

Honeywell

Fourth Quarter / Full Year 2007

Earnings Release

January 25, 2008

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.

- **Strong Financial Performance**
 - 10% Sales Growth
 - 25% EPS Growth
 - 129% Free Cash Flow Conversion
- **Effective Capital Allocation**
 - \$1.2B Acquisitions, \$4.0B Repurchases, 10% Dividend Increase
- **Gaining Traction on Key Initiatives**
 - HOS, FT, VPD™
- **Confident in Outlook for 2008**

Strong 2007 Performance; Well Positioned For 2008

2007 Financial Summary

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(\$M)	4Q			FY		
	2006	2007	V	2006	2007	V
Sales	\$ 8,276	\$ 9,275	12%	\$ 31,367	\$ 34,589	10%
Segment Profit	1,097	1,274	16%	4,080	4,654	14%
<i>Margin</i>	13.2%	13.7%	+50 bps	13.0%	13.5%	+50 bps
EPS	\$ 0.72	\$ 0.91	26%	\$ 2.52	\$ 3.16	25%
Free Cash Flow	\$ 941	\$ 1,130	20%	\$ 2,478	\$ 3,144	27%
<i>Conversion</i>	161%	164%		119%	129%	

4Q Financial Highlights

- Sales up 12% (Acq. / Div. +1%, FX +3%)
- Repositioning: \$41M
- Shares Repurchased: 3.5M
- Effective Tax Rate: 26.5%

2007 Summary

- Sales up 10% (Acq. / Div. +1%, FX +2%)
- Repositioning: \$191M
- Shares Repurchased: 74.2M
- Effective Tax Rate: 26.4%

Another Terrific Year

(\$M)	4Q			FY		
	2006	2007	V	2006	2007	V
Sales	\$ 2,955	\$ 3,267	11%	\$ 11,124	\$ 12,236	10%
Segment Profit	538	614	14%	1,892	2,197	16%
Margin	18.2%	18.8%	+60 bps	17.0%	18.0%	+100 bps

4Q Financial Highlights

- Sales up 11% (Acq. +2%)
 - Air Transport and Regional up 7%
 - OE +4%, AM +8%
 - Business and General Aviation up 23%
 - OE +31%, AM +15%
 - Defense and Space up 9%
- Segment Profit up 14%
 - Productivity + Price > Inflation

2007 Summary

- Sales up 10% (Acq. +1%)
 - Air Transport and Regional up 9%
 - OE +10%, AM +8%
 - Business and General Aviation up 16%
 - OE +16%, AM +16%
 - Defense and Space up 8%
- Segment Profit up 16%
 - Productivity + Price > Inflation

Strong 4Q And 2007 Results

Automation And Control Solutions

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(\$M)	4Q			FY		
	2006	2007	V	2006	2007	V
Sales	\$ 3,045	\$ 3,442	13%	\$ 11,020	\$ 12,478	13%
Segment Profit	385	425	10%	1,223	1,405	15%
Margin	12.6%	12.4%	(20) bps	11.1%	11.3%	+20 bps

4Q Financial Highlights

- Sales up 13% (Acq. / Div. +2%, FX +6%)
 - Products +9%, Growth in Environmental Controls, Security and Life Safety
 - Solutions +20%, Continued Emerging Region Strength
 - Orders +30%
- Segment Profit up 10%
 - Productivity and Price More Than Offset by Inflation, ERP and Mix Impact

2007 Summary

- Sales up 13% (Acq. / Div. +2%, FX +4%)
 - Products +11%, New Products and Emerging Region Strength
 - Solutions +17%, Global Infrastructure and Refining Growth
 - Orders +13%
- Segment Profit up 15%
 - Productivity and Price Offset Inflation, Mix and Acquisition Impact

Continued Good Momentum

Transportation Systems

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(\$M)	4Q			FY		
	2006	2007	V	2006	2007	V
Sales	\$ 1,193	\$ 1,326	11%	\$ 4,592	\$ 5,009	9%
Segment Profit	138	146	6%	574	583	2%
Margin	11.6%	11.0%	(60) bps	12.5%	11.6%	(90) bps

