
*Second Quarter
Earnings Release*

July 19, 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.

2Q Overview

- **Financial Performance**
 - 8% Reported, 8% Organic Sales Growth
 - Segment Profit up 10%, Segment Margin Up 20 bps
 - Net Income up 17%, EPS up 24%
 - \$820M Free Cash Flow, Up 42% Year to Date
- **Business Highlights**
 - AERO – Strong OE and Aftermarket Performance
 - ACS – 10% Organic Sales Growth, Continued Momentum
 - TS – Turbo New Wins / Growth; CPG Challenges
 - SM – Tough UOP Comp; Full Year On Track
- **Cash Deployment**
 - Repurchased 40.4M Shares; Average Fully Diluted Share Count 779M
- **Increasing 2007 Sales, EPS, and Free Cash Flow Guidance**
 - EPS Range \$3.10 - \$3.16

2Q Financial Summary

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<i>(M)</i>	<u>2Q06</u>	<u>2Q07</u>	
Sales	\$7,898	\$8,538	• 8% Growth ◆ 8% Organic ➢ 2% F/X Impact
Segment Profit	\$1,034	\$1,134	• 10% Growth
Margin %	13.1%	13.3%	• +20 bps
Net Income	\$521	\$611	• 17% Growth
EPS	\$0.63	\$0.78	• 24% Growth
Free Cash Flow	\$786	\$820	• 134% Conversion

Another Great Quarter

Share Repurchase

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Share Repurchase

	<u>Shares (M)</u>	<u>Amount (\$B)</u>
'03-'06	98.0	\$3.8
1Q07	25.3	1.2
2Q07	<u>40.4</u>	<u>2.3</u>
	<u><u>163.7</u></u>	<u><u>\$7.3</u></u>

- Average Fully Diluted Share Count:
 - 2Q07: 779M
 - FY07: ~775M
- 2Q Share Repurchase EPS Impact:
 - 2 cents for 2Q07
 - 8 cents for FY07

Cash Deployment Strategy

- **Maintain Balance: Capex, Acquisitions, Dividends, Repurchase**
 - 2007 Capex plan ~\$800M
 - ~\$600M of transactions YTD
 - 2007 Dividend ~\$770M (\$1.00/share)
- **Forecast 2007 Year End Debt ~\$7B**
- **Board Authorization for Additional \$3B Share Repurchase**
 - ~\$200M prior authorization remaining
 - 2H07 repurchase to maintain share count

Disciplined Cash Deployment

Aerospace

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<i>(M)</i>	<u>2Q06</u>	<u>2Q07</u>	<u>Financial Highlights</u>
Sales	\$2,686	\$3,027	<ul style="list-style-type: none"> • Sales up 13% <ul style="list-style-type: none"> - Air Transport & Regional up 15% <ul style="list-style-type: none"> ◆ OE up 21% ◆ AM up 10% - Business & General Aviation up 15% <ul style="list-style-type: none"> ◆ OE up 14% ◆ AM up 17% - Defense & Space up 9% • Segment Profit up 27% <ul style="list-style-type: none"> ◆ 190 bps margin expansion <ul style="list-style-type: none"> + Volume / price + Productivity - Inflation
Segment Profit	\$413	\$523	
Margin	15.4%	17.3%	
<p style="text-align: center;"><u>Business Highlights</u></p> <ul style="list-style-type: none"> + New Wins – AT&R, Defense + Commercial OE up 18% <ul style="list-style-type: none"> ◆ Strong build rates + Commercial AM up 12% <ul style="list-style-type: none"> ◆ Global AT&R flying hours up ~6% (Air Transport flying hours up +7%) - Material costs 			

