

Honeywell

Fourth Quarter / Full Year 2010

Earnings Release

January 28, 2011

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.

2010 Summary

Honeywell

- **Strong Finish To 2010**
 - 4Q Highlights: \$9.0B Sales, 14.2% Margin, \$0.87 Proforma EPS, \$0.7B FCF*
 - Double-Digit Organic Growth – Turbo, Process and Commercial Aero Robust
- **Continued Seed Planting Enhancing Growth And Productivity**
 - Innovation: Robust New Technology and Product Pipeline
 - Impressive Wins: COMAC, Petrobras, Business Aviation
 - Benefits from Key Process Initiatives: HOS/VPD™/FT → Reflected in Results
- **Positive Momentum Carries Into 2011 – Raising EPS Guidance**
 - Short-Cycle, Aero AM, Long-Cycle Order Rates Positive
 - Continued Segment Margin Improvement, Strong Sales Conversion
 - CPG Divestiture – Deployment of Proceeds and Gain to Offset Dilution
 - Targeting 20%+ Earnings Growth in 2011

Proforma measurements exclude Net Income impact of Pension Mark to Market Adjustments

** 2010 FCF includes \$600M cash contribution to U.S. Pension in 4Q*

2010/2011 Performance Ahead Of 5 Year Targets

Fourth Quarter 2010 Results

Honeywell

<i>(\$M)</i>	<u>4Q09</u>	<u>4Q10</u>	
Sales	\$8,072	\$9,041	• 12% Increase ◆ 10% Organic
Segment Profit	\$1,231	\$1,281	• 4% Increase
Margin %	15.3%	14.2%	◆ <i>Productivity Offset Labor Headwinds</i>
Net Income, Proforma	\$636	\$688	• 8% Increase
<i>Attributable to Honeywell</i>			
EPS, Proforma	\$0.83	\$0.87	• 5% Increase
EPS, Reported	\$0.20	\$0.47	◆ <i>(\$0.40) MTM Adjustment</i>
Free Cash Flow*	\$1,074	\$745	• 108% Conversion

* 2010 FCF includes \$600M cash contribution to U.S. Pension in 4Q; conversion calculated using Net Income, Proforma

Offsetting Labor Headwinds

Full Year 2010 Results

Honeywell

<i>(\$M)</i>	<u>FY09</u>	<u>FY10</u>	
Sales	\$30,908	\$33,370	• 8% Increase ◆ 7% Organic
Segment Profit	\$4,097	\$4,616	• 13% Increase ◆ ACS +30 bps ◆ TS +660 bps ◆ SM +120 bps
<i>Margin %</i>	13.3%	13.8%	
Net Income, Proforma	\$2,034	\$2,341	• 15% Increase
<i>Attributable to Honeywell</i>			
EPS, Proforma	\$2.69	\$3.00	• 12% Increase
<i>EPS, Reported</i>	\$2.05	\$2.59	
Free Cash Flow[*]	\$3,337	\$3,552	• 152% Conversion

* 2010 FCF includes \$600M cash contribution to U.S. Pension in 4Q; conversion calculated using Net Income, Proforma

Strong Operating Earnings And Cash Flow

Aerospace

Honeywell

<i>(\$M)</i>				<u>Financial Highlights</u>			
	<u>4Q09</u>	<u>4Q10</u>	<u>V</u>				
Sales	\$ 2,663	\$ 2,826	6%	<ul style="list-style-type: none"> • Commercial OE <ul style="list-style-type: none"> - 4Q Up 6% - FY Down (11)% • Commercial Aftermarket <ul style="list-style-type: none"> - 4Q Up 9%, Spares Up 25% - FY Up 3%, Spares Up 14% • Defense and Space <ul style="list-style-type: none"> - 4Q: Sales Up 4%, Services Up 7% - FY: Sales Up 1%, Services Up 4% 			
Segment Profit	496	521	5%				
Margin	18.6%	18.4%	(20) bps				
	<u>FY09</u>	<u>FY10</u>	<u>V</u>				
Sales	\$ 10,763	\$ 10,683	(1)%	<ul style="list-style-type: none"> • Segment Profit <ul style="list-style-type: none"> - 4Q: (20) bps Margin Contraction <ul style="list-style-type: none"> ◆ Headwind From '09 Labor Actions ◆ BGA OEM Payments - FY: (40) bps Margin Contraction <ul style="list-style-type: none"> ◆ BGA OEM Payments 			
Segment Profit	1,893	1,835	(3)%				
Margin	17.6%	17.2%	(40) bps				

