

Honeywell

Fourth Quarter / Full Year 2009

Earnings Release

January 29, 2010

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 economic and industry 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.

2009 Summary

Honeywell

- **Strong Finish To 2009**
 - 4Q Highlights: \$8.1B Sales, 15.3% Margins, \$0.91 EPS, \$1.1B FCF
 - Aggressive Cost Discipline: Held Margins Flat on (15)% Sales Decline
 - Strong Cash Generation: \$3.3B FCF, Up 9%
- **Continued Seed Planting Driving Growth And Productivity**
 - Innovation: Smart Grid / Energy Efficient Controls
 - Emerging Region Expansion: Gurgaon UOP Technology Center
 - Traction on Key Process Initiatives – HOS/VPD™/FT
- **Planning 2010 Conservatively, Preparing For Recovery**
 - End Markets Stabilizing, Some Signs of Improvement
 - Planning Modest Organic Growth, Margin Improvement
 - Preserved HON Industrial Base, Working With Supply Base

Different Company, Executing Well

Fourth Quarter 2009 Results

Honeywell

<i>(M)</i>	<u>4Q08</u>	<u>4Q09</u>	
Sales	\$8,712	\$8,072	<ul style="list-style-type: none"> • (7)% Decline <ul style="list-style-type: none"> ◆ (12)% Organic ◆ 3% F/X ◆ 2% Acq. / Div.
Segment Profit	\$1,160	\$1,231	<ul style="list-style-type: none"> • 6% Growth <ul style="list-style-type: none"> ◆ ACS +130 bps ◆ TS +670 bps ◆ SM +670 bps
<i>Margin %</i>	13.3%	15.3%	
Net Income	\$707	\$698	<ul style="list-style-type: none"> • (1)% Decline <ul style="list-style-type: none"> ◆ Higher Taxes
<i>Attributable to Honeywell</i>			
EPS	\$0.97	\$0.91	<ul style="list-style-type: none"> • (6)% Decline <ul style="list-style-type: none"> ◆ (\$0.05) Higher Sharecount
Free Cash Flow*	\$1,093	\$1,074	<ul style="list-style-type: none"> • 154% Conversion

*4Q08 excludes cash taxes related to the sale of the Consumable Solutions business

Good Finish

Full Year 2009 Results

Honeywell

<i>(M)</i>	<u>FY08</u>	<u>FY09</u>	
Sales	\$36,556	\$30,908	<ul style="list-style-type: none"> • (15)% Decline <ul style="list-style-type: none"> ◆ (14)% Organic ◆ (2)% F/X ◆ 1% Acq./Div.
Segment Profit	\$4,845	\$4,097	<ul style="list-style-type: none"> • (15)% Decline <ul style="list-style-type: none"> ◆ Margins Flat ◆ ACS, SM Up
<i>Margin %</i>	13.3%	13.3%	
Net Income	\$2,792	\$2,153	<ul style="list-style-type: none"> • (23)% Decline <ul style="list-style-type: none"> ◆ Incl. \$171M Net Repo.
<i>Attributable to Honeywell</i>			
EPS	\$3.76	\$2.85	<ul style="list-style-type: none"> • (24)% Decline <ul style="list-style-type: none"> ◆ (\$0.05) Higher Sharecount
Free Cash Flow*	\$3,073	\$3,337	<ul style="list-style-type: none"> • 155% Conversion

*FY08 excludes cash taxes related to the sale of the Consumable Solutions business

Good Performance In Tough Environment

Aerospace

Honeywell

<i>(\$M)</i>				<u>Financial Highlights</u>			
	<u>4Q08</u>	<u>4Q09</u>	<u>V</u>				
Sales	\$ 3,229	\$ 2,663	(18)%	• Air Transport and Regional			
				- 4Q: OE 12%, AM (21)%			
Segment Profit	619	496	(20)%	- FY: OE (6)%, AM (15)% (Organic)			
Margin	19.2%	18.6%	(60) bps	• Business and General Aviation			
				- 4Q: OE (76)%, AM (23)%			
				- FY: OE (51)%, AM (27)%			
				• Defense and Space			
				- 4Q: Sales (4%), Services Flat			
				- FY: Sales Flat, Services +8%			
				• Segment Profit			
				- 4Q: (60) bps Margin Contraction			
				◆ Volume/Mix Partially Offset by Productivity			
				- FY: (60) bps Margin Contraction			
<i>(\$M)</i>							
	<u>FY08</u>	<u>FY09</u>	<u>V</u>				
Sales	\$ 12,650	\$ 10,763	(15)%				
Segment Profit	2,300	1,893	(18)%				
Margin	18.2%	17.6%	(60) bps				

