

# Goldman Sachs Global Capital Goods Conference

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*November 1, 2006*

**Honeywell**

# Forward Looking Statements

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*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.*

- **Portfolio Strengthened And Aligned To Macro Trends**
- **Delivering Strong Organic Growth, Margin Expansion**
- **Building Track Record Of Financial Performance**
- **Disciplined And Balanced Cash Deployment**
- **Establishing Performance Culture**

*Focused On Value Creation*

# 2006 YTD Financials

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<i>(M)</i>	<u>9 Months YTD 2005</u>	<u>9 Months YTD 2006</u>	<u>V'05</u>
Sales	\$20,377	\$23,091	13%
Ex. Acquisitions/Divestitures			6%
Segment Profit	\$2,462	\$2,983	21%
- Margin %	12.1%	12.9%	80 bps
EPS, Reported	\$1.32	\$1.81	37%
- EPS Adjusted <sup>(1)</sup>	\$1.42	\$1.86	31%
Free Cash Flow	\$1,147	\$1,537	34%
Conversion	102%	103%	

(1) Reflects 9 Mo YTD05 tax charge for cash repatriation (\$0.18) and Income from Discontinued Operations (\$0.08), as well as 9 Mo YTD06 FAS 123R stock option expense (\$0.06) and Income from Discontinued Operations ( \$0.01)

