
- New $3B Share Repurchase Authorization Announced

## Increasing Dividend

- Raised Dividend Rate 10% Three Consecutive Years
- +$700M To Shareholders In 2006

---

Rewarding Our Shareholders
Acquisition Track Record

- 2003-2006: 33 Transactions, $3.5B Sales Acquired
- Significant Growth Platforms (Novar, UOP, Gas Detection)
- Disciplined Identification, Due Diligence, Valuation
- Highly Effective Integration Process
- Active Pipeline; Business Ownership
Portfolio Improvement

2003-2006 Acquisition Pipeline

<table>
<thead>
<tr>
<th>Screen</th>
<th>Non-Binding Stage</th>
<th>Binding Stage</th>
<th>Contract Negotiations</th>
<th>Signed Contract</th>
<th>Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targets &gt; 1,500</td>
<td>130</td>
<td>52</td>
<td>44</td>
<td>34</td>
<td>33</td>
</tr>
</tbody>
</table>

Sales ($B)

- 11.0
- 7.4
- 5.2
- 3.7
- 3.5

2003-2006 Divestitures - 23 Transactions, ~$1.5B Sales

Buying Higher Growth, Attractive Businesses
Strong Balance Sheet

**Debt To Capital**

- 2003: 39%
- 2004: 38%
- 2005: 36%
- 2006: 34%

**(monthly)**

- Maintaining / Improving Credit Statistics
- Ability to Fund Acquisitions, Dividends, Repurchase

*Rating Agency Calculation

**Gives Us Flexibility**
2003 – 2007 Financials

Sales

9% CAGR

2003 2004 2005 2006 2007E

23.1

~32.8

EPS

18% CAGR

2003 2004 2005 2006 2007E

1.50

2.85 - 2.95

Free Cash Flow

14% CAGR

2003 2004 2005 2006 2007E

1.5

2.5 - 2.7

ROI (1)

+9 Points

2003 2004 2005 2006 2007E

11%

~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).
## 2007 Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007E</th>
<th>V’06</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>$31.4</td>
<td>~$32.8</td>
<td>~5%</td>
</tr>
<tr>
<td><strong>Segment Profit</strong></td>
<td>$4.1</td>
<td>$4.4 - 4.5</td>
<td>9 - 12%</td>
</tr>
<tr>
<td><strong>Margin %</strong></td>
<td>13.0%</td>
<td>13.5 - 13.9%</td>
<td>50 - 90 bps</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>$2.52</td>
<td>$2.85 - 2.95</td>
<td>13 - 17%</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>$2.5</td>
<td>$2.5 - 2.7</td>
<td>3 - 11%</td>
</tr>
<tr>
<td><strong>Conversion</strong></td>
<td>119%</td>
<td>+100%</td>
<td></td>
</tr>
</tbody>
</table>

*Expecting Another Great Year*
## 2007 Segment Overview

Continued Sales Growth And Margin Expansion

<table>
<thead>
<tr>
<th></th>
<th>Sales</th>
<th>Segment Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007E</td>
<td>V’06</td>
</tr>
<tr>
<td>Aerospace</td>
<td>~$11,750</td>
<td>~5%</td>
</tr>
<tr>
<td>Automation &amp; Control</td>
<td>~11,750</td>
<td>~6%</td>
</tr>
<tr>
<td>Transportation Systems</td>
<td>~4,600</td>
<td>Flat</td>
</tr>
<tr>
<td>Specialty Materials</td>
<td>~4,660</td>
<td>~1%</td>
</tr>
<tr>
<td>Total</td>
<td>~$32,760</td>
<td>~5%</td>
</tr>
</tbody>
</table>
### Net Income / EPS