Executing Well In Tough Environment

Automation And Control Solutions

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<i>(\$M)</i>				<u>Financial Highlights</u>
	<u>4Q08</u>	<u>4Q09</u>	<u>V</u>	<ul style="list-style-type: none"> • Sales 4Q (4)%; FY (10)% <ul style="list-style-type: none"> - 4Q: F/X 5% / M&A 3% - FY: F/X (4)% / M&A 4% • Products: 4Q (5)%; FY (11)% <ul style="list-style-type: none"> - 4Q: (6)% Organic, Some Improvement - FY: (15)% Organic, New Products Mitigate • Solutions: 4Q (1)%; FY (9)% <ul style="list-style-type: none"> - 4Q: (8)% Organic <ul style="list-style-type: none"> ◆ US/EU Refining Weak ◆ Growing Service Bank - FY: (11)% Organic <ul style="list-style-type: none"> ◆ Energy Efficiency, Em. Regions Growth • Segment Profit Strong <ul style="list-style-type: none"> - 4Q: 130 bps Margin Expansion <ul style="list-style-type: none"> ◆ Cost Actions Partially Offset By Volume - FY: 100 bps Margin Expansion
Sales	\$ 3,534	\$ 3,409	(4)%	
Segment Profit	474	500	5%	
<i>Margin</i>	13.4%	14.7%	+130 bps	
<i>(\$M)</i>				
	<u>FY08</u>	<u>FY09</u>	<u>V</u>	
Sales	\$ 14,018	\$ 12,611	(10)%	
Segment Profit	1,622	1,588	(2)%	
<i>Margin</i>	11.6%	12.6%	+100 bps	

Strong Finish To 2009

Transportation Systems

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Financial Highlights

(\$M)

	<u>4Q08</u>	<u>4Q09</u>	<u>V</u>
Sales	\$ 863	\$ 972	13%
Segment Profit	6	72	1,100%
Margin	0.7%	7.4%	+670 bps

- Sales Up 13% 4Q; Down (27)% FY

- 4Q: F/X 9% Impact
- FY: F/X (2)% Impact

- Turbo

- 4Q: Up 22%; F/X 12% Impact
- FY: Down (34)%; F/X (2)% Impact

- CPG

- 4Q: Down (2)%; Operational Improvement
- FY: Down (8)%; Raw Material Impact

(\$M)

	<u>FY08</u>	<u>FY09</u>	<u>V</u>
Sales	\$ 4,622	\$ 3,389	(27)%
Segment Profit	406	156	(62)%
Margin	8.8%	4.6%	(420) bps

- Segment Profit

- 4Q: 670 bps Margin Expansion
 - ◆ Productivity and Volume Leverage
- FY: (420) bps Margin Contraction
 - ◆ Volume Partially Offset By Productivity

Good Finish To Challenging Year, Positive Outlook

Specialty Materials

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Financial Highlights

(\$M)

	<u>4Q08</u>	<u>4Q09</u>	<u>V</u>
Sales	\$ 1,086	\$ 1,027	(5)%
Segment Profit	112	175	56%
Margin	10.3%	17.0%	+670 bps

- Sales down (5)% 4Q; Down (21)% FY

- UOP Timing Delays

- 4Q: (13)%; Catalysts +1%
- FY: (19)%; Catalysts (17)%

- Other SM - Markets Improving

- R&C Strengthening, Up 18% 4Q
- Electronic Materials Up 5% 4Q
- Fluorines Down (9)% 4Q, (11)% FY
 - ◆ End Markets Stabilizing

(\$M)

	<u>FY08</u>	<u>FY09</u>	<u>V</u>
Sales	\$ 5,266	\$ 4,144	(21)%
Segment Profit	721	605	(16)%
Margin	13.7%	14.6%	+90 bps