*Strong Financial Performance*

# 2006 Financial Outlook

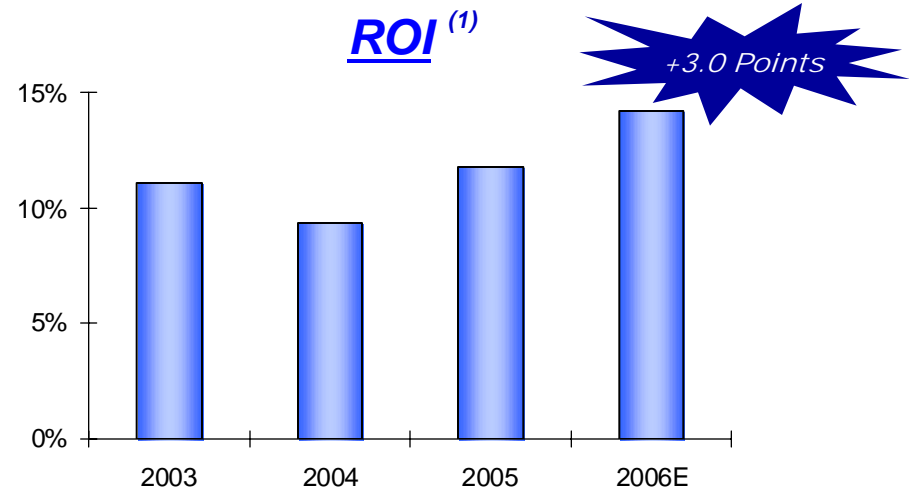
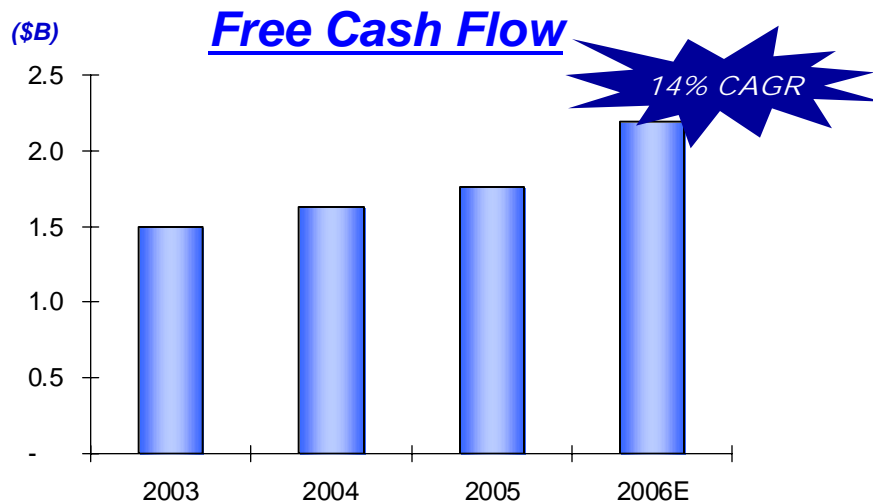
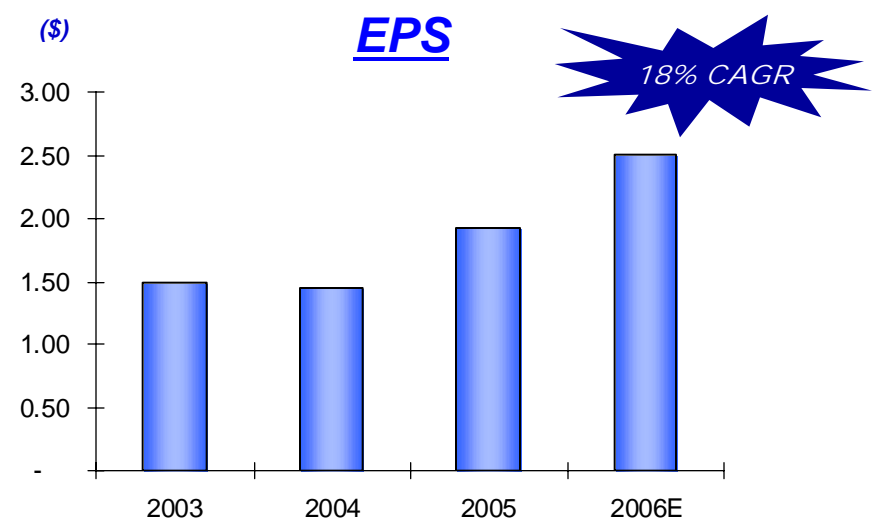
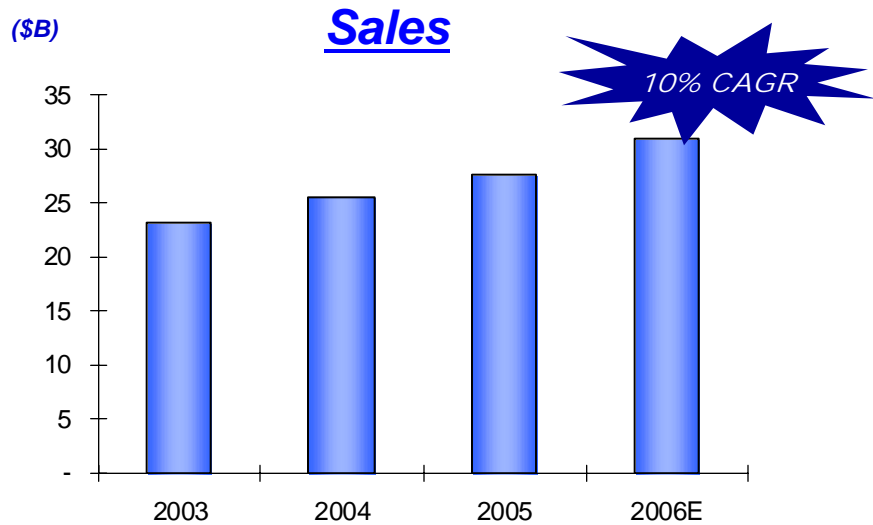
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<i>(B)</i>	<u>2005</u>	<u>2006E</u>	<u>V'05</u>
<b>Sales</b>	<b>\$27.6</b>	<b>~\$31.1</b>	<b>13%</b>
<b>Ex. Acquisitions/Divestitures</b>			<b>6%</b>
<b>Segment Profit</b>	<b>\$3.4</b>	<b>~\$4.1</b>	<b>20%</b>
<b>- Margin %</b>	<b>12.2%</b>	<b>~13.2%</b>	<b>100 bps</b>
<b>EPS, Reported</b>	<b>\$1.92</b>	<b>\$2.51 - 2.53</b>	<b>31 - 32%</b>
<b>Free Cash Flow</b>	<b>\$1.8</b>	<b>~\$2.2</b>	<b>25%</b>
<b>Conversion</b>	<b>107%</b>	<b>+100%</b>	

*Significant Growth On All Fronts*

# 2003 – 2006 Financial Progress

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(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).

*Building Track Record Of Results*

# Cash Deployment

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- **Business Investment**
  - Global Growth / Expansion; Reinvestment Ratio ~1
- **Acquisitions**
  - Buying Higher Growth / Attractive Businesses
  - Active Pipeline: 39 Acquisitions / 21 Divestitures; \$3.0B Cash Deployed
- **Dividends**
  - Increased 10% Each Of Last 2 Years; ~2.2% Yield
- **Repurchases**
  - \$2.9B Last 2 Years; \$1.0B Through 3Q 2006
  - Shares Outstanding Reduced 5% From 862M To 817M Shares

*Disciplined And Balanced*

# Preliminary 2007 Financial Outlook

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- **Economic View Drives More Conservative Top Line Growth**
- **Segment Profit Drives Earnings Growth**
  - Continued Margin Expansion
- **Below The Line Expenses In Line With 2006**
  - Minimal Pension Tailwind (Rate Sensitive)
- **Double Digit Earnings Growth**
- **Continued FCF Growth**
- **Balanced Cash Deployment**