4Q Financial Highlights

- Sales up 11% (FX +8%)
 - Turbo +17%, PV Strength Offset by CV Softness
 - CPG +3%, Price and FX Offset Volume Decline
- Segment Profit up 6%
 - Productivity and Price More Than Offset by Investments and Inflation

2007 Summary

- Sales up 9% (FX +5%)
 - Turbo +12%, Increased Diesel Penetration and New Platform Wins
 - CPG +4%, Price and FX Offset Volume Decline
- Segment Profit up 2%
 - Productivity and Price More Than Offset by Inflation, Investments and CPG Challenges

Mixed Performance

Specialty Materials

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(\$M)	4Q			FY		
	2006	2007	V	2006	2007	V
Sales	\$ 1,083	\$ 1,240	14%	\$ 4,631	\$ 4,866	5%
Segment Profit	79	134	70%	568	658	16%
Margin	7.3%	10.8%	+350 bps	12.3%	13.5%	+120 bps

4Q Financial Highlights

- Sales up 14% (Acq./Div. -2%, FX +1%)
 - UOP +27%, Broad Based Growth Across Products and Projects
 - Resins and Chemicals +10%, Pricing and Global Demand
 - Caprolactam Demand > Supply
- Segment Profit up 70%
 - Price + Productivity > Inflation

2007 Summary

- Sales up 5% (Acq./Div. -1%, FX +1%)
 - UOP +16%, Refining and Petrochemical Strength
 - Specialty Products +4%, Healthcare Products Growth
 - Fluorine Products -6%, Refrigerant Pricing and Impact of Weak US Residential
- Segment Profit up 16%
 - Price + Productivity > Inflation

Another Good Year

2008 Financial Guidance Summary

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Consolidated (\$B)	2008 Financial Outlook	Growth 2008E vs. 2007A
Revenues	\$ 36.1 - 36.7	4% - 6%
Segment Profit	5.0 - 5.2	8% - 13%
Segment Margin	14.0% - 14.3%	50 bps - 80 bps
Net Income	2.8 - 2.9	14% - 18%
EPS	\$ 3.65 - 3.80	16% - 21%
Free Cash Flow	\$ 3.2 - 3.4	2% - 8%

Low End

- Lower Global Growth
- Unfavorable Mix - Aero OE / AM, ACS Products / Solutions
- Inflation / Productivity Worse
- Lower Pension Discount Rate
- Euro < \$1.40

High End

- + Stronger Global Growth
- + Favorable Mix - Aero OE / AM, ACS Products / Solutions
- + Inflation / Productivity Better
- + Higher Pension Discount Rate
- + Euro > \$1.40

Maintaining Guidance For 2008

1Q08 Preview

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(\$B)

	<u>Sales</u>	<u>Comments</u>
Aerospace	~\$3.0	<ul style="list-style-type: none">• Growth in AT&R, B&GA, and D&S• Flight Hours +5%
Automation & Control	~3.1	<ul style="list-style-type: none">• Products and Solutions Growth• Continued Mix Impact
Transportation	~1.3	<ul style="list-style-type: none">• Turbo Growth• Some CPG Improvement
Specialty Materials	~1.3	<ul style="list-style-type: none">• Broad Based Growth, UOP Strong• Continued Global Demand

1Q08 Sales ~\$8.7B
EPS \$0.80 – 0.83, Up 21 – 26%

- **Strong Finish to 2007**
- **Continuing to Build Performance Track Record**
- **Company Well Positioned for 2008**
- **Investor Meeting February 25th**

