

Honeywell

Second Quarter 2009

Earnings Release

July 27, 2009

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.

- **Executing In Tough Environment**
 - \$7.6B Sales, \$0.60 Earnings Per Share, \$1B Free Cash Flow
 - Top-Line Pressure Offset By Aggressive Cost Actions
 - FY09 EPS at Low-End of Previous Guidance ~ \$2.85
- **Benefiting From Productivity Actions**
 - Savings from Proactive Repositioning
 - Aggressive Cost and Capital Discipline
 - Traction on Key Process Initiatives – HOS/VPD™/FT
- **Continued Seed Planting**
 - Repositioning: \$(0.06) Net Actions in 2Q, \$(0.11) Net YTD
 - Technology: SESAR Win Reinforces Next-Gen ATM Leadership
 - Portfolio Management: RMG Acquisition in Attractive Gas Segment

Benefiting From Productivity and Seed Planting

Financial Summary

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<i>(M)</i>	<u>2Q08</u>	<u>2Q09</u>	
Sales	\$9,674	\$7,566	<ul style="list-style-type: none"> • 22% Decline <ul style="list-style-type: none"> ◆ (18)% Organic ◆ (4)% F/X ◆ 0% Acq. / Div.
Segment Profit	\$1,278	\$930	<ul style="list-style-type: none"> • 27% Decline <ul style="list-style-type: none"> ◆ ACS, SM margins up ◆ Aero, TS margins down
<i>Margin %</i>	13.2%	12.3%	
Net Income	\$723	\$450	<ul style="list-style-type: none"> • 38% Decline
<i>Attributable to Honeywell</i>			
EPS	\$0.96	\$0.60	<ul style="list-style-type: none"> • 37% Decline, including <ul style="list-style-type: none"> ◆ \$(0.06) Repositioning ◆ \$(0.09) Impairments ◆ \$0.10 OPEB Gain
Free Cash Flow	\$853	\$1,009	<ul style="list-style-type: none"> • 1H09 Conversion 147%

Good Performance In Tough Environment

Market Assumptions Summary

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Business	2009 Drivers	Current Update
AT&R	Flight Hours / Destocking OE Deliveries	(4)% / Continuing 0% to 5%
B&GA	TFE Flight Hours OE Deliveries	(15)% (25)%+
Defense	DOD Budget	3%
ACS – Developed	US/EU Housing Sales US/EU Non-Res Retrofit / Regulation Industrial Cap/Op Ex	No Recovery Downturn Stable Delays
ACS – Emerging	New Construction	Res Soft; Non-Res Stable
Turbocharging	W. Europe Auto Sales W. Europe Diesel Penetration Small Engine Shift	(10)% to (15)% (7) pts (6) pts
UOP	Refining / Gas / Petrochem	Delays

Assumptions Largely Intact, But Spending Slow To Recover

Aerospace

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<i>(\$M)</i>				<u><i>Financial Highlights</i></u>
	<u>2Q08</u>	<u>2Q09</u>	<u>V</u>	
Sales	\$ 3,281	\$ 2,719	(17)%	• Sales down 17%, Organic (ex. CS) down 14%
Segment Profit	602	454	(25)%	- Air Transport & Regional down 24%, Organic down 15%
Margin	18.3%	16.7%	(160) bps	<ul style="list-style-type: none"> ◆ (17)% OE Organic ◆ Aftermarket (14)% (Flight Hours down 3.6%)
<u><i>Business Highlights</i></u>				- Business & General Aviation down 37%
+ Continued Contract Wins				<ul style="list-style-type: none"> ◆ OE (42)% ◆ Aftermarket (31)%
+ Strong Defense Services Growth				- Defense & Space down 1%
+ Cost Actions				<ul style="list-style-type: none"> ◆ Tough comparisons (2Q08 up 11%)
- AT&R Aftermarket - Inventory Destocking				• Segment Profit down 25%
- Continued B&GA Softness				<ul style="list-style-type: none"> ◆ 160 bps Margin Contraction <ul style="list-style-type: none"> + Productivity, Net - Volume - Mix