*2007 Outlook Call – December 13<sup>th</sup>*



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*Appendix*  
*Reconciliation of non-GAAP Measures*  
*to GAAP Measures*

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# Reconciliation of Free Cash Flow to Cash Provided by Operating Activities and Calculation of Cash Flow Conversion

**Honeywell**

<i>(\$M)</i>	<b>2003</b>	<b>2004</b>
Cash Provided by Operating Activities	\$2,199	\$2,253
Expenditures for Property, Plant and Equipment	(655)	(629)
<b>Free Cash Flow</b>	<b>1,544</b>	<b>1,624</b>
Cash Provided by Operating Activities	\$2,199	\$2,253
÷ Net Income	1,289	1,246
<b>Operating Cash Flow Conversion %</b>	<b>171%</b>	<b>181%</b>
Free Cash Flow	\$1,544	\$1,624
÷ Net Income	1,289	1,246
<b>Free Cash Flow Conversion %</b>	<b>120%</b>	<b>130%</b>

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

<u>(\$M)</u>	<u>9MoYTD05</u>	<u>9MoYTD06</u>
Sales	\$20,377	\$23,091
Cost of Products and Services Sold	(15,887)	(17,738)
Selling, General and Administrative Expenses	<u>(2,771)</u>	<u>(3,125)</u>
Operating Income	<u>\$1,719</u>	<u>\$2,228</u>
FAS 123R, Stock Option Expense <sup>(1)</sup>	\$0	\$61
Repositioning and Other Charges <sup>(1)</sup>	320	350
Pension and OPEB Expense <sup>(1)</sup>	<u>423</u>	<u>344</u>
Segment Profit	<u>\$2,462</u>	<u>\$2,983</u>
Operating Income	\$1,719	\$2,228
÷ Sales	<u>\$20,377</u>	<u>\$23,091</u>
Operating Income Margin %	<u>8.4%</u>	<u>9.6%</u>
Segment Profit	\$2,462	\$2,983
÷ Sales	<u>\$20,377</u>	<u>\$23,091</u>
Segment Profit Margin %	<u>12.1%</u>	<u>12.9%</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

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<u>(\$M)</u>	<u>9MoYTD05</u>	<u>9MoYTD06</u>
Cash Provided by Operating Activities	\$1,603	\$1,970
Expenditures for Property, Plant and Equipment	(456)	(433)
Free Cash Flow	<u>1,147</u>	<u>1,537</u>
Cash Provided by Operating Activities	\$1,603	\$1,970
÷ Net Income	<u>1,124</u>	<u>1,498</u>
Operating Cash Flow Conversion %	<u>143%</u>	<u>132%</u>
Free Cash Flow	\$1,147	\$1,537
÷ Net Income	<u>1,124</u>	<u>1,498</u>
Free Cash Flow Conversion %	<u>102%</u>	<u>103%</u>

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

<u>(\$B)</u>	<u>2005</u>	<u>2006E</u>
Sales	\$27.6	\$31.1
Cost of Products and Services Sold	(21.5)	(24.0)
Selling, General and Administrative Expenses	(3.7)	(4.0)
Operating Income	<u>\$2.4</u>	<u>\$3.1</u>
FAS 123R, Stock Option Expense <sup>(1)</sup>	0.0	0.1
Repositioning and Other Charges <sup>(1)</sup>	0.4	0.4
Pension and OPEB Expense <sup>(1)</sup>	0.6	0.5
Segment Profit	<u>\$3.4</u>	<u>\$4.1</u>
Operating Income	\$2.4	\$3.1
÷ Sales	<u>\$27.6</u>	<u>\$31.1</u>
Operating Income Margin %	<u>8.7%</u>	<u>10.0%</u>
Segment Profit	\$3.4	\$4.1
÷ Sales	<u>\$27.6</u>	<u>\$31.1</u>
Segment Profit Margin %	<u>12.2%</u>	<u>13.2%</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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<u>(\$M)</u>	<u>2005</u>	<u>2006E</u>
Cash Provided by Operating Activities	\$2,442	\$3,000
Expenditures for Property, Plant and Equipment	(684)	(800)
Free Cash Flow	<u>\$1,758</u>	<u>\$2,200</u>
Cash Provided by Operating Activities	\$2,442	\$3,000
÷ Net Income	<u>\$1,638</u>	<u>\$2,075 - 2,100</u>
Operating Cash Flow Conversion %	<u>149%</u>	<u>+135%</u>
Free Cash Flow	\$1,758	\$2,200
÷ Net Income	<u>\$1,638</u>	<u>\$2,075 - 2,100</u>
Free Cash Flow Conversion %	<u>107%</u>	<u>+100%</u>