

Merrill Lynch Global Industries Conference

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London
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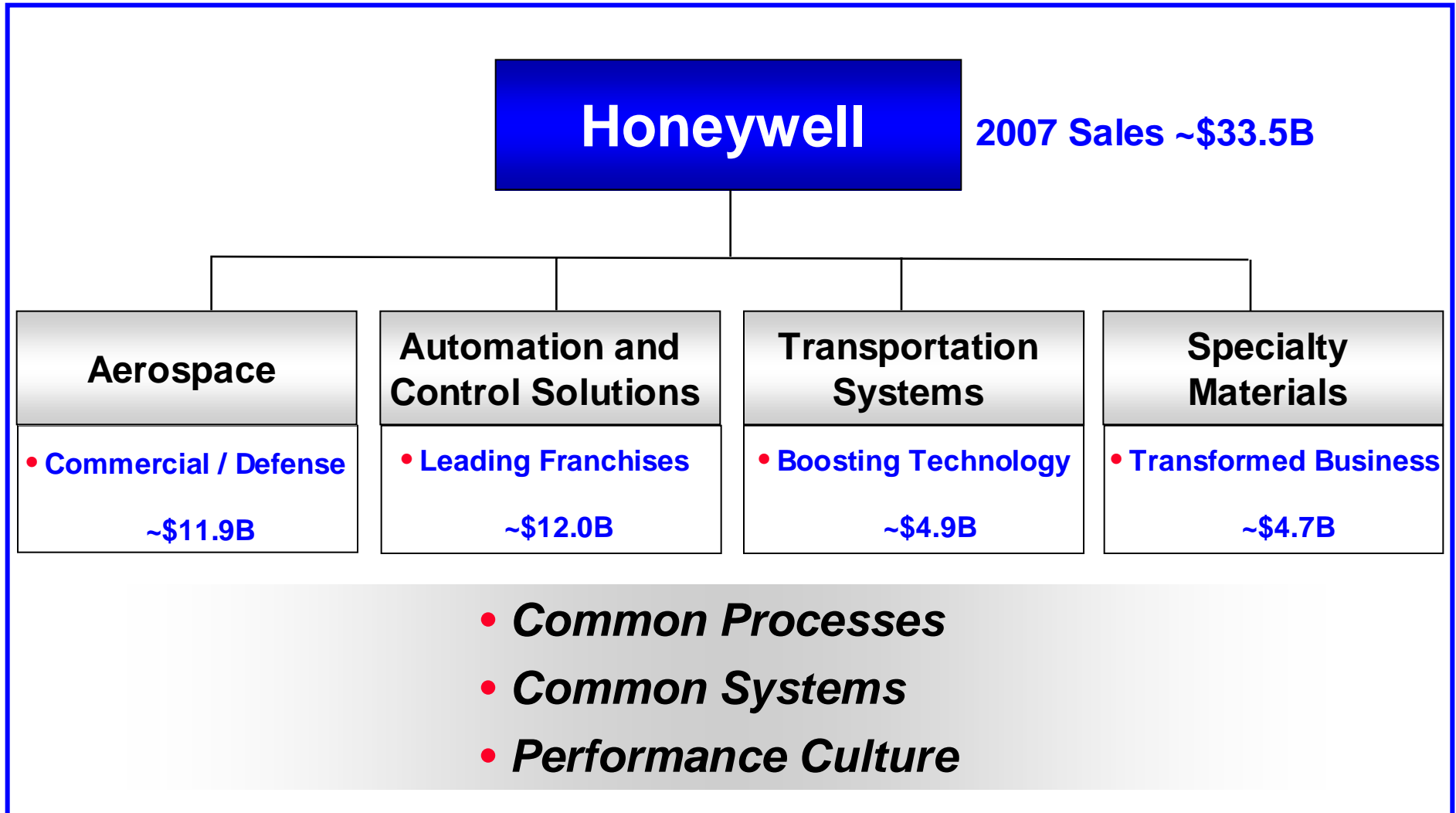
Honeywell

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.

