

Morgan Stanley's CEOs Unplugged Industrials Conference

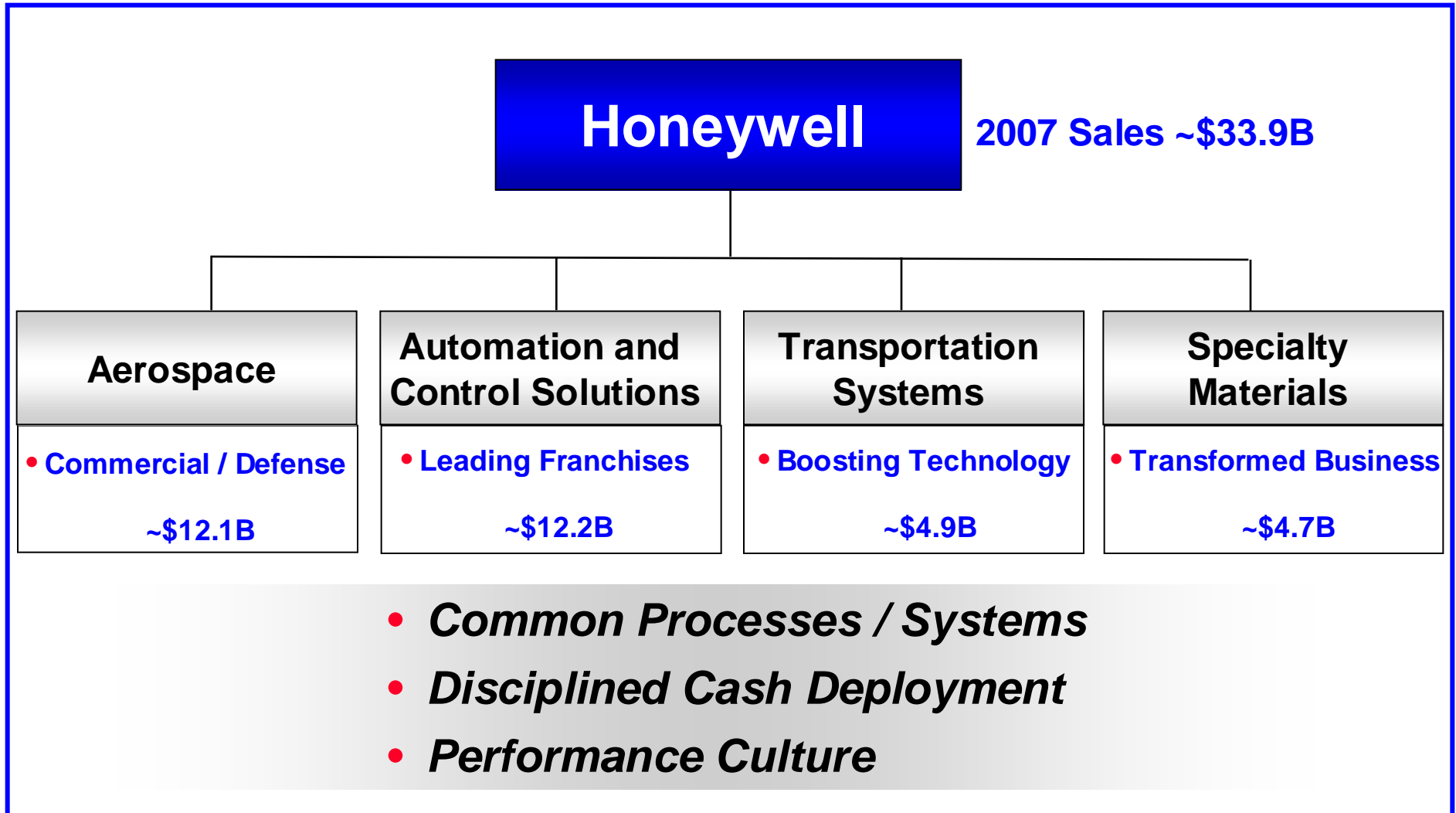
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**Laguna Niguel, CA
September 11, 2007**

Honeywell

Honeywell Today

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Global Scope, Great Positions In Good Industries