Continued Strong Performance

Automation And Control Solutions

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<i>(M)</i>	<u>2Q06</u>	<u>2Q07</u>	<u>Financial Highlights</u>
Sales	\$2,766	\$3,039	<ul style="list-style-type: none"> • Sales up 10% <ul style="list-style-type: none"> ◆ Organic 10% <ul style="list-style-type: none"> ➢ F/X Impact 3%
Segment Profit	\$287	\$333	<ul style="list-style-type: none"> - Products up 9% - Solutions up 11%
Margin	10.4%	11.0%	
<p style="text-align: center;"><u>Business Highlights</u></p> <ul style="list-style-type: none"> + Products 9% organic growth + Solutions 11% organic growth <ul style="list-style-type: none"> ◆ Continued orders / backlog growth + Europe, Asia market conditions - Material inflation 			<ul style="list-style-type: none"> • Segment Profit up 16% <ul style="list-style-type: none"> ◆ 60 bps margin expansion <ul style="list-style-type: none"> + Volume + Productivity - Inflation

Strong Organic Growth And Margin Expansion

Transportation Systems

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<i>(M)</i>	<u>2Q06</u>	<u>2Q07</u>	<u>Financial Highlights</u>
Sales	\$1,193	\$1,256	<ul style="list-style-type: none"> • Sales up 5% <ul style="list-style-type: none"> ◆ F/X Impact 4%
Segment Profit	\$165	\$157	<ul style="list-style-type: none"> - Turbo up 9% <ul style="list-style-type: none"> ◆ LV growth offsets Class 8 decline
Margin	13.8%	12.5%	<ul style="list-style-type: none"> - CPG flat
<p style="text-align: center;"><u>Business Highlights</u></p> <ul style="list-style-type: none"> + HTT platform wins + HTT Europe demand <ul style="list-style-type: none"> ◆ Diesel penetration, LV production up - CPG challenges - Material inflation 			<ul style="list-style-type: none"> • Segment Profit down 5% <ul style="list-style-type: none"> ◆ 130 bps margin contraction <ul style="list-style-type: none"> + Productivity + Price - Inflation - New product investment

Turbo Growth; Tough Quarter For CPG

Specialty Materials

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<i>(M)</i>	<u>2Q06</u>	<u>2Q07</u>	<u>Financial Highlights</u>
Sales	\$1,253	\$1,216	<ul style="list-style-type: none"> • Sales down 3% <ul style="list-style-type: none"> - UOP down 9% <ul style="list-style-type: none"> ◆ Tough comp to 2Q06 ◆ In line with expectations - Specialty Products up 1% - Resins and Chemicals up 1% - Fluorine Products down 1%
Segment Profit	\$217	\$175	
Margin	17.3%	14.4%	
<p style="text-align: center;"><u>Business Highlights</u></p> <ul style="list-style-type: none"> + UOP project wins, new technologies + Price offsets raws - Fluorines price pressure / market softness - R&C temporary plant outage 			<ul style="list-style-type: none"> • Segment Profit down 19% <ul style="list-style-type: none"> ◆ 290 bps margin contraction <ul style="list-style-type: none"> + Price - Inflation - Volume / Mix (UOP) - Productivity (Plant outage)

2Q Performance In Line; Full Year On Track

2007 Financial Summary

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	<u>2006</u>	<u>2007E</u>	<u>V'06</u>
Sales	\$31.4	~\$33.9	~8%
Segment Profit	\$4.1	\$4.6 - 4.7	12 - 15%
<i>Margin %</i>	13.0%	13.5 - 13.9%	50 - 90 bps
Net Income	\$2.1	\$2.4 - 2.5	14 - 19%
EPS	\$2.52	\$3.10 - 3.16	23 - 25%
Free Cash Flow	\$2.5	\$2.8 - 3.0	12 - 20%
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	~\$12.1	~9%	~17.8%	~80 bps
Automation & Control	~12.2	~11%	~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	~\$33.9	~8%	13.5 - 13.9%	50 – 90 bps

Sales Growth And Margin Expansion

3Q07 Preview

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(\$B)