Honeywell Today

Honeywell



Global Scope, Great Positions In Good Industries

1Q Financial Summary

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

Terrific Start To 2007

2007 Financial Summary

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

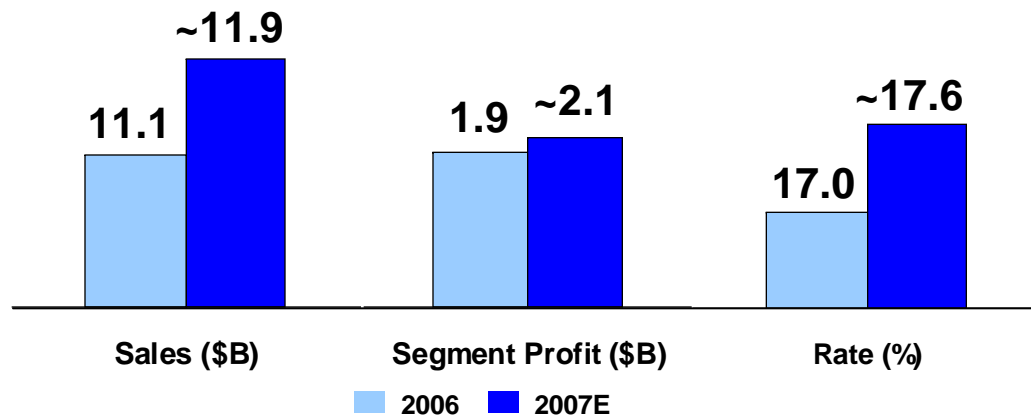
Raised Sales, EPS And FCF Guidance

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

Well Positioned For Growth And Margin Expansion

2007 Financial Highlights



- ~7% Sales Growth
- ~11% Segment Profit Growth
- ~60 bps Margin Expansion

Growth Drivers

+ Favorable Industry Conditions

- OE Production Growth, Commercial / Business Jets
- Global Flying Hours +4-5%, Worldwide Fleet Growth
- Defense Budget Stable, Modernization / Logistics Needs, Reset