Delivering In A Tougher Environment

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

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<i>(\$M)</i>	4Q06	4Q07
Sales	\$8,276	\$9,275
Cost of Products and Services Sold	(6,358)	(7,013)
Selling, General and Administrative Expenses	(1,085)	(1,205)
Operating Income	<u>\$833</u>	<u>\$1,057</u>
Stock Based Compensation ⁽¹⁾	\$16	\$11
Repositioning and Other Charges ⁽¹⁾	133	135
Pension and OPEB Expense ⁽¹⁾	115	71
Segment Profit	<u>\$1,097</u>	<u>\$1,274</u>
Operating Income	\$833	\$1,057
÷ Sales	<u>\$8,276</u>	<u>\$9,275</u>
Operating Income Margin %	<u>10.1%</u>	<u>11.4%</u>
Segment Profit	\$1,097	\$1,274
÷ Sales	<u>\$8,276</u>	<u>\$9,275</u>
Segment Profit Margin %	<u>13.2%</u>	<u>13.7%</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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<i>(\$M)</i>	4Q06	4Q07
Cash Provided by Operating Activities	\$1,241	\$1,440
Expenditures for Property, Plant and Equipment	(300)	(310)
Free Cash Flow	\$941	\$1,130
Cash Provided by Operating Activities	\$1,241	\$1,440
÷ Net Income	\$585	\$689
Operating Cash Flow Conversion %	212%	209%
Free Cash Flow	\$941	\$1,130
÷ Net Income	\$585	\$689
Free Cash Flow Conversion %	161%	164%

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

Honeywell

(\$B)	2006	2007
Sales	\$31.4	\$34.6
Cost of Products and Services Sold	(24.1)	(26.3)
Selling, General and Administrative Expenses	(4.2)	(4.6)
Operating Income	<u>\$3.1</u>	<u>\$3.7</u>
Stock Based Compensation ⁽¹⁾	\$0.1	\$0.1
Repositioning and Other Charges ⁽¹⁾	0.5	0.6
Pension and OPEB Expense ⁽¹⁾	0.4	0.3
Segment Profit	<u>\$4.1</u>	<u>\$4.7</u>
Operating Income	\$3.1	\$3.7
÷ Sales	<u>\$31.4</u>	<u>\$34.6</u>
Operating Income Margin %	<u>9.9%</u>	<u>10.7%</u>
Segment Profit	\$4.1	\$4.7
÷ Sales	<u>\$31.4</u>	<u>\$34.6</u>
Segment Profit Margin %	<u>13.0%</u>	<u>13.5%</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)	2006	2007
Cash Provided by Operating Activities	\$3.2	\$3.9
Expenditures for Property, Plant and Equipment	(0.7)	(0.8)
Free Cash Flow	\$2.5	\$3.1
Cash Provided by Operating Activities	\$3.2	\$3.9
÷ Net Income	\$2.1	\$2.4
Operating Cash Flow Conversion %	154%	160%
Free Cash Flow	\$2.5	\$3.1
÷ Net Income	\$2.1	\$2.4
Free Cash Flow Conversion %	119%	129%

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

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(\$B)	2007	2008E
Sales	\$34.6	\$36.1 - 36.7
Cost of Products and Services Sold	(26.3)	(27.2) - (27.5)
Selling, General and Administrative Expenses	(4.6)	(4.7) - (4.9)
Operating Income	\$3.7	\$4.2 - 4.3
Stock Based Compensation ⁽¹⁾	\$0.1	~0.1
Repositioning and Other Charges ⁽¹⁾	0.6	0.5 - 0.6
Pension and OPEB Expense ⁽¹⁾	0.3	~0.2
Segment Profit	\$4.7	\$5.0 - 5.2
Operating Income	\$3.7	\$4.2 - 4.3
÷ Sales	\$34.6	\$36.1 - 36.7
Operating Income Margin %	10.7%	11.6 - 11.7%
Segment Profit	\$4.7	\$5.0 - 5.2
÷ Sales	\$34.6	\$36.1 - 36.7
Segment Profit Margin %	13.5%	14.0 - 14.3%

(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)	2007	2008E
Cash Provided by Operating Activities	\$3.9	\$4.1 - 4.3
Expenditures for Property, Plant and Equipment	(0.8)	~(0.9)
Free Cash Flow	\$3.1	\$3.2 - 3.4
Cash Provided by Operating Activities	\$3.9	\$4.1 - 4.3
÷ Net Income	\$2.4	\$2.8 - 2.9
Operating Cash Flow Conversion %	160%	~147%
Free Cash Flow	\$3.1	\$3.2 - 3.4
÷ Net Income	\$2.4	\$2.8 - 2.9
Free Cash Flow Conversion %	129%	~116%

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