<table>
<thead>
<tr>
<th>($M)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Segment Profit ($B)</strong></td>
<td><strong>2006</strong></td>
<td><strong>2007E</strong></td>
</tr>
<tr>
<td>- Pension / OPEB</td>
<td>(459)</td>
<td>~(350)</td>
</tr>
<tr>
<td>- Other Income / (Expense)&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>(263)</td>
<td>(320) - (330)</td>
</tr>
<tr>
<td>- Stock Option Expense</td>
<td>(77)</td>
<td>(70) - (80)</td>
</tr>
<tr>
<td>- Repositioning &amp; Other Charges&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>(483)</td>
<td>(400) - (450)</td>
</tr>
<tr>
<td><strong>Income Before Taxes ($B)</strong></td>
<td><strong>2.8</strong></td>
<td><strong>3.2 - 3.3</strong></td>
</tr>
<tr>
<td>- Tax Expense</td>
<td>(720)</td>
<td>(850) - (890)</td>
</tr>
<tr>
<td><strong>Income From Continuing Operations ($B)</strong></td>
<td><strong>2.1</strong></td>
<td><strong>2.3 - 2.4</strong></td>
</tr>
<tr>
<td>- Income From Discontinued Operations</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Income ($B)</strong></td>
<td><strong>$ 2.1</strong></td>
<td><strong>$ 2.3 - 2.4</strong></td>
</tr>
<tr>
<td><strong>Share Count, Average Fully Diluted</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>826</td>
<td>~810</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td><strong>$ 2.52</strong></td>
<td><strong>$ 2.85 - 2.95</strong></td>
</tr>
</tbody>
</table>

<sup>(a)</sup> Other Income / Expense includes: Interest and Other Financial Charges; Other Income; and Gain/(Loss) on Sale of Business

<sup>(b)</sup> Repositioning and Other Charges includes: Repositioning; Environmental; Asbestos; and Other Litigation

---

Segment Profit Drives EPS
2007 Free Cash Flow Walk

Conversion +100%

($B)

2006 | Net Income | Working Capital | Legacy | Capex | Other | 2007
---|---|---|---|---|---|---
$2.5 | 0.2 - 0.3 | (0.1) | (0.1) | (0.2) | $2.5 - 2.7

Increasing Free Cash Flow
Working Capital Performance

Sales and Working Capital Turns

- **Significant Focus / Process Change Across Businesses**
  - Receivables – Customer to Cash Process
  - Payables – Global Procurement, Supplier Management
  - Inventory – SIOP, Reduced Cycle Time

- **$200 - 300M of Cash, ~½ Turn Improvement in 2007**

- **Turns Improvement 25% Component of Incentive Compensation**
Functional Transformation (FT)

Transform Honeywell’s Administrative Functions To Deliver Benchmark Performance In Quality, Speed, Cost

**Functional Cost / Sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>Functional Cost ($B)</th>
<th>% of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>7.2%</td>
<td>7.2%</td>
</tr>
<tr>
<td>2007E</td>
<td>6.4%</td>
<td>6.4%</td>
</tr>
<tr>
<td>2010E</td>
<td>4.1%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

**Scope**

- Finance
- IT
- HR
- Procurement
- Legal
- Real Estate
- Security
- Contracts / HS&E

**Why?**

- Cost
- Quality of Service
- Complexity
- Lack of Standardization

**Big Cost And Service Impacts**
FT Progress

• Specific Strategies, Process and Metrics Driven

• Gaining Significant Traction
  - ~$60M Additional Improvement in 2007
  - Visible Service Improvement

• Process Simplification and Standardization in Every Function
  - Finance Centers of Excellence
  - IT Data Center Consolidations
  - HR Self-Service Capability

Realizing Benefits In Every Function
### FT - Finance

**Before (2005)**
- Cost 1.8% Sales
- ~4,700 People, High Cost
- ~800 Legal Entities
- General Accounting, 100+ Locations
- Transaction Processing, 100+ Locations
- 100+ Legacy Systems
- Non-Standard Processes, Significant Data Collection Efforts

**After (2010)**
- Cost 0.9% Sales
- Emerging Market Leverage
- Significant Reduction
- ~10 Centers of Excellence, Outside Service Providers
- 3-5 Low Cost Regional Centers
- One Common ERP – SAP
- End to End Standard Processes, Enabled by SAP

---

**Building A World Class Finance Function**
### Before (2005)
- Cost 4% Sales
- Application Development at 100+ Locations Worldwide
- Decentralized, Nonstandard, Complex Infrastructure Environment…180-Day Request to Completion
- 450 Data Processing Locations
- Nonstandard Processes / Data

### After (2010)
- Cost 2% Sales
- ~10 Centers of Excellence for Core Applications
- Centralized, Architected, Standardized Infrastructure…30-Day Request to Completion
- 4 Data Processing Locations Worldwide
- Standard Processes / Common Data

---

**Cost Effective, Efficient IT Infrastructure**
2007 Guidance

Sales: ~$32.8B
EPS: $2.85 – 2.95
FCF: $2.5 – 2.7B

“Low End”
- Lower Global Growth
- Unfavorable Mix - Aero OE / AM, ACS Products / Solutions
- Inflation / Productivity Worse
- Euro < $1.25