Good Execution In Difficult Environment

Automation And Control Solutions

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<i>(\$M)</i>				<u>Financial Highlights</u>
	<u>2Q08</u>	<u>2Q09</u>	<u>V</u>	
Sales	\$ 3,616	\$ 3,013	(17)%	<ul style="list-style-type: none"> • Sales down 17% <ul style="list-style-type: none"> ◆ (13)% Organic ◆ +3% Acquisition Impact ◆ (7)% F/X Impact - Products down 18% <ul style="list-style-type: none"> ◆ (16)% Organic ◆ Continued challenging conditions - Solutions down 15% <ul style="list-style-type: none"> ◆ (6)% Organic <ul style="list-style-type: none"> ➢ Building Efficiency, Emerging Regions still strong ◆ (7)% Organic Orders <ul style="list-style-type: none"> ➢ Strong Buildings orders in NA, Asia • Segment Profit down 11% <ul style="list-style-type: none"> ◆ 70 bps Margin Expansion <ul style="list-style-type: none"> + Productivity, Net - Volume - Product / Solutions Mix
Segment Profit	390	346	(11)%	
<i>Margin</i>	10.8%	11.5%	70 bps	
<u>Business Highlights</u>				
<ul style="list-style-type: none"> + Stimulus Activity + Cost Actions + RMG Acquisition (anticipate 3Q close) - Products End-Markets - Process Solutions Orders Delays 				

Productivity Driving Margin Expansion

Transportation Systems

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<i>(\$M)</i>				<u>Financial Highlights</u>	
	<u>2Q08</u>	<u>2Q09</u>	<u>V</u>		
Sales	\$ 1,327	\$ 786	(41)%	• Sales down 41%	◆ F/X Impact (6)%
Segment Profit	149	25	(83)%	- Turbo down 51%	◆ Lower passenger and commercial production volumes; Diesel penetration (7) pts
Margin	11.2%	3.2%	(800) bps	- CPG down 11%	◆ Down 2% excluding impact of FX and raw material pass-through
<u>Business Highlights</u>				- Friction Materials down 39%	◆ Volume and FX
+ Cost Actions				• Segment Profit down 83%	◆ 800 bps Margin Contraction
+ Turbo Platform Wins					+ Productivity, Net
+ CPG Performance					- Turbo Volume
+ Turbo Volume Outlook Stabilized					
- Diesel Penetration					

Beginning To Turn The Corner

Specialty Materials

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<i>(\$M)</i>				<u><i>Financial Highlights</i></u>
	<u>2Q08</u>	<u>2Q09</u>	<u>V</u>	
Sales	\$ 1,450	\$ 1,048	(28)%	<ul style="list-style-type: none"> • Sales down 28% <ul style="list-style-type: none"> - UOP down 24% <ul style="list-style-type: none"> ◆ Tough catalyst sales comparison with 2Q08 - Resins and Chemicals down 41% <ul style="list-style-type: none"> ◆ Pricing impact of lower raw material costs partially offset by strong export volume - Specialty Products down 30% <ul style="list-style-type: none"> ◆ Electronic Materials still weak, but sequential improvement vs. 1Q
Segment Profit	186	150	(19)%	
Margin	12.8%	14.3%	150 bps	<ul style="list-style-type: none"> • Segment Profit down 19% <ul style="list-style-type: none"> ◆ 150 bps Margin Expansion <ul style="list-style-type: none"> + Productivity - Volume - UOP Mix
<u><i>Business Highlights</i></u>				
<ul style="list-style-type: none"> + Cost Actions + R&C Export Volumes - UOP Comparisons - Semiconductor Segment Demand 				

