
*Fourth Quarter
Earnings Release*

January 26, 2007

Forward Looking Statements

This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements are based on management’s assumptions and assessments in light of past experience and trends, current conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near- and long-term. We identify the principal risks and uncertainties that affect our performance in our Form 10-K and other filings with the Securities and Exchange Commission.

4Q And 2006 Summary

Honeywell

- **Financial Performance**
 - 4Q: Strong Finish To The Year, Excellent Free Cash Flow Performance
 - Great Progress in 2006
 - 13% Sales Growth, 80 bps Margin Expansion
 - 31% EPS Growth
 - \$2.5B Free Cash Flow, 119% Conversion
- **Business Highlights**
 - Aero – Continuing to Deliver New Wins, Top Line Growth, Margin Expansion
 - ACS – Great Organic Growth, New Products, Acquisition Integration
 - TS – Driving Productivity, Winning Great New Business for 2008-2010
 - SM – Benefits of Transformation Realized, UOP and Base Business Growth
- **Cash Deployment**
 - First Technologies, Gardiner Acquisitions; Active M&A Pipeline
 - Dividend Rate Increased 10% for Third Consecutive Year
 - \$1.9B Share Repurchase; Reduced Share Count 5%
- **Confident in Prospects for 2007; Raising Free Cash Flow Guidance**

Strong Performance In 2006; Well Positioned For 2007

4Q Financial Summary

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(\$M)	<u>4Q05</u>	<u>4Q06</u>	
Sales	\$7,275	\$8,276	<ul style="list-style-type: none"> • 14% Growth <ul style="list-style-type: none"> ➤ 9% Organic ➤ 2% F/X ➤ 5% Acq./Div.
Segment Profit	\$920	\$1,097	<ul style="list-style-type: none"> • 19% Growth
- Margin %	12.6%	13.2%	<ul style="list-style-type: none"> • +60 bps
EPS, Reported	\$0.61	\$0.72	<ul style="list-style-type: none"> • 18% Growth
EPS, Adjusted ⁽¹⁾	\$0.57	\$0.73	<ul style="list-style-type: none"> • 28% Growth
Free Cash Flow	\$611	\$941	<ul style="list-style-type: none"> • 54% Growth

(1) Reflects 4Q05 Income from Discontinued Operations (\$0.04) and 4Q06 FAS 123R Stock Options Expense (\$0.01)

4Q In Line With Expectations; Strong Free Cash Flow

4Q Segment Overview

Honeywell

(\$M)

	<u>Sales</u>		<u>Segment Margin</u>	
	<u>4Q06</u>	<u>V'05</u>	<u>4Q06</u>	<u>V'05</u>
Aerospace	\$2,955	8%	18.2%	130 bps
Automation & Control	3,045	17%	12.6%	20
Transportation Systems	1,193	9%	11.6%	60
Specialty Materials	<u>1,083</u>	<u>25%</u>	<u>7.3%</u>	<u>10</u>
Total	\$8,276	14%	13.2%	60 bps

Sales Growth, Margin Expansion In Every Business

2006 Financial Summary

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(\$B)	<u>2005</u>	<u>2006</u>	<u>V'05</u>
Sales	\$27.6	\$31.4	13%
Organic			7%
Segment Profit	\$3.4	\$4.1	21%
- <i>Margin %</i>	12.2%	13.0%	+80 bps
EPS, Reported	\$1.92	\$2.52	31%
EPS, Adjusted ⁽¹⁾	\$1.99	\$2.59	30%
Free Cash Flow	\$1.8	\$2.5	41%
Conversion	107%	119%	

(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)

Continuing To Build Track Record

Aerospace

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<i>(\$M)</i>	<u>4Q05</u>	<u>4Q06</u>	<u>2005</u>	<u>2006</u>
Sales	\$2,725	\$2,955	\$10,496	\$11,124
Segment Profit	\$460	\$538	\$1,676	\$1,892
Margin	16.9%	18.2%	16.0%	17.0%
Commentary:				
	<ul style="list-style-type: none"> • Sales up 8% • Air Transport & Regional up 14% <ul style="list-style-type: none"> ➢ OE up 23% ➢ AM up 8% • Business & General Aviation up 4% <ul style="list-style-type: none"> ➢ OE up 3% ➢ AM up 4% • Defense & Space up 6% • Segment Profit up 17% 		<ul style="list-style-type: none"> • Sales up 6% • Air Transport & Regional up 8% <ul style="list-style-type: none"> ➢ OE up 14% ➢ AM up 4% • Business & General Aviation up 8% <ul style="list-style-type: none"> ➢ OE up 16% ➢ AM up 1% • Defense & Space up 3% • Segment Profit up 13% 	