“High End”
+ Stronger Global Growth
+ Favorable Mix - Aero OE / AM, ACS Products / Solutions
+ Inflation / Productivity Better
+ Euro > $1.25

1Q07 Sales ~$7.7B; EPS $0.60 - 0.62, Up 15-19%
Honeywell Investment Thesis – Part 1

• Strong Portfolio Aligned With Macro Trends
  - Great Breadth and Depth of Technology
  - ~5% Organic Sales Growth Reasonable and Sustainable
  - Lots of Opportunity to Supplement With Focused Acquisitions

• Profit / Margin Runway in Every Business
  - Productivity, Fixed Cost Focus
  - Company Initiatives (HOS, FT) Create Upside
  - 1 Point Increase In Segment Margin Per Year Attainable
Honeywell Investment Thesis – Part 2

- **Segment Profit / Margin Translates to EPS Acceleration**
  - Below The Line Trend Flat / Down
  - Legacy Well Understood, Managed
  - Double Digit EPS Growth Reasonable and Sustainable

- **Effective Cash Generation / Balanced Deployment**
  - 100% Cash Conversion and Increasing Free Cash Flow
  - Disciplined Acquisition, Business Reinvestment Strategy
  - Return to Shareholders Through Dividends, Share Repurchase
10 Year Performance

Sales

EPS

FCF

Building The New Honeywell
Summary

• 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
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></th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$1.9</td>
<td>$1.9</td>
<td>$2.4</td>
<td>$2.0</td>
</tr>
<tr>
<td>Expenditures for Property, Plant and Equipment</td>
<td>($1.0)</td>
<td>($1.0)</td>
<td>($1.0)</td>
<td>($0.9)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$0.9</td>
<td>$0.9</td>
<td>$1.4</td>
<td>$1.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$1.9</td>
<td>$1.9</td>
<td>$2.4</td>
<td>$2.0</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>$1.6</td>
<td>$1.9</td>
<td>$1.5</td>
<td>$1.7</td>
</tr>
<tr>
<td>Operating Cash Flow Conversion %</td>
<td>118%</td>
<td>104%</td>
<td>154%</td>
<td>120%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Cash Flow</td>
<td>$0.9</td>
<td>$0.9</td>
<td>$1.4</td>
<td>$1.1</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>$1.6</td>
<td>$1.9</td>
<td>$1.5</td>
<td>$1.7</td>
</tr>
<tr>
<td>Free Cash Flow Conversion %</td>
<td>56%</td>
<td>49%</td>
<td>90%</td>
<td>68%</td>
</tr>
</tbody>
</table>
### Reconciliation of Free Cash Flow to Cash Provided by Operating Activities and Calculation of Cash Flow Conversion

<table>
<thead>
<tr>
<th>($B)</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$2.0</td>
<td>$2.4</td>
<td>$2.2</td>
<td>$2.2</td>
</tr>
<tr>
<td>Expenditures for Property, Plant and Equipment (0.9)</td>
<td>(0.7)</td>
<td>(0.7)</td>
<td>(0.6)</td>
<td></td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$1.1</td>
<td>$1.7</td>
<td>$1.5</td>
<td>$1.6</td>
</tr>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$2.0</td>
<td>$2.4</td>
<td>$2.2</td>
<td>$2.2</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>($0.1)</td>
<td>($0.2)</td>
<td>$1.3</td>
<td>$1.2</td>
</tr>
<tr>
<td>Operating Cash Flow Conversion %</td>
<td>N/A</td>
<td>N/A</td>
<td>171%</td>
<td>181%</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$1.1</td>
<td>$1.7</td>
<td>$1.5</td>
<td>$1.6</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>($0.1)</td>
<td>($0.2)</td>
<td>$1.3</td>
<td>$1.2</td>
</tr>
<tr>
<td>Free Cash Flow Conversion %</td>
<td>N/A</td>
<td>N/A</td>
<td>120%</td>
<td>130%</td>
</tr>
</tbody>
</table>
### Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin

<table>
<thead>
<tr>
<th>($B)</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$27.6</td>
<td>$31.4</td>
</tr>
<tr>
<td>Cost of Products and Services Sold</td>
<td>(21.5)</td>
<td>(24.1)</td>
</tr>
<tr>
<td>Selling, General and Administrative Expenses</td>
<td>(3.7)</td>
<td>(4.2)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$2.4</td>
<td>$3.1</td>
</tr>
</tbody>
</table>