Great Margin Performance In Tough Environment

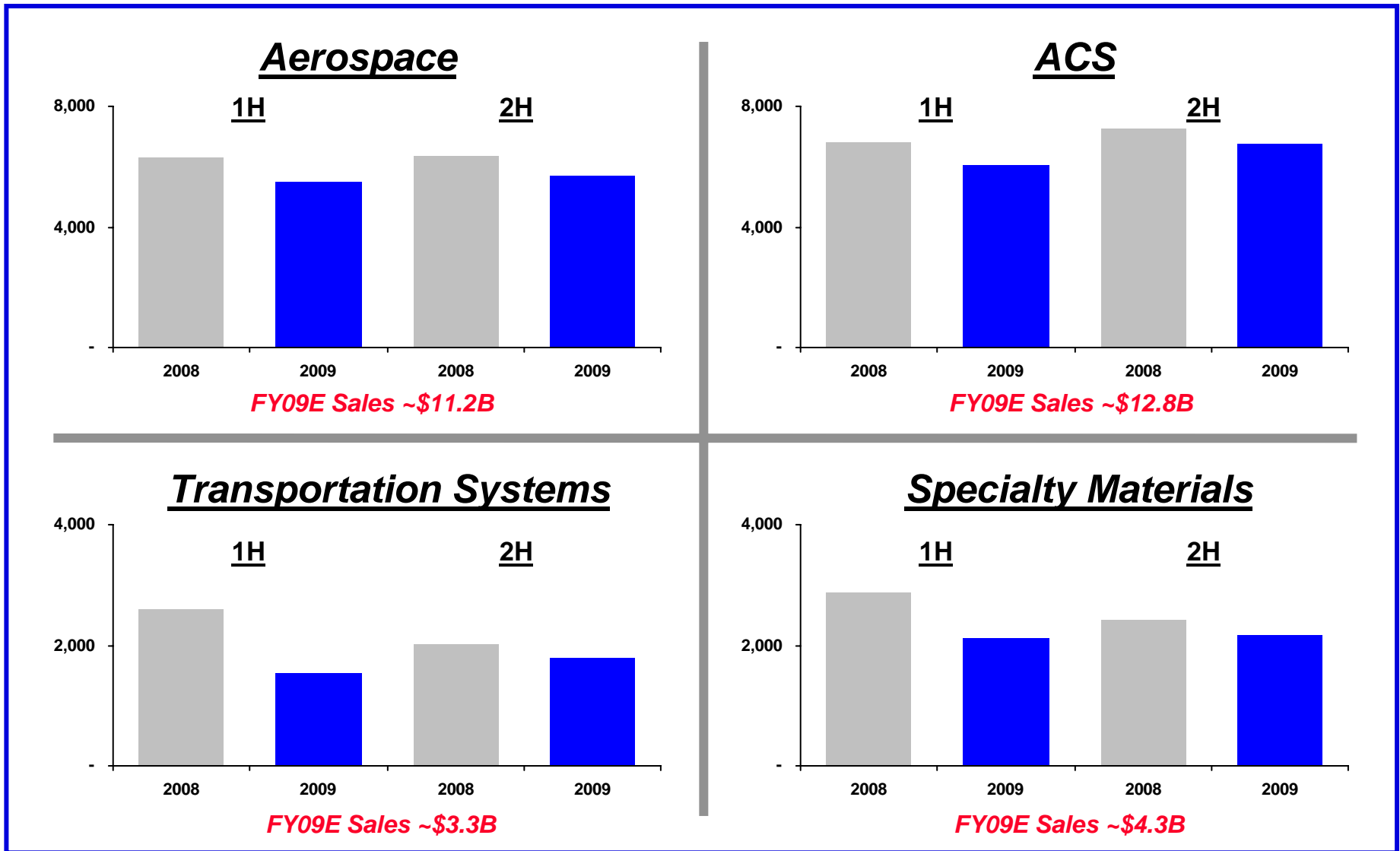
3Q09 Preview

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(\$B)	<u>Sales</u>	<u>Comments</u>
Aerospace	~2.7 – 2.8	<ul style="list-style-type: none">• Acq. / Div. -1% Estimated Impact• Significant BGA OE Deliveries Decline• ATR Flight Hours -4%; Inv. Destocking
ACS	~3.2 – 3.3	<ul style="list-style-type: none">• Acq. +1% Estimated Impact• Continued End-Market Headwinds• Cost Actions Mitigate Volume Declines
Transportation	~0.8 – 0.9	<ul style="list-style-type: none">• Continued Turbo Volume Declines• CPG Performance Improvement
Specialty	~1.0 – 1.1	<ul style="list-style-type: none">• UOP Catalyst Reloads• R&C Raws Pass-Through Impacts