+ Benefits of Organizational Realignment and Productivity Focus

+ Strong Technology Pipeline and Platform Wins

Strong Franchise With Great Future

Aerospace Platform Breadth

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Commercial

Air Transport

60+ Platforms



Regional Transport

30+ Platforms



Business Jets

120+ Platforms



General Aviation

100+ Platforms



Helicopters

20+ Programs



***Installed Base: ~300,000 Aircraft
Worldwide***

Defense and Space

Aircraft

60+ Platforms



Helicopters

20+ Platforms



Surface Vehicles

10+ Platforms



Missile Systems

40+ Systems



Space

40+ Programs



***Installed Base: 25,000+ Vehicles
Worldwide****

**Excludes missiles and missile systems*

Great Breadth, Depth Of Products / Technologies

Aerospace – Positioned For Growth

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Industry Trends

HON Position

Air Transport and Regional (~40%)*



- Increasing Travel / Traffic
- Safety Top Concern
- Airline Profits

- All Platforms
- Safety Systems
- MRO / Spares

Business and General Aviation (~20%)*



- Installed Base Growth
- Global Demand
- Increased Utilization

- Larger Platforms
- Global Presence
- RMU's / Upgrades

Defense and Space (~40%)*



- Global War on Terror
- Army "Reset"
- Space Exploration

- Broad Presence
- Logistics / Services
- Avionics

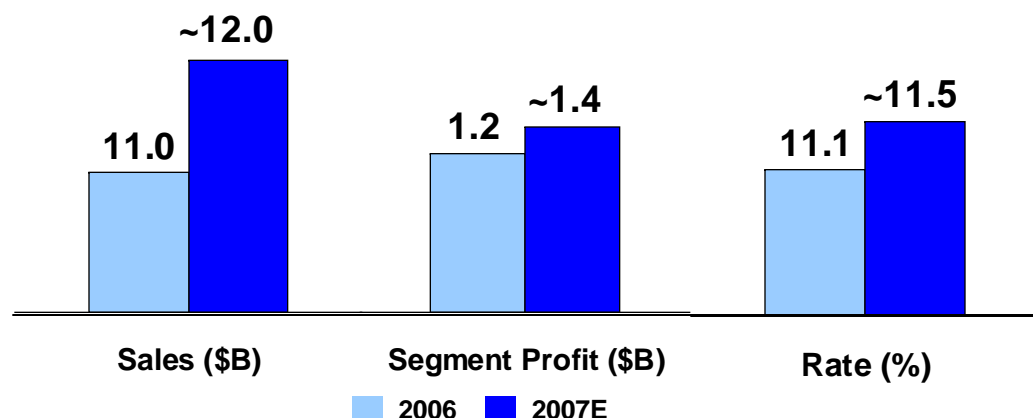
*2006 Sales

Well Positioned For The Future

Automation And Control Solutions

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2007 Financial Highlights



- ~9% Sales Growth
- ~13% Segment Profit Growth
- ~40 bps Margin Expansion

Growth Drivers

+ Favorable Macro Trends

- Safety, Security, Energy, Productivity, Convenience / Control

+ Business Fundamentals Fixed

- Focus on Fixed Cost Leverage, Margin Expansion

+ Product Breadth, Advanced Technologies, Premier Brand

+ Expanded Global Footprint, Positioned in Fastest Growing Segments

Leading Global Franchises

ACS Competitive Landscape

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	<i>Products</i>					<i>Projects and Services</i>	
	<i>Home Comfort Controls</i>	<i>Building Controls</i>	<i>Sensing</i>	<i>Security</i>	<i>Fire Systems</i>	<i>Process Solutions</i>	<i>Building Solutions</i>
Honeywell	✓	✓	✓	✓	✓	✓	✓
Emerson	✓					✓	
GE			✓	✓	✓		
Johnson Controls		✓					✓
Schneider		✓	✓	✓			✓
Siemens	✓	✓	✓		✓	✓	✓
Tyco				✓	✓		
UTC	✓	✓		✓	✓		✓
<i>Industry Growth %</i>	2-4	2-4	5	5-6	2-5	2-4	4
<i>ACS 2006 Orders Growth %</i>	4	10	11	9	17	12	

Broad Based Performance

ACS – Positioned For Growth

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Industry Trends

HON Position

Buildings (~40%)*



- Energy Costs
- Safety / Security
- Regulation / Codes

- Broad Content / Coverage
- Multi-Channel / Brand Strategy
- Emerging Market Focus

Homes (~30%)*



- Convenience / Control
- Energy Efficiency
- Technology

- Premier Brand
- Product Breadth / Vitality
- Channel Access / Partners

Industrial (~30%)*



- Productivity
- Safety / Security
- Monitor / Control

- \$17B Installed Base (HPS)
- 25K Contracts (HBS)
- Product Breadth / Sensors

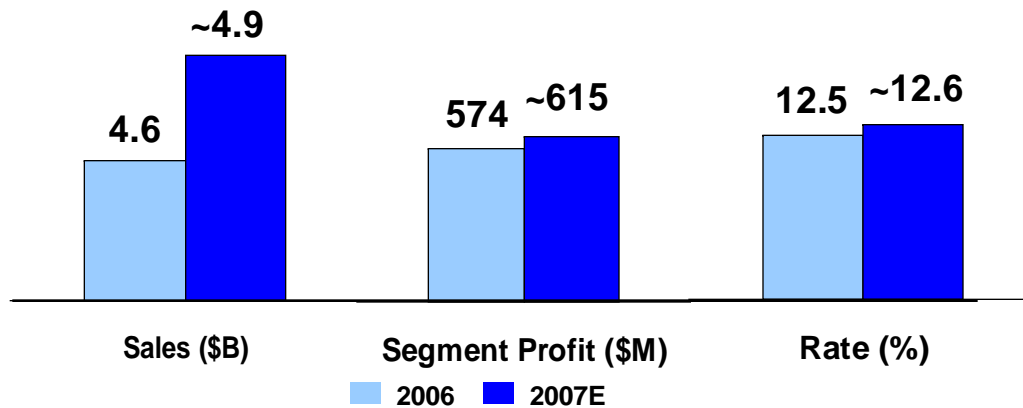
*2006 Sales

Positioned To Outperform

Transportation Systems

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2007 Financial Highlights



- ~6% Sales Growth
- ~7% Segment Profit Growth
- ~10 bps Margin Expansion

Growth Drivers

- + **Significant Turbo Wins To Benefit Future**
 - Strong Win Rate - PV, CV, Diesel, Gas
- + **Emission Regulations, Engine Downsizing, Fuel Economy**
 - Emerging Regions, US Dieselization, Global CV
- + **Technology and Brand Leadership Creates Opportunities**