- Segment Profit

- 4Q: 670 bps Margin Expansion
 - ◆ Productivity Partially Offset By Volume
- FY: 90 bps Margin Expansion

Price And Productivity Driving Strong Margins

2010 Financial Guidance Summary

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Consolidated (\$B)	2010 Financial Outlook	Growth 2010E vs. 2009
Revenues	\$ 31.3 - 32.2	1% - 4%
Segment Profit	4.1 - 4.4	0% - 8%
<i>Segment Margin</i>	13.3% - 13.8%	0 bps - 50 bps
Net Income	1.7 - 1.9	(13)% - (20)%
EPS	\$ 2.20 - 2.40	(16)% - (23)%
EPS, Excl. Pension*	\$ 2.97 - 3.17	1% - 7%
Free Cash Flow	\$ 2.4 - 2.7	(19)% - (28)%

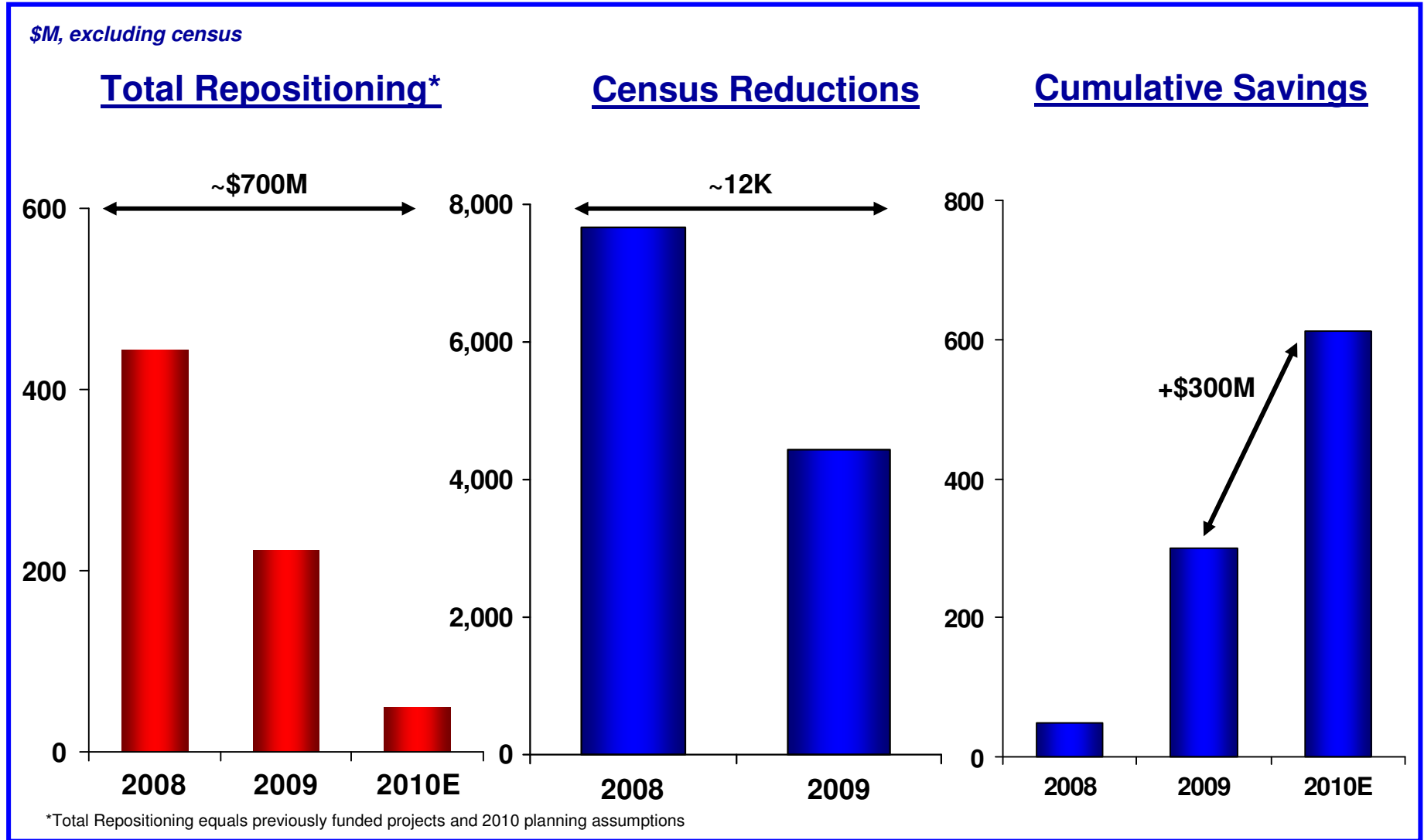
* Pension Expense Excluded from 2009 and 2010E