3Q09 Sales ~\$7.7B - \$8.1B
EPS \$0.70 – \$0.75

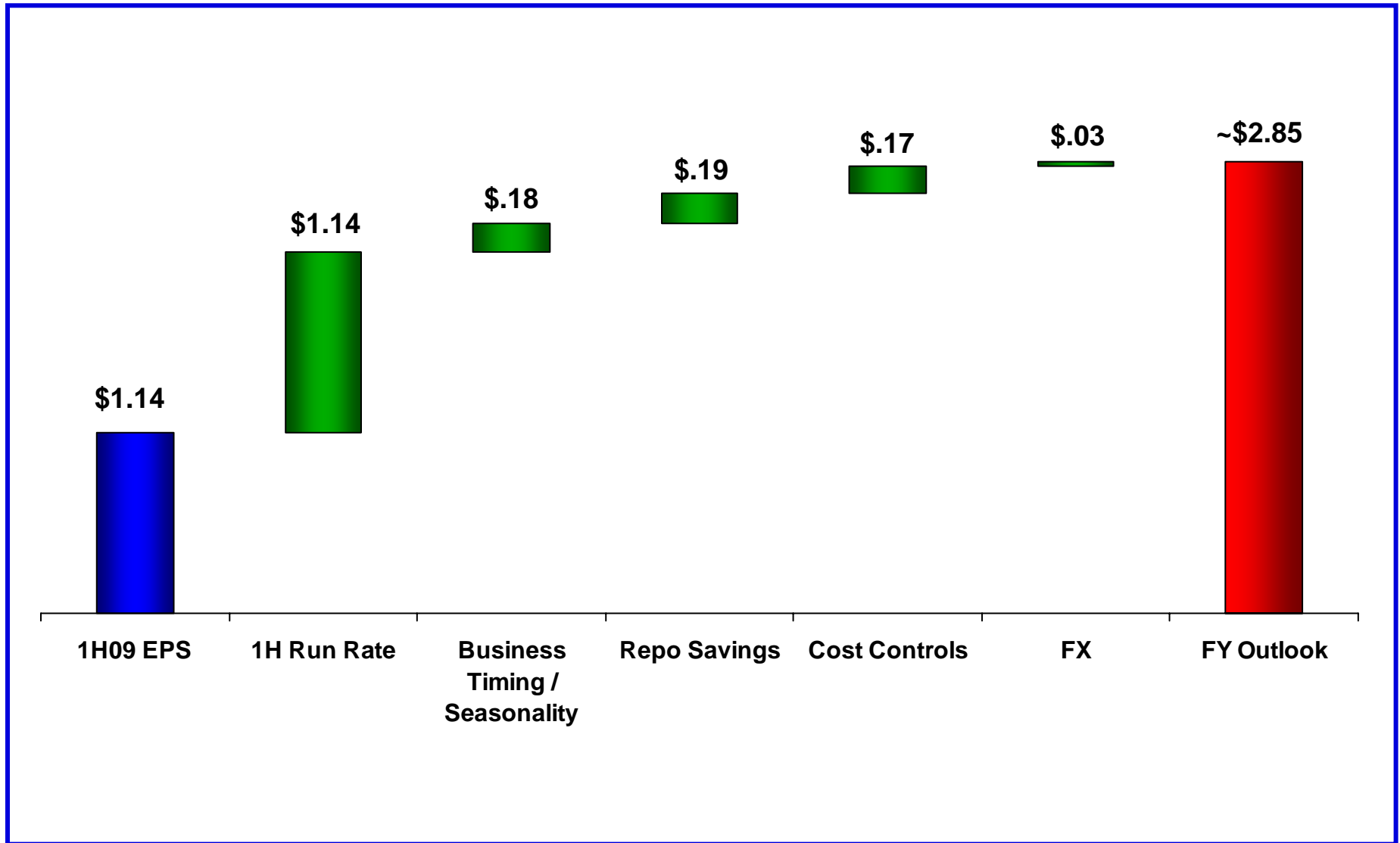
2009 Sales Outlook



YOY Declines Moderating, But No Recovery Anticipated

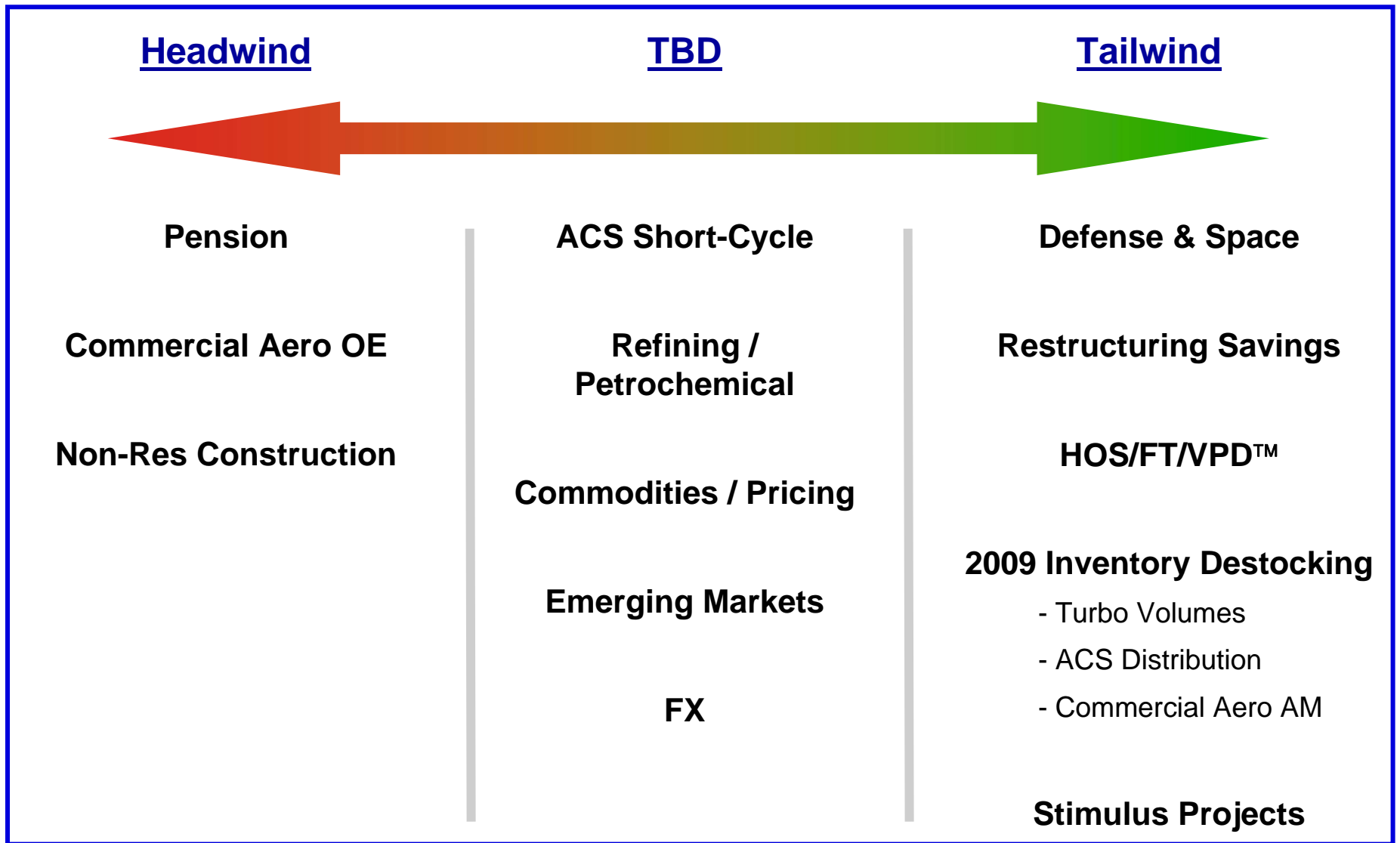
2009 EPS Walk

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Cost Actions Support 2H Performance

2010 Framework



Balanced View Of 2010

Summary

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- **YTD Results Underscore Execution Focus**
 - \$110M Net Repositioning
 - \$1.2B Free Cash Flow
- **FY09 EPS at Low-End of Previous Guidance ~ \$2.85**
 - YOY Declines Moderating, But End-Markets Still Challenging
 - Cost Actions Support 2H Performance
- **Seed Planting Continues**
 - Process Initiatives / Globalization / New Products & Services

HON Executing Well In Difficult 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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(\$M)	<u>2Q08</u>	<u>2Q09</u>
Sales	\$9,674	\$7,566
Cost of Products and Services Sold	(7,323)	(5,682)
Selling, General and Administrative Expenses	(1,290)	(1,084)