	<u>Sales</u>	<u>Comments</u>
Aerospace	~\$3.1	<ul style="list-style-type: none">• ~8% growth• More balanced growth• AT flying hour growth ~7%
Automation & Control	~3.1	<ul style="list-style-type: none">• ~9% organic growth• Solutions driven growth• Continued favorable market conditions
Transportation Systems	~1.2	<ul style="list-style-type: none">• ~8% growth• HTT PV growth offsets Class 8 impact• Continued CPG challenges
Specialty Materials	~1.2	<ul style="list-style-type: none">• ~2% growth• UOP favorable outlook• Impact from business exit

3Q07 Sales ~\$8.6B

Second Half Guidance

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	Sales		EPS	
	<u>Sales (B)</u>	<u>V% PY</u>	<u>EPS (\$)</u>	<u>V% PY</u>
3Q	~\$8.6	~8%	\$0.79 – 0.81	20 - 23%
4Q	<u>~8.8</u>	<u>~6%</u>	<u>\$0.87 – 0.91</u>	<u>21 - 26%</u>
2H	~\$17.4	~7%	\$1.66 – 1.72	20 - 25%

Continued Momentum

- **Another Strong Quarter**
- **Continued Operational Performance**
- **Aggressive Share Buyback in First Half**
- **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>	2Q06	2Q07
Sales	\$7,898	\$8,538
Cost of Products and Services Sold	(6,027)	(6,491)
Selling, General and Administrative Expenses	(1,086)	(1,127)
Operating Income	<u>\$785</u>	<u>\$920</u>
FAS 123R, Stock Option Expense ⁽¹⁾	\$16	\$17
Repositioning and Other Charges ⁽¹⁾	115	125
Pension and OPEB Expense ⁽¹⁾	118	72
Segment Profit	<u>\$1,034</u>	<u>\$1,134</u>
Operating Income	\$785	\$920
÷ Sales	<u>\$7,898</u>	<u>\$8,538</u>
Operating Income Margin %	<u>9.9%</u>	<u>10.8%</u>
Segment Profit	\$1,034	\$1,134
÷ Sales	<u>\$7,898</u>	<u>\$8,538</u>
Segment Profit Margin %	<u>13.1%</u>	<u>13.3%</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

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<i>(\$M)</i>	2Q06	2Q07
Cash Provided by Operating Activities	\$935	\$983
Expenditures for Property, Plant and Equipment	(149)	(163)
Free Cash Flow	<u>786</u>	<u>820</u>
Cash Provided by Operating Activities	\$935	\$983
÷ Net Income	<u>521</u>	<u>611</u>
Operating Cash Flow Conversion %	<u>179%</u>	<u>161%</u>
Free Cash Flow	\$786	\$820
÷ Net Income	<u>521</u>	<u>611</u>
Free Cash Flow Conversion %	<u>151%</u>	<u>134%</u>

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

Honeywell

(\$B)	2006	2007E
Sales	\$31.4	~\$33.9
Cost of Products and Services Sold	(24.1)	(25.9) - (26.0)
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	~0.5
Pension and OPEB Expense ⁽¹⁾	0.4	~0.3
Segment Profit	<u>\$4.1</u>	<u>\$4.6 - 4.7</u>
Operating Income	\$3.1	\$3.7 - 3.8
÷ Sales	<u>\$31.4</u>	<u>~\$33.9</u>
Operating Income Margin %	<u>9.9%</u>	<u>10.9 - 11.2%</u>
Segment Profit	\$4.1	\$4.6 - 4.7
÷ Sales	<u>\$31.4</u>	<u>~\$33.9</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	\$3.6 - 3.8
Expenditures for Property, Plant and Equipment	(0.7)	~(0.8)
Free Cash Flow	\$2.5	\$2.8 - 3.0
Cash Provided by Operating Activities	\$3.2	\$3.6 - 3.8
÷ Net Income	\$2.1	\$2.4 - 2.5
Operating Cash Flow Conversion %	154%	+140%
Free Cash Flow	\$2.5	\$2.8 - 3.0
÷ Net Income	\$2.1	\$2.4 - 2.5
Free Cash Flow Conversion %	119%	+100%

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