Strong 4Q And 2006 Results

Automation And Control Solutions

Honeywell

<i>(\$M)</i>	<u>4Q05</u>	<u>4Q06</u>	<u>2005</u>	<u>2006</u>
Sales	\$2,592	\$3,045	\$9,416	\$11,020
Segment Profit	\$322	\$385	\$1,065	\$1,223
Margin	12.4%	12.6%	11.3%	11.1%
Commentary:				
<ul style="list-style-type: none"> • Sales up 17% <ul style="list-style-type: none"> ➢ Organic 11%; Acq. / Div. 6% ➢ F/X Impact 4% • Products up 17%, 9% organic growth • Solutions up 18%, 16% organic growth • Segment Profit up 20% 			<ul style="list-style-type: none"> • Sales up 17% <ul style="list-style-type: none"> ➢ Organic 10%; Acq. / Div. 7% ➢ F/X Impact 1% • Products up 19%, 8% organic growth • Solutions up 14%, 11% organic growth • Segment Profit up 15% 	

Strong Organic Growth

Transportation Systems

Honeywell

<i>(\$M)</i>	<u>4Q05</u>	<u>4Q06</u>	<u>2005</u>	<u>2006</u>
Sales	\$1,093	\$1,193	\$4,505	\$4,592
Segment Profit	\$120	\$138	\$557	\$574
Margin	11.0%	11.6%	12.4%	12.5%
Commentary:				
	<ul style="list-style-type: none"> • Sales up 9% <ul style="list-style-type: none"> ➢ F/X Impact 4% • Turbo up 15% <ul style="list-style-type: none"> ➢ European volume, diesel penetration • CPG up 1% <ul style="list-style-type: none"> ➢ Consumer spending impact • Segment Profit up 15% 		<ul style="list-style-type: none"> • Sales up 2% <ul style="list-style-type: none"> ➢ F/X Impact 1% • Turbo up 6% <ul style="list-style-type: none"> ➢ Overall stable conditions in Europe ➢ Strong win rate on new platforms • CPG down 4% <ul style="list-style-type: none"> ➢ Consumer spending impact ➢ Friction NA OE exit • Segment Profit up 3% 	

Great Wins For The Future

Specialty Materials

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<i>(\$M)</i>	<u>4Q05</u>	<u>4Q06</u>	<u>2005</u>	<u>2006</u>
Sales	\$865	\$1,083	\$3,234	\$4,631
Segment Profit	\$62	\$79	\$257	\$568
Margin	7.2%	7.3%	7.9%	12.3%
Commentary:				
	<ul style="list-style-type: none"> • Sales up 25% <ul style="list-style-type: none"> ➢ Organic 1%; Acq. / Div. 24% • Fluorine Products up 2% • Specialty Products up 2% • Resins and Chemicals down 7% <ul style="list-style-type: none"> ➢ Down 1% excl. sale of Carpet Fiber assets • Segment Profit up 27% 		<ul style="list-style-type: none"> • Sales up 43% <ul style="list-style-type: none"> ➢ Organic 7%; Acq. / Div. 36% • Fluorine Products up 9% • Specialty Products up 9% • Resins and Chemicals down 11% <ul style="list-style-type: none"> ➢ Up 4% excl. sale of Carpet Fiber assets • Segment Profit up 121% 	

Growth Across The Portfolio

2007 Financial Summary

Honeywell

	<u>2006</u>	<u>2007E</u>	<u>V'06</u>
Sales	\$31.4	~\$32.8	~5%
Segment Profit	\$4.1	\$4.4 - 4.5	9 - 12%
<i>- Margin %</i>	13.0%	13.5 - 13.9%	50 - 90 bps
EPS	\$2.52	\$2.85 - 2.95	13 - 17%
Free Cash Flow	\$2.5	\$2.5 - 2.7	3 - 11%
Conversion	119%	+100%	

Expecting Another Great Year

2007 Segment Overview

Honeywell

(\$M)

	<u>Sales</u>		<u>Segment Margin</u>	
	<u>2007E</u>	<u>V'06</u>	<u>2007E</u>	<u>V'06</u>
Aerospace	~\$11,750	~5%	~17.6%	~60 bps
Automation & Control	~11,750	~6%	~11.5%	~40
Transportation Systems	~4,600	Flat	~12.6%	~10
Specialty Materials	<u>~4,660</u>	<u>~1%</u>	<u>~13.7%</u>	<u>~140</u>
Total	~\$32,760	~5%	13.5 - 13.9%	50 - 90 bps

Continued Sales Growth And Margin Expansion

1Q07 Preview

Honeywell

(\$B)

	<u>Sales</u>	<u>Comments</u>
Aerospace	~\$2.8	<ul style="list-style-type: none">• ~5% growth in AT&R, B&GA, and D&S• More balanced OE / AM growth• Flying hours +4-5%
Automation & Control	~2.7	<ul style="list-style-type: none">• ~13% reported, ~7% organic sales growth• Continued Solutions driven growth• Impact from US Residential exposure
Transportation	~1.1	<ul style="list-style-type: none">• Flat top line, Class 8 impact• Modest increase LV prod, diesel penetration• Asia growth, CPG new products
Specialty Materials	~1.1	<ul style="list-style-type: none">• Flat top line, ~4% adjusted* growth• ~1% growth in UOP, tough comp to 1Q06• Impact from US Residential exposure

* Adjusted for exited businesses (~1%) and exited low margin sales (~3%).