Continued Signs Of Commercial Recovery

Automation And Control Solutions

Honeywell

Financial Highlights

(\$M)

	<u>4Q09</u>	<u>4Q10</u>	<u>V</u>
Sales	\$ 3,409	\$ 3,914	15%
Segment Profit	500	512	2%
Margin	14.7%	13.1%	(160) bps

- Sales 4Q 15%; FY 9%
 - 4Q: Organic 9%, M&A 8%, F/X (2)%
 - FY: Organic 6%, M&A 3%
- Products: 4Q 19%; FY 11%
 - 4Q: 8% Organic
 - FY: 7% Organic
- Solutions: 4Q 8%; FY 6%
 - 4Q: 9% Organic
 - FY: 4% Organic
 - ◆ Strong Orders And Backlog
- Segment Profit
 - 4Q: (160) bps Margin Contraction
 - ◆ Headwind From '09 Labor Actions
 - ◆ Investment For 2011 Growth
 - FY: 30 bps Margin Expansion

(\$M)

	<u>FY09</u>	<u>FY10</u>	<u>V</u>
Sales	\$ 12,611	\$ 13,749	9%
Segment Profit	1,588	1,770	11%
Margin	12.6%	12.9%	+30 bps

Good Growth In All Businesses

Transportation Systems

Honeywell

Financial Highlights

(\$M)

	<u>4Q09</u>	<u>4Q10</u>	<u>V</u>
Sales	\$ 972	\$ 1,148	18%
Segment Profit	72	140	94%
Margin	7.4%	12.2%	+480 bps

- Sales Up 18% 4Q; Up 24% FY

- 4Q: F/X (4)%

- FY: F/X (1)%

- Turbo

- 4Q: Up 19%, F/X (5)%

- FY: Up 31%, F/X (3)%

- CPG

- 4Q: Up 14%

- FY: Up 7%

(\$M)

	<u>FY09</u>	<u>FY10</u>	<u>V</u>
Sales	\$ 3,389	\$ 4,212	24%
Segment Profit	156	473	203%
Margin	4.6%	11.2%	+660 bps

- Segment Profit

- 4Q: 480 bps Margin Expansion

- ◆ Significant Volume Leverage

- FY: 660 bps Margin Expansion

Terrific Year For Turbo And CPG

CPG Divestiture

Honeywell

- **Announced Sale Of CPG To Rank Group For \$950M Cash**
 - CPG Sales \$1B, Segment Margins ~11%
 - Discontinued Ops Upon Regulatory Approval
 - Expected Close 3Q11
- **Gain on Sale → Redeploy To Offset Ongoing Dilution**
 - After-Tax Gain ~\$200M → Utilize For Repositioning and Other Actions
- **Proceeds → Redeploy To Offset Share Count Growth**
 - Pension Contribution To Offset Cash Taxes on Sale
 - Share Repurchase To Offset 2011 Share Creep

Great Transaction For All

Specialty Materials

Honeywell

Financial Highlights

(\$M)

	<u>4Q09</u>	<u>4Q10</u>	<u>V</u>
Sales	\$ 1,027	\$ 1,153	12%
Segment Profit	175	171	(2)%
Margin	17.0%	14.8%	(220) bps

(\$M)

	<u>FY09</u>	<u>FY10</u>	<u>V</u>
Sales	\$ 4,144	\$ 4,726	14%
Segment Profit	605	749	24%
Margin	14.6%	15.8%	+120 bps

- Sales Up 12% 4Q; Up 14% FY
- UOP – Transition Year
 - 4Q Up 4%; FY Down (1)%
 - Backlog Up 27%
- Advanced Materials – Strong Demand
 - R&C Up 28% 4Q; Up 29% FY
 - Fluorines Up 12% 4Q; Up 19% FY
 - Specialty Products Up 13% 4Q; Up 21% FY
- Segment Profit
 - 4Q: (220) bps Margin Contraction
 - ◆ Headwind From '09 Labor Actions
 - ◆ Unfavorable UOP Mix
 - FY: 120 bps Margin Expansion
 - ◆ Volume Leverage, Commercial Excel.

