

Lehman Brothers Industrial Select Conference

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Forward Looking Statements

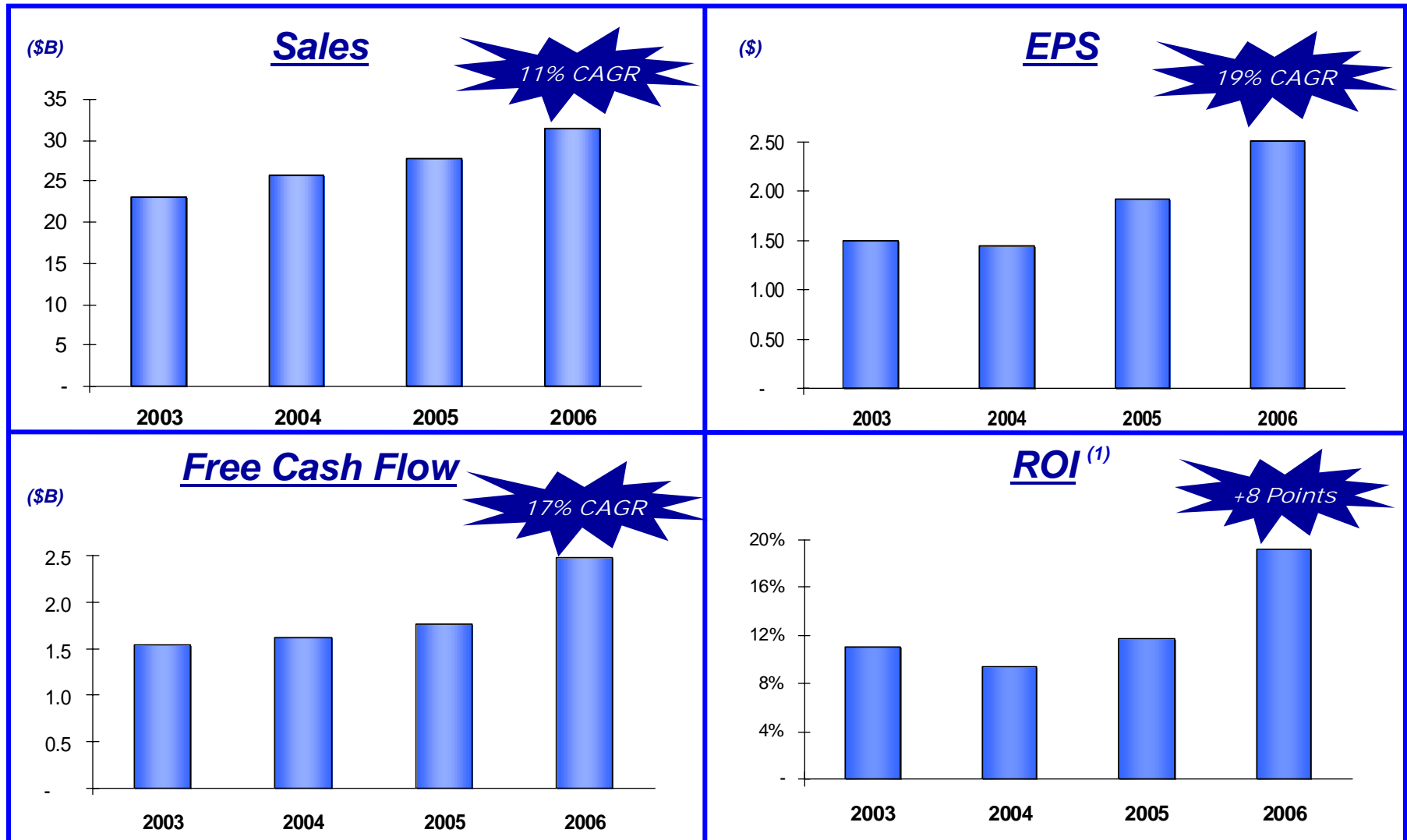
This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may 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.

- **Portfolio Strengthened And Aligned To Macro Trends**
- **Delivering Strong Organic Growth, Margin Expansion**
- **Disciplined And Balanced Cash Deployment**
- **Establishing Performance Culture**
- **Focused On Value Creation**

Building Track Record of Financial Performance

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

2006 Summary

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• Financial Highlights

- \$31.4B Sales; Up 13%, 7% Organic
- 80 bps Margin Expansion, 31% EPS Growth
- \$2.5B Free Cash Flow, 119% Conversion

• Business Highlights

- Aero – New Wins, Top Line Growth, Margin Expansion
- ACS – Organic Growth, New Products, Acquisition Integration
- TS – Driving Productivity, Winning Great New Business for 2008-2010
- SM – Benefits of Transformation Realized, UOP / Base Business Growth

• Cash Deployment

- First Technology, Gardiner Acquisitions; Active M&A Pipeline
- Dividend Rate Increased 10% for Third Consecutive Year
- \$1.9B Share Repurchase; Reduced Share Count 5%

Strong Performance In 2006

2007 Financial Summary

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	<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

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(\$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

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(\$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%*

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

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

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(\$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⁾	0.6	0.4
Segment Profit	<u>\$3.4</u>	<u>\$4.1</u>
Operating Income	\$2.4	\$3.1
÷ Sales	\$27.6	\$31.4
Operating Income Margin %	<u>8.7%</u>	<u>9.9%</u>
Segment Profit	\$3.4	\$4.1
÷ Sales	\$27.6	\$31.4
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

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(\$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

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(\$B)	2006	2007E
Sales	<u>\$31.4</u>	<u>\$32.8</u>
Cost of Products and Services Sold	<u>(24.1)</u>	<u>(25.1) - (25.2)</u>
Selling, General and Administrative Expenses	<u>(4.2)</u>	<u>(4.1)</u>
Operating Income	<u><u>\$3.1</u></u>	<u><u>\$3.5 - 3.6</u></u>
FAS 123R, Stock Option Expense⁽¹⁾	<u>\$0.1</u>	<u>0.1</u>
Repositioning and Other Charges⁽¹⁾	<u>0.5</u>	<u>0.4</u>
Pension and OPEB Expense⁽¹⁾	<u>0.4</u>	<u>0.4</u>
Segment Profit	<u><u>\$4.1</u></u>	<u><u>\$4.4 - 4.5</u></u>
Operating Income	<u>\$3.1</u>	<u>\$3.5 - 3.6</u>
÷ Sales	<u>\$31.4</u>	<u>\$32.8</u>
Operating Income Margin %	<u><u>9.9%</u></u>	<u><u>10.7 - 11.0%</u></u>
Segment Profit	<u>\$4.1</u>	<u>\$4.4 - 4.5</u>
÷ Sales	<u>\$31.4</u>	<u>\$32.8</u>
Segment Profit Margin %	<u><u>13.0%</u></u>	<u><u>13.5 - 13.9%</u></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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(\$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%