December 16 Guidance Update

- Higher Int'l Pension Expense \$20M
- ATR AM Softness, D&S Timing
- 4Q Working Capital Performance
- + Pension Discount Rate 5.75% vs. 5.5%
- + Turbo, ACS Performance
- + Uncertain Timing of NARCO 524g Trust

Overall, Consistent With December Guidance

2008 – 2010E Repositioning



Significant Investment And Benefits

1Q10 Preview

Honeywell

<i>(\$B)</i>	<u>Sales</u>	<u>Comments</u>
Aerospace	~2.3 – 2.5	<ul style="list-style-type: none">• OE Deliveries Decline• Continued Spares Weakness• Defense Stable
ACS	~3.0 – 3.1	<ul style="list-style-type: none">• Conditions Improving• FX +3%, Acq. +2% Estimated Impact• Building Solutions Backlog + EM
Transportation	~0.8 – 0.9	<ul style="list-style-type: none">• FX +4% Estimated Impact• New Turbo Launches
Specialty	~1.0 – 1.1	<ul style="list-style-type: none">• Raws +4% Estimated Impact• Lower UOP Catalysts

1Q10 Sales ~\$7.2B - \$7.6B
EPS \$0.35 – \$0.40

- **2009 Finish On Track**
 - Very Strong Response To Unprecedented Downturn
 - Delivered Results While Sustaining Growth Investments
- **Confident In 2010 Outlook**
 - Top-Down / Bottom-Up Planning Process
 - Conservative Top-Line Assumptions, Continued Cost Discipline
- **February 22nd Investor Conference**
 - Different Company This Recovery vs. Prior
 - Growth Focus: Robust Technology Pipeline and Emerging Regions

HON Well Positioned

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>	4Q08	4Q09
Sales	\$8,712	\$8,072
Cost of Products and Services Sold	(6,523)	(5,950)
Selling, General and Administrative Expenses	(1,179)	(1,071)
Operating Income	<u>\$1,010</u>	<u>\$1,051</u>
Stock Based Compensation ⁽¹⁾	21	23
Repositioning and Other ^(1, 2)	105	112
Pension and OPEB Expense ⁽¹⁾	24	45
Segment Profit	<u>\$1,160</u>	<u>\$1,231</u>
Operating Income	\$1,010	\$1,051
÷ Sales	\$8,712	\$8,072
Operating Income Margin %	<u>11.6%</u>	<u>13.0%</u>
Segment Profit	\$1,160	\$1,231
÷ Sales	\$8,712	\$8,072
Segment Profit Margin %	<u>13.3%</u>	<u>15.3%</u>

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

(2) Includes repositioning, asbestos, environmental expenses and equity income

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

Honeywell

<i>(\$M)</i>	4Q08	4Q09
Cash Provided by Operating Activities	\$1,259	\$1,331
Expenditures for Property, Plant and Equipment	(332)	(257)
Free Cash Flow	927	1,074
Cash taxes relating to the sale of the Consumable Solutions business	166	-
Free Cash Flow excluding cash taxes relating to the sale of the Consumables Solution business	<u>1,093</u>	<u>1,074</u>
Cash Provided by Operating Activities	\$1,259	\$1,331
÷ Net Income	707	698
Operating Cash Flow Conversion %	<u>178%</u>	<u>191%</u>
Free Cash Flow excluding cash taxes relating to the sale of the Consumables Solution business	\$1,093	\$1,074
÷ Net Income	707	698
Free Cash Flow excluding cash taxes relating to the sale of the Consumables Solution business Conversion %	<u>155%</u>	<u>154%</u>