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

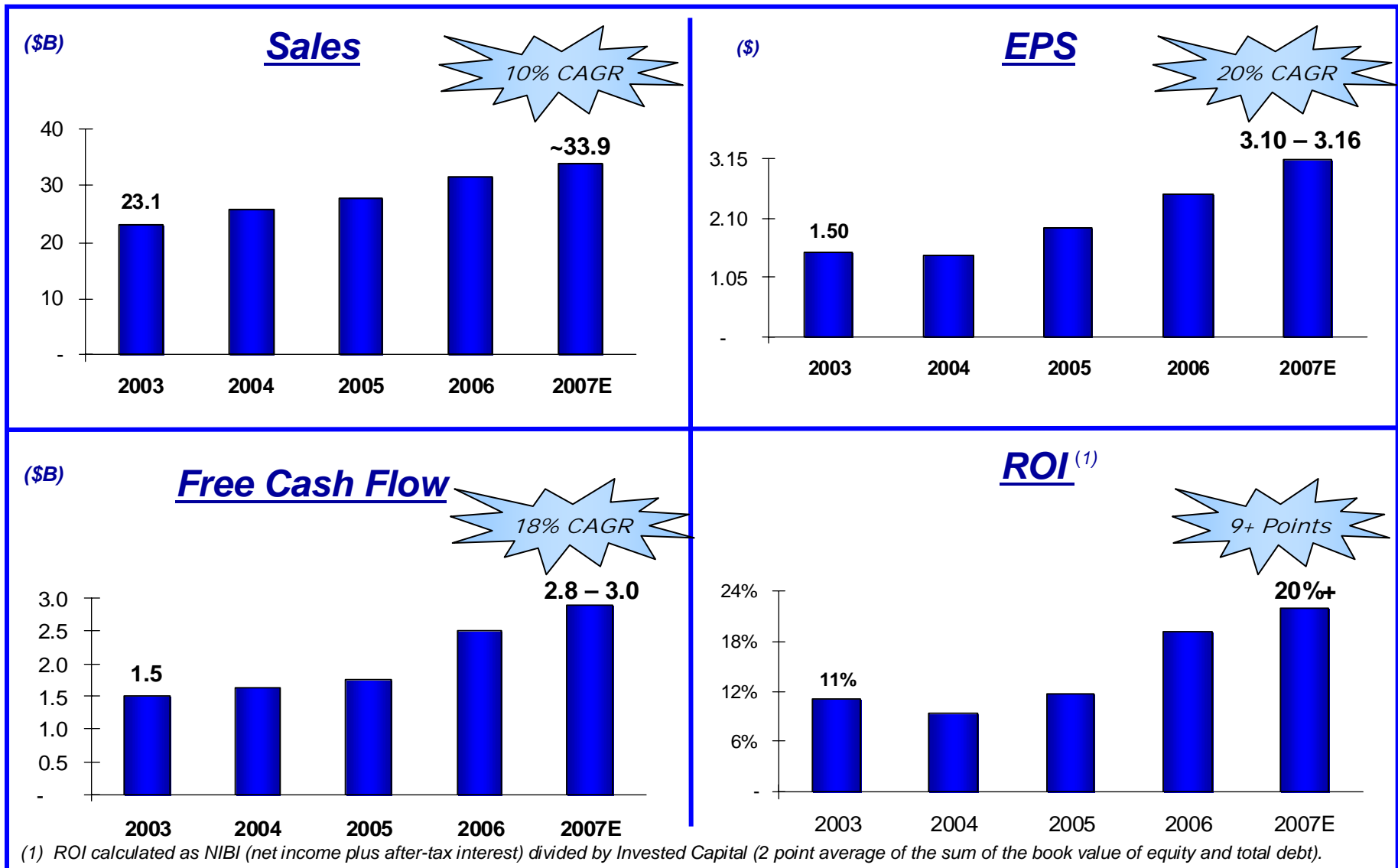
Honeywell Investment Thesis – Part 2

- **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*

2003 – 2007 Financials

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Track Record Continues

Cash Deployment

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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

1H Financial Summary

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<i>(M)</i>	<u>1H06</u>	<u>1H07</u>	
Sales	\$15,139	\$16,579	• 10% Growth ◆ 9% Organic ➢ 2% F/X Impact
Segment Profit	\$1,954	\$2,213	• 13% Growth
Margin %	12.9%	13.3%	• +40 bps
Net Income	\$957	\$1,137	• 19% Growth
EPS	\$1.15	\$1.44	• 25% Growth
Free Cash Flow	\$903	\$1,278	• 42% Increase

Great First Half

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%	

Continued Strong Performance

Honeywell Summary

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- **Portfolio Strengthened And Aligned To Macro Trends**
- **Delivering Strong Organic Growth, Margin Expansion**
- **Translating Growth To EPS And Cash**
- **Aggressive Share Buyback in First Half**
- **Confident in Prospects**

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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

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(\$B)	2003	2004	2005	2006
Cash Provided by Operating Activities	\$2.2	\$2.2	\$2.4	\$3.2
Expenditures for Property, Plant and Equipment	(\$0.7)	(\$0.6)	(\$0.6)	(\$0.7)
Free Cash Flow	\$1.5	\$1.6	\$1.8	\$2.5
Cash Provided by Operating Activities	\$2.2	\$2.2	\$2.5	\$3.2
Net Income	\$1.3	\$1.2	\$1.6	\$2.1
÷ Operating Cash Flow Conversion %	171%	181%	149%	154%
Free Cash Flow	\$1.5	\$1.6	\$1.8	\$2.5
Net Income	\$1.3	\$1.2	\$1.6	\$2.1
÷ Free Cash Flow Conversion %	120%	130%	107%	119%

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

<i>(\$M)</i>	1 H06	1 H07
Sales	\$15,139	\$16,579
Cost of Products and Services Sold	(11,627)	(12,641)
Selling, General and Administrative Expenses	(2,088)	(2,216)
Operating Income	<u>\$1,424</u>	<u>\$1,722</u>
FAS 123R, Stock Option Expense ⁽¹⁾	\$41	\$41
Repositioning and Other Charges ⁽¹⁾	245	304
Pension and OPEB Expense ⁽¹⁾	244	146
Segment Profit	<u>\$1,954</u>	<u>\$2,213</u>
Operating Income	\$1,424	\$1,722
÷ Sales	<u>\$15,139</u>	<u>\$16,579</u>
Operating Income Margin %	<u>9.4%</u>	<u>10.4%</u>
Segment Profit	\$1,954	\$2,213
÷ Sales	<u>\$15,139</u>	<u>\$16,579</u>
Segment Profit Margin %	<u>12.9%</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>	1H06	1H07
Cash Provided by Operating Activities	\$1,174	\$1,561
Expenditures for Property, Plant and Equipment	(271)	(283)
Free Cash Flow	<u>903</u>	<u>1,278</u>
Cash Provided by Operating Activities	\$1,174	\$1,561
÷ Net Income	<u>957</u>	<u>1,137</u>
Operating Cash Flow Conversion %	<u>123%</u>	<u>137%</u>
Free Cash Flow	\$903	\$1,278
÷ Net Income	<u>957</u>	<u>1,137</u>
Free Cash Flow Conversion %	<u>94%</u>	<u>112%</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%