FAS 123R, Stock Option Expense (1) | $0.0   | $0.1   |
Repositioning and Other Charges (1) | 0.4    | 0.5    |
Pension and OPEB Expense (1) | 0.6    | 0.4    |

| Segment Profit | $3.4   | $4.1   |
| Operating Income | $2.4   | $3.1   |

\[
\text{Operating Income Margin} = \frac{\text{Operating Income}}{\text{Sales}} 
\]

<table>
<thead>
<tr>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.7%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

Segment Profit | $3.4   | $4.1   |
\[
\text{Segment Profit Margin} = \frac{\text{Segment Profit}}{\text{Sales}} 
\]

<table>
<thead>
<tr>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.2%</td>
<td>13.0%</td>
</tr>
</tbody>
</table>

(1) Included in cost 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>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$2.4</td>
<td>$3.2</td>
</tr>
<tr>
<td>Expenditures for Property, Plant and Equipment</td>
<td>(0.6)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$1.8</td>
<td>$2.5</td>
</tr>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$2.4</td>
<td>$3.2</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>$1.6</td>
<td>$2.1</td>
</tr>
<tr>
<td>Operating Cash Flow Conversion %</td>
<td>149%</td>
<td>154%</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$1.8</td>
<td>$2.5</td>
</tr>
<tr>
<td>÷ Net Income</td>
<td>$1.6</td>
<td>$2.1</td>
</tr>
<tr>
<td>Free Cash Flow Conversion %</td>
<td>107%</td>
<td>119%</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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<tbody>
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<td>Cost of Products and Services Sold</td>
<td>(24.1)</td>
<td>(25.1) - (25.2)</td>
</tr>
<tr>
<td>Selling, General and Administrative Expenses</td>
<td>(4.2)</td>
<td>(4.1)</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>$3.1</td>
<td>$3.5 - 3.6</td>
</tr>
<tr>
<td>FAS 123R, Stock Option Expense&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>$0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Repositioning and Other Charges&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Pension and OPEB Expense&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Segment Profit</strong></td>
<td>$4.1</td>
<td>$4.4 - 4.5</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$3.1</td>
<td>$3.5 - 3.6</td>
</tr>
<tr>
<td><strong>Segment Profit Margin %</strong></td>
<td>9.9%</td>
<td>10.7 - 11.0%</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>$31.4</td>
<td>$32.8</td>
</tr>
<tr>
<td><strong>Segment Profit Margin %</strong></td>
<td>13.0%</td>
<td>13.5 - 13.9%</td>
</tr>
</tbody>
</table>

<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

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<tr>
<th>($B)</th>
<th>2006</th>
<th>2007E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$3.2</td>
<td>$3.3 - 3.5</td>
</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>$2.5 - 2.7</td>
</tr>
</tbody>
</table>

Cash Provided by Operating Activities ÷ Net Income

<table>
<thead>
<tr>
<th>Operating Cash Flow Conversion %</th>
<th>154%</th>
<th>+140%</th>
</tr>
</thead>
</table>

Free Cash Flow ÷ Net Income

| Free Cash Flow Conversion %                                        | 119%   | +100%   |
Valuation Metrics

Calculation Methodology

- Dividend Yield
  \[ \text{Dividend Yield} = \frac{\text{Dividend per Share (Last Announced)}}{\text{2/23/2007 Closing Stock Price}} \]

- FCF Multiple
  \[ \text{FCF Multiple} = \frac{\text{2/23/2007 Market Capitalization at Closing}}{\text{2007 Estimated FCF}} \]

- ROIC
  \[ \text{ROIC} = \frac{\text{Net Income Before Interest}}{\text{Net Investment (2-point Average)}} \]
  - Net Income Before Interest = Net Income + After-tax Interest
  - Net Investment = Book Value of Equity + Total Debt

- P/E Ratio (2007)
  \[ \text{P/E Ratio (2007)} = \frac{\text{2/23/2007 Closing Stock Price}}{\text{2007 Latest Consensus Estimate EPS}} \]

- PEG Ratio
  \[ \text{PEG Ratio} = \frac{\text{2007 P/E}}{\text{2007 Estimated EPS Growth}} \]

Eight Industry Peers

- COL, DHR, EMR, GE, ITT, MMM, TXT, UTX