Strong Year Led By Advanced Materials

2011 Financial Guidance Summary

Honeywell

Consolidated (\$B)	2011 Financial Outlook	Growth 2011E vs. 2010
Revenues ⁽¹⁾	\$ 35.0 - 36.0	5% - 8%
Segment Profit ⁽¹⁾	5.1 - 5.3	10% - 15%
<i>Segment Margin</i>	14.5% - 14.8%	70 bps - 100 bps
Net Income	2.9 - 3.0	23% - 29%
EPS ⁽²⁾	\$ 3.60 - \$ 3.80	20% - 27%
Free Cash Flow ⁽³⁾	\$ 3.5 - 3.7	~Flat - 4%

1) 2011 revenues and segment profit guidance excludes the impact of discontinued operations accounting treatment for CPG

2) Proforma, % compared to 2010 proforma excluding any mark-to-market pension adjustments

3) FCF excluding any U.S. pension contributions in 2011

December 15 Guidance Update

- CPG Dilution
- Defense Budget Changes
- + Ongoing Pension Expense
- + Global Economic Outlook

Favorable Pension/Macros, Raising 2011 Outlook

1Q11 Preview

Honeywell

<i>(\$B)</i>	<u>Sales</u>	<u>Comments</u>
Aerospace	~2.5 – 2.6	<ul style="list-style-type: none">• Commercial Strength – OE And AM• U.S. Defense Decline
ACS	~3.5 – 3.6	<ul style="list-style-type: none">• Net Acquisitions +8%• Solutions Backlog Increase
Transportation	~1.1 – 1.2	<ul style="list-style-type: none">• New Turbo Launches• Improved Turbo Production/Penetration
Specialty	~1.2 – 1.3	<ul style="list-style-type: none">• Increased UOP Project Sales - Petrobras• Continued Advanced Materials Demand

1Q11 Sales ~\$8.5B - \$8.7B
EPS \$0.76 – \$0.80

Summary

- **2010 – Strong Finish To A Terrific Year**
 - Delivered Results While Sustaining Growth Investments
 - Positive Momentum Across Diverse Portfolio
- **Confident In 2011 Outlook**
 - Orders Continue Positive, Good Organic Growth
 - Continued Cost Discipline, 20%+ Earnings Growth
 - Deployment of CPG Gain/Proceeds → Accretive in 2012
- **March 9th Investor Conference**
 - Growth Focus: Robust Technology Pipeline and Emerging Regions
 - Update Progress On Long-Term Targets – Already Ahead

Strong Performance, Investing In The Future

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

(\$M)	4Q09	4Q10
Sales	\$8,072	\$9,041
Cost of Products and Services Sold	(6,651)	(7,143)
Selling, General and Administrative Expenses	(1,158)	(1,317)
Operating Income	\$263	\$581
Stock Based Compensation ⁽¹⁾	23	41
Repositioning and Other ^(1, 2)	112	131
Pension Expense-ongoing ⁽¹⁾	69	40
Pension Expense-mark to market ⁽¹⁾	741	471
OPEB (Income) Expense ⁽¹⁾	23	17
Segment Profit	\$1,231	\$1,281
Operating Income	\$263	\$581
÷ Sales	\$8,072	\$9,041
Operating Income Margin %	3.3%	6.4%
Segment Profit	\$1,231	\$1,281
÷ Sales	\$8,072	\$9,041
Segment Profit Margin %	15.3%	14.2%

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

Honeywell

(\$B)	FY 09	FY 10	2011E
Sales	\$30.9	\$33.4	\$35.0 - 36.0
Cost of Products and Services Sold	(24.0)	(25.5)	(25.8) - (26.8)
Selling, General and Administrative Expenses	(4.4)	(4.7)	(4.9) - (5.0)
Operating Income	<u>\$2.5</u>	<u>\$3.1</u>	<u>\$4.2 - 4.4</u>
Stock Based Compensation ⁽¹⁾	0.1	0.2	~0.2
Repositioning and Other ^(1, 2)	0.5	0.6	~0.4
Pension Expense-ongoing ⁽¹⁾	0.3	0.2	~0.1
Pension Expense-mark to market ⁽¹⁾	0.7	0.5	TBD
OPEB (Income) Expense ⁽¹⁾	0.0	0.0	~0.1
Segment Profit	<u>\$4.1</u>	<u>\$4.6</u>	<u>\$5.1 - 5.3</u>
Operating Income	\$2.5	\$3.1	\$4.2 - 4.4
÷ Sales	<u>\$30.9</u>	<u>\$33.4</u>	<u>\$35.0 - 36.0</u>
Operating Income Margin %	<u>8.1%</u>	<u>9.5%</u>	<u>11.7% - 11.9%</u>
Segment Profit	\$4.1	\$4.6	\$5.1 - 5.3
÷ Sales	<u>\$30.9</u>	<u>\$33.4</u>	<u>\$35.0 - 36.0</u>
Segment Profit Margin %	<u>13.3%</u>	<u>13.8%</u>	<u>14.5 - 14.8%</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