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

Honeywell

(\$B)	2008	2009
Sales	\$36.6	\$30.9
Cost of Products and Services Sold	(28.0)	(23.2)
Selling, General and Administrative Expenses	(5.0)	(4.3)
Operating Income	\$3.6	\$3.4
Stock Based Compensation ⁽¹⁾	0.1	0.1
Repositioning and Other ^(1, 2)	1.0	0.5
Pension and OPEB Expense ⁽¹⁾	0.1	0.1
Segment Profit	\$4.8	\$4.1
Operating Income	\$3.6	\$3.4
÷ Sales	\$36.6	\$30.9
Operating Income Margin %	9.8%	11.0%
Segment Profit	\$4.8	\$4.1
÷ Sales	\$36.6	\$30.9
Segment Profit Margin %	13.3%	13.3%

(1) Included in cost of products and services sold and selling, general and administrative expenses
(2) Includes repositioning, asbestos, environmental expenses and equity income

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

Honeywell

(\$B)	2008	2009
Cash Provided by Operating Activities	\$3.8	\$3.9
Expenditures for Property, Plant and Equipment	(0.9)	(0.6)
Free Cash Flow	2.9	3.3
Cash taxes relating to the sale of the Consumables Solution business	0.2	-
Free Cash Flow excluding cash taxes relating to the sale of the Consumables Solution business	<u>\$3.1</u>	<u>\$3.3</u>
Cash Provided by Operating Activities	\$3.8	\$3.9
÷ Net Income	\$2.8	2.2
Operating Cash Flow Conversion %	<u>136%</u>	<u>183%</u>
Free Cash Flow excluding cash taxes relating to the sale of the Consumables Solution business	\$3.1	\$3.3
÷ Net Income	\$2.8	\$2.2
Free Cash Flow excluding cash taxes relating to the sale of the Consumables Solution business Conversion %	<u>110%</u>	<u>155%</u>

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

Honeywell

(\$B)	<u>2009</u>	<u>2010E</u>
Sales	\$30.9	\$31.3 - \$32.2
Cost of Products and Services Sold	(23.2)	(24.5) - (25.0)
Selling, General and Administrative Expenses	(4.3)	(4.2) - (4.4)
Operating Income	<u>\$3.4</u>	<u>\$2.6 - \$2.8</u>
Stock Based Compensation ⁽¹⁾	0.1	0.1 - 0.2
Repositioning and Other ^(1, 2)	0.5	0.4 - 0.5
Pension and OPEB Expense ⁽¹⁾	0.1	0.9 - 1.0
Segment Profit	<u>\$4.1</u>	<u>\$4.1 - 4.4</u>
Operating Income	\$3.4	\$2.6 - \$2.8
÷ Sales	<u>\$30.9</u>	<u>\$31.3 - \$32.2</u>
Operating Income Margin %	<u>11.0%</u>	<u>8.3 - 8.7%</u>
Segment Profit	\$4.1	\$4.1 - 4.4
÷ Sales	<u>\$30.9</u>	<u>\$31.3 - \$32.2</u>
Segment Profit Margin %	<u>13.3%</u>	<u>13.3 - 13.8%</u>

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

(2) Includes repositioning, asbestos, environmental expenses and equity income

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

Honeywell

(\$B)	2009	2010E
Cash Provided by Operating Activities	\$3.9	\$3.1 - 3.4
Expenditures for Property, Plant and Equipment	(0.6)	~(0.7)
Free Cash Flow	\$3.3	\$2.4 - 2.7
Cash Provided by Operating Activities	\$3.9	\$3.1 - 3.4
÷ Net Income	\$2.2	~\$1.8
Operating Cash Flow Conversion %	183%	~180%
Free Cash Flow	\$3.3	\$2.4 - 2.7
÷ Net Income	\$2.2	~\$1.8
Free Cash Flow Conversion %	155%	~140%

Reconciliation of EPS to EPS, Excluding Pension

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(\$B)	2009	2010E
EPS	<u>\$2.85</u>	<u>~\$2.20 - \$2.40</u>
Pension Expense	<u>0.10</u>	<u>~\$.77</u>
EPS, Excluding Pension	<u><u>2.95</u></u>	<u><u>~\$2.97 - \$3.17</u></u>

(1) Assumes weighted average shares outstanding of 756 million and 780 million in 2009 and 2010, respectively and a 26.5% effective tax rate for both periods

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