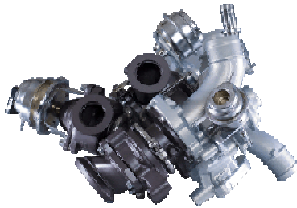
Strong Foundation And Significant Wins

TS – Positioned For Growth

Industry Trends

HON Position

**Turbo
(~60%)***



- Boosted Segment – 4x Growth of Total Build
- Emerging Regions Big Diesel Opportunity
- US Dieselization

- Technology Leader
- Breadth Across Platforms
- Global Scope

**Consumer Products Group
(~40%)***



- Growth in Auto Ownership, Emerging Regions
- New Products Offset DIY Dynamics

- Brand Leadership
- Developing New Products, Markets
- Sales and Distribution Strength

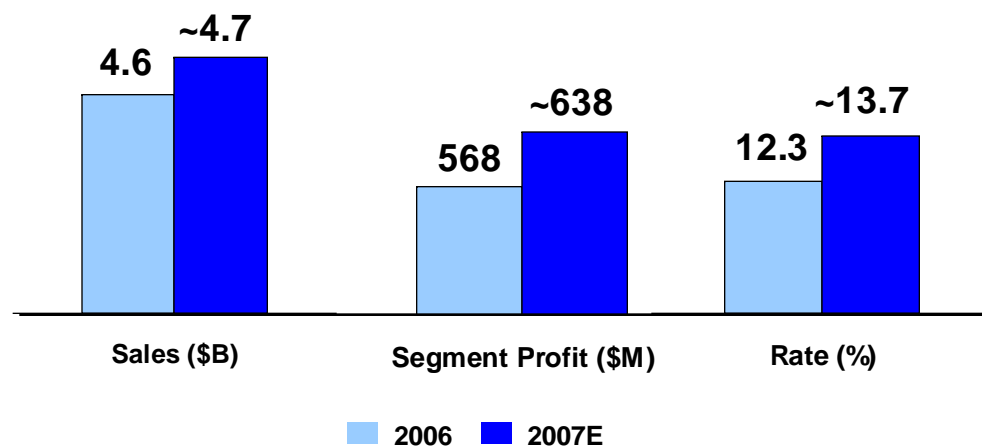
*2006 Sales

Positioned For Strong Future

Specialty Materials

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2007 Financial Highlights



- ~1% Sales Growth
- ~12% Segment Profit Growth
- ~140 bps Margin Expansion





Growth Drivers

- + Portfolio Transformation (~\$1.7B Exited, ~\$1.7B Added)
- + Worldwide Energy Demand, Capacity Constraints
- + Environmental Regulations, Security, Energy Efficiency
- + Product Differentiation, R&D Capability

Successful Transformation

SM – Positioned For Growth

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	<u>Industry Trends</u>	<u>HON Position</u>
UOP (~35%)* 	<ul style="list-style-type: none"> • Energy Demand • Refining Capacity 	<ul style="list-style-type: none"> • Every Refinery Worldwide • Technology Leader
Resins and Chemicals (~20%)* 	<ul style="list-style-type: none"> • Caprolactam Tight • Increased China Demand 	<ul style="list-style-type: none"> • World's Best Cost Position • Formula Pricing
Fluorine Products (~20%)* 	<ul style="list-style-type: none"> • Regulation • Energy Efficiency 	<ul style="list-style-type: none"> • Patent Protection • Low Global Warming Products
Specialty Products (~25%)* 	<ul style="list-style-type: none"> • Security Needs • Semiconductor Growth 	<ul style="list-style-type: none"> • Strong Technology • Applications Capability

*2006 Sales

Portfolio Realigned For Growth

Common Processes - Growth

Honeywell

	<u>Focus</u>	<u>Goals / Achievements</u>
VPD™	Engineering and Marketing	<ul style="list-style-type: none">• Deliver Products and Services Customers Want to Market Faster• Reduce Cycle Time Up to 50%• Built HTS – India / China / Czech (650 Employees in 2002 to 6,000+ in 2007)
M&A	Bolt-on Acquisitions	<ul style="list-style-type: none">• Active M&A Pipeline; Business Ownership• 90% Acquisitions 2003 – 2006 At or Ahead of Valuation Model• ~\$0.26 Incremental Accretion 2003 – 2006