<i>(\$M)</i>	4Q09	4Q10
Cash Provided by Operating Activities	<u>\$1,331</u>	<u>\$1,045</u>
Expenditures for Property, Plant and Equipment	<u>(257)</u>	<u>(300)</u>
Free Cash Flow	<u>\$1,074</u>	<u>\$745</u>
Cash Provided by Operating Activities	<u>\$1,331</u>	<u>\$1,045</u>
÷ Net Income Attributable to Honeywell	<u>\$150</u>	<u>\$369</u>
Operating Cash Flow Conversion %	<u>887%</u>	<u>283%</u>
Free Cash Flow	<u>\$1,074</u>	<u>\$745</u>
÷ Net Income Attributable to Honeywell	<u>\$150</u>	<u>\$369</u>
Free Cash Flow Conversion %	<u>716%</u>	<u>202%</u>

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

Honeywell

<i>(\$M)</i>	FY 09	FY 10
Cash Provided by Operating Activities	<u>\$3,946</u>	<u>\$4,203</u>
Expenditures for Property, Plant and Equipment	<u>(609)</u>	<u>(651)</u>
Free Cash Flow	<u>\$3,337</u>	<u>\$3,552</u>
Cash Provided by Operating Activities	<u>\$3,946</u>	<u>\$4,203</u>
÷ Net Income Attributable to Honeywell	<u>1,548</u>	<u>2,022</u>
Operating Cash Flow Conversion %	<u>255%</u>	<u>208%</u>
Free Cash Flow	<u>\$3,337</u>	<u>\$3,552</u>
÷ Net Income Attributable to Honeywell	<u>1,548</u>	<u>2,022</u>
Free Cash Flow Conversion %	<u>216%</u>	<u>176%</u>

Reconciliation of Free Cash Flow to Cash Provided by Operating Activities, excluding U.S. Pension Contributions and Calculation of Cash Flow Conversion, excluding mark-to-market pension expense



(\$B)	2011E
Cash Provided by Operating Activities	<u>\$3.3 - 3.5</u>
Expenditures for Property, Plant and Equipment	<u>~(0.8)</u>
Free Cash Flow	<u>\$2.5 - 2.7</u>
U.S. Pension Contributions	<u>~1.0</u>
Free Cash Flow, excluding U.S. Pension Contributions	<u><u>\$3.5 - 3.7</u></u>
Free Cash Flow, excluding U.S. Pension Contributions	\$3.5 - 3.7
÷ Net Income Attributable to Honeywell	
excluding mark-to-market pension adjustment	<u>2.9 - 3.0</u>
Free Cash Flow Conversion % (Proforma)	<u>~125%</u>

Reconciliation of Net Income, attributable to Honeywell and EPS to Net Income and EPS, Excluding mark-to-market pension expense

Honeywell

<i>(\$M)</i>	<u>4Q09</u>	<u>4Q10</u>	<u>2009</u>	<u>2010</u>
Net Income Attributable to Honeywell	\$150	\$369	\$1,548	\$2,022
Mark-to-Market pension adjustment, net of tax	486	319	486	319
Net Income Attributable to Honeywell, excluding mark-to-market pension adjustment	<u>\$636</u>	<u>\$688</u>	<u>\$2,034</u>	<u>\$2,341</u>
Free Cash Flow	\$1,074	\$745	\$3,337	\$3,552
÷ Net Income Attributable to Honeywell excluding mark-to-market pension adjustment	<u>636</u>	<u>688</u>	<u>2,034</u>	<u>2,341</u>
Free Cash Flow Conversion % (Proforma)	169%	108%	164%	152%
	<u>4Q09⁽¹⁾</u>	<u>4Q10⁽¹⁾</u>	<u>2009⁽¹⁾</u>	<u>2010⁽¹⁾</u>
EPS	\$0.20	\$0.47	\$2.05	\$2.59
Mark-To-Market Pension Adjustment	0.63	0.40	0.64	0.41
EPS, Excluding Mark-to-Market Pension Adjustment	<u><u>\$0.83</u></u>	<u><u>\$0.87</u></u>	<u><u>\$2.69</u></u>	<u><u>\$3.00</u></u>

(1) EPS utilizes weighted average shares outstanding and the effective tax rate for the period.
Mark-to-Market uses a blended tax rate of 32.3% and 34.4% for 2010 and 2009 respectively