*1Q07 Sales ~\$7.7
EPS \$0.60 – 0.62, Up 15 – 19%*

- **Strong Finish to 2006**
- **Continuing to Build Performance Track Record**
- **Company Well Positioned for 2007**
- **Investor Meeting February 26th**

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>	4Q05	4Q06
Sales	\$7,275	\$8,276
Cost of Products and Services Sold	(5,637)	(6,358)
Selling, General and Administrative Expenses	(936)	(1,085)
Operating Income	<u>\$702</u>	<u>\$833</u>
FAS 123R, Stock Option Expense ⁽¹⁾	\$0	\$16
Repositioning and Other Charges ⁽¹⁾	80	133
Pension and OPEB Expense ⁽¹⁾	138	115
Segment Profit	<u>\$920</u>	<u>\$1,097</u>
Operating Income	\$702	\$833
÷ Sales	\$7,275	\$8,276
Operating Income Margin %	<u>9.6%</u>	<u>10.1%</u>
Segment Profit	\$920	\$1,097
÷ Sales	\$7,275	\$8,276
Segment Profit Margin %	<u>12.6%</u>	<u>13.2%</u>

(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

Honeywell

<i>(\$M)</i>	4Q05	4Q06
Cash Provided by Operating Activities	\$839	\$1,241
Expenditures for Property, Plant and Equipment	(228)	(300)
Free Cash Flow	\$611	\$941
Cash Provided by Operating Activities	\$839	\$1,241
÷ Net Income	\$514	\$585
Operating Cash Flow Conversion %	163%	212%
Free Cash Flow	\$611	\$941
÷ Net Income	\$514	\$585
Free Cash Flow Conversion %	119%	161%

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

Honeywell

(\$B)	2005	2006
Sales	\$27.6	\$31.4
Cost of Products and Services Sold	(21.5)	(24.1)
Selling, General and Administrative Expenses	(3.7)	(4.2)
Operating Income	<u>\$2.4</u>	<u>\$3.1</u>
FAS 123R, Stock Option Expense ⁽¹⁾	\$0.0	\$0.1
Repositioning and Other Charges ⁽¹⁾	0.4	0.5
Pension and OPEB Expense ⁽¹⁾	<u>0.6</u>	<u>0.4</u>
Segment Profit	<u>\$3.4</u>	<u>\$4.1</u>
Operating Income	\$2.4	\$3.1
÷ Sales	<u>\$27.6</u>	<u>\$31.4</u>
Operating Income Margin %	<u>8.7%</u>	<u>9.9%</u>
Segment Profit	\$3.4	\$4.1
÷ Sales	<u>\$27.6</u>	<u>\$31.4</u>
Segment Profit Margin %	<u>12.2%</u>	<u>13.0%</u>

(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

Honeywell

(\$B)	2005	2006
Cash Provided by Operating Activities	\$2.4	\$3.2
Expenditures for Property, Plant and Equipment	(0.6)	(0.7)
Free Cash Flow	\$1.8	\$2.5
Cash Provided by Operating Activities	\$2.4	\$3.2
÷ Net Income	\$1.6	\$2.1
Operating Cash Flow Conversion %	149%	154%
Free Cash Flow	\$1.8	\$2.5
÷ Net Income	\$1.6	\$2.1
Free Cash Flow Conversion %	107%	119%

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

Honeywell

(\$B)	2006	2007E
Sales	\$31.4	\$32.8
Cost of Products and Services Sold	(24.1)	(25.1) - (25.2)
Selling, General and Administrative Expenses	(4.2)	(4.1)
Operating Income	<u>\$3.1</u>	<u>\$3.5 - 3.6</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	0.4
Segment Profit	<u>\$4.1</u>	<u>\$4.4 - 4.5</u>
Operating Income	\$3.1	\$3.5 - 3.6
÷ Sales	\$31.4	\$32.8
Operating Income Margin %	<u>9.9%</u>	<u>10.7 - 11.0%</u>
Segment Profit	\$4.1	\$4.4 - 4.5
÷ Sales	\$31.4	\$32.8
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	\$3.3 - 3.5
Expenditures for Property, Plant and Equipment	(0.7)	(0.8)
Free Cash Flow	\$2.5	\$2.5 - 2.7
Cash Provided by Operating Activities	\$3.2	\$3.3 - 3.5
÷ Net Income	\$2.1	\$2.3 - 2.4
Operating Cash Flow Conversion %	154%	+140%
Free Cash Flow	\$2.5	\$2.5 - 2.7
÷ Net Income	\$2.1	\$2.3 - 2.4
Free Cash Flow Conversion %	119%	+100%

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