Accelerating Top-Line Growth

Common Processes - Productivity

Honeywell

	<u>Focus</u>	<u>Goals / Achievements</u>
FT	Administrative Functions	<ul style="list-style-type: none">• Improve Quality, Speed, Cost• ~50% Reduction as % of Sales• \$170M Savings 2005 – 2006; ~\$60M Additional Improvement in 2007
HOS	Manufacturing Plants	<ul style="list-style-type: none">• Significant Cost, Quality, Delivery, Safety, Inventory Improvements• 2006 – 34 Sites Began Implementation, ~30% Mfg Cost Base• ~50% of Mfg Cost Base by Year End 2007

Supporting Margin Expansion

Honeywell Investment Thesis – Part 2

- **Segment Profit / Margin Translates to EPS Acceleration**
 - Double Digit EPS Growth Reasonable and Sustainable
 - Below The Line Trend Flat / Down
 - Legacy Well Understood, Managed
- **Effective Cash Generation / Balanced Deployment**
 - 100% Cash Conversion and Increasing Free Cash Flow
 - Disciplined Business Investment, Acquisition Strategy
 - Return to Shareholders Through Dividends, Share Repurchase

*Translating Growth To EPS And Cash;
Balanced And Effective Cash Deployment*

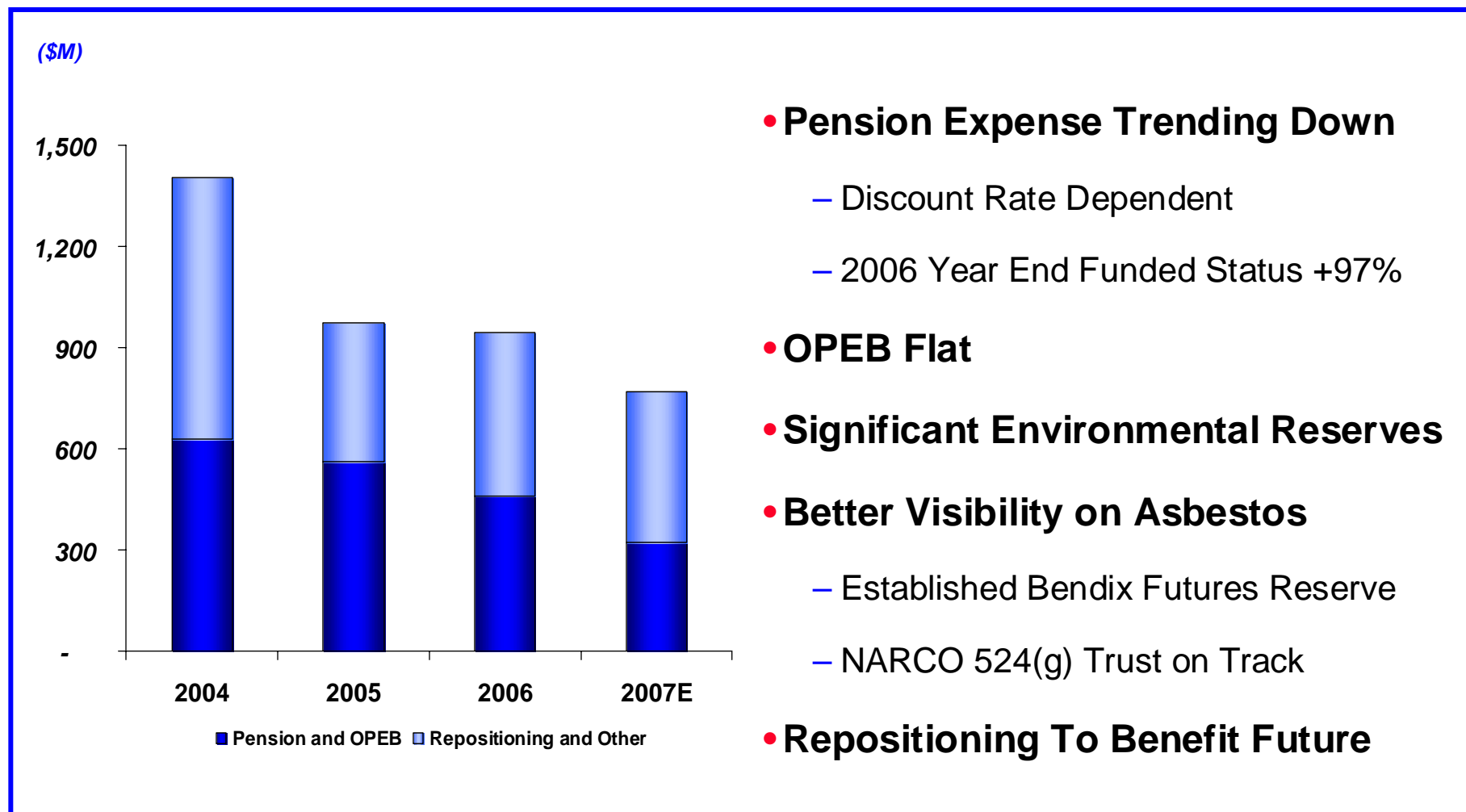
Honeywell Track Record

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	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007E</u>
Sales (\$B)	\$25.6	\$27.6	\$31.4	~\$33.5
<i>Organic Growth</i>		5%	7%	~7%
Segment Profit (\$B)	\$3.0	\$3.4	\$4.1	\$4.5-4.6
<i>Margin %</i>	11.6%	12.2%	13.0%	13.5 - 13.9%
<i>Growth</i>		60 bps	80 bps	50 - 90 bps
EPS	\$1.45	\$1.92	\$2.52	\$3.00 - 3.10
<i>Growth</i>		32%	31%	19 - 23%
FCF	\$1.6	\$1.8	\$2.5	\$2.6 - 2.8
<i>Conversion</i>	112%	107%	119%	+100%
<i>Growth</i>		8%	41%	4 - 12%

Organic Growth, Margin Expansion, EPS Acceleration

Below The Line Items

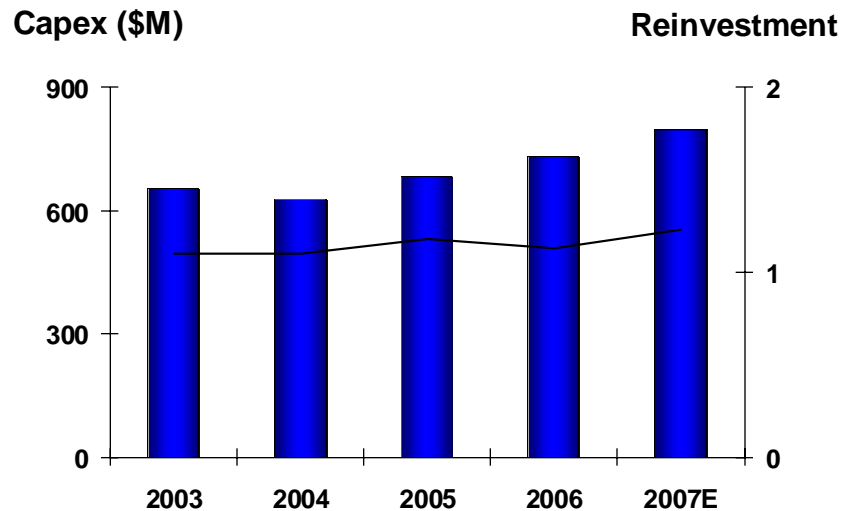


Below The Line Trend Flat / Down

Cash Deployment

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Capital Investment



- **Disciplined Approach**
- **Focus on Growth, Capacity Expansion**

Acquisitions

- **2003 – 2006 Activity:**
 - 33 Acquisitions; 23 Divestures
 - \$3.9B Cash Deployed
- **Significant Portfolio Improvement:**
 - Novar
 - UOP
 - Gas Detection
- **Criteria:**
 - Accretion in 2nd Year
 - IRR > Cost of Capital
 - ROI > 10% in 5th Year

Disciplined And Balanced

Share Repurchase / Dividends

Buying Back Shares

	<u>Shares Repurchased (M)</u>	<u>Amount (\$B)</u>
2003	1.9	0.1
2004	20.1	0.7
2005	30.6	1.1
2006	45.4	1.9
1Q07	<u>25.3</u>	<u>1.2</u>
	<u><u>123.3</u></u>	<u><u>5.0</u></u>

- Reduced Shares Outstanding By 10% Since 2003
- New \$3B Share Repurchase Authorization Announced

Increasing Dividend



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

Rewarding Our Shareholders

- **Portfolio Strengthened And Aligned To Macro Trends**
- **Delivering Strong Organic Growth, Margin Expansion**
- **Translating Growth To EPS And Cash**
- **Disciplined And Balanced Cash Deployment**
- **Terrific Start To 2007**

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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

(\$B)	2004	2005
Sales	\$25.6	\$27.6
Cost of Products and Services Sold	(20.6)	(21.5)
Selling, General and Administrative Expenses	(3.3)	(3.7)
Operating Income	<u>\$1.7</u>	<u>\$2.4</u>
Repositioning and Other Charges⁽¹⁾	0.6	0.4
Pension and OPEB Expense⁽¹⁾	0.6	0.6
Segment Profit	<u>\$2.9</u>	<u>\$3.4</u>
Operating Income	\$1.7	\$2.4
÷ Sales	\$25.6	\$27.6
Operating Income Margin %	<u>6.6%</u>	<u>8.7%</u>
Segment Profit	\$2.9	\$3.4
÷ Sales	\$25.6	\$27.6
Segment Profit Margin %	<u>11.3%</u>	<u>12.2%</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

(\$B)	<u>2004</u>	<u>2005</u>
Cash Provided by Operating Activities	\$2.2	\$2.4
Expenditures for Property, Plant and Equipment	(\$0.6)	(\$0.6)
Free Cash Flow	<u>\$1.6</u>	<u>\$1.8</u>
Cash Provided by Operating Activities	\$2.2	\$2.5
÷ Net Income	\$1.2	\$1.6
Operating Cash Flow Conversion %	<u>181%</u>	<u>149%</u>
Free Cash Flow	\$1.6	\$1.8
÷ Net Income	\$1.2	\$1.6
Free Cash Flow Conversion %	<u>130%</u>	<u>107%</u>

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

<i>(\$M)</i>	<u>1Q06</u>	<u>1Q07</u>
Sales	\$7,241	\$8,041
Cost of Products and Services Sold	(5,600)	(6,150)
Selling, General and Administrative Expenses	(1,002)	(1,089)
Operating Income	<u>\$639</u>	<u>\$802</u>
FAS 123R, Stock Option Expense ⁽¹⁾	\$25	\$24
Repositioning and Other Charges ⁽¹⁾	130	179
Pension and OPEB Expense ⁽¹⁾	126	74
Segment Profit	<u>\$920</u>	<u>\$1,079</u>
Operating Income	\$639	\$802
÷ Sales	<u>\$7,241</u>	<u>\$8,041</u>
Operating Income Margin %	<u>8.8%</u>	<u>10.0%</u>
Segment Profit	\$920	\$1,079
÷ Sales	<u>\$7,241</u>	<u>\$8,041</u>
Segment Profit Margin %	<u>12.7%</u>	<u>13.4%</u>

(1) Included in costs of products and services sold and selling, general and administrative expenses

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

Honeywell

<i>(\$M)</i>	1Q06	1Q07
Cash Provided by Operating Activities	\$239	\$578
Expenditures for Property, Plant and Equipment	(122)	(120)
Free Cash Flow	<u>117</u>	<u>458</u>
Cash Provided by Operating Activities	\$239	\$578
÷ Net Income	<u>436</u>	<u>526</u>
Operating Cash Flow Conversion %	<u>55%</u>	<u>110%</u>
Free Cash Flow	\$117	\$458
÷ Net Income	<u>436</u>	<u>526</u>
Free Cash Flow Conversion %	<u>27%</u>	<u>87%</u>

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

Honeywell

(\$B)	2006	2007E
Sales	\$31.4	~\$33.5
Cost of Products and Services Sold	(24.1)	(25.5) - (25.6)
Selling, General and Administrative Expenses	(4.2)	~(4.2)
Operating Income	<u>\$3.1</u>	<u>\$3.7 - 3.8</u>
FAS 123R, Stock Option Expense ⁽¹⁾	\$0.1	~0.1
Repositioning and Other Charges ⁽¹⁾	0.5	~0.4
Pension and OPEB Expense ⁽¹⁾	0.4	~0.3
Segment Profit	<u>\$4.1</u>	<u>\$4.5 - 4.6</u>
Operating Income	\$3.1	\$3.7 - 3.8
÷ Sales	<u>\$31.4</u>	<u>~\$33.5</u>
Operating Income Margin %	<u>9.9%</u>	<u>11.1 - 11.4%</u>
Segment Profit	\$4.1	\$4.5 - 4.6
÷ Sales	<u>\$31.4</u>	<u>~\$33.5</u>
Segment Profit Margin %	<u>13.0%</u>	<u>13.5 - 13.9%</u>

(1) Included in costs of products and services sold and selling, general and administrative expenses

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

Honeywell

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