Operating Income	<u>\$1,061</u>	<u>\$800</u>
Stock Based Compensation ⁽¹⁾	35	35
Repositioning and Other ^(1, 2)	156	153
Pension and OPEB Expense ⁽¹⁾	26	(58)
Segment Profit	<u>\$1,278</u>	<u>\$930</u>
Operating Income	\$1,061	\$800
÷ Sales	\$9,674	\$7,566
Operating Income Margin %	<u>11.0%</u>	<u>10.6%</u>
Segment Profit	\$1,278	\$930
÷ Sales	\$9,674	\$7,566
Segment Profit Margin %	<u>13.2%</u>	<u>12.3%</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 (beginning 1/1/2008)

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

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<i>(\$M)</i>	<u>2Q08</u>	<u>2Q09</u>
Cash Provided by Operating Activities	\$1,042	\$1,126
Expenditures for Property, Plant and Equipment	(189)	(117)
Free Cash Flow	853	1,009
Cash Provided by Operating Activities	\$1,042	\$1,126
÷ Net Income Attributable to Honeywell	723	450
Operating Cash Flow Conversion %	<u>144%</u>	<u>250%</u>
Free Cash Flow	\$853	\$1,009
÷ Net Income Attributable to Honeywell	723	450
Free Cash Flow Conversion %	<u>118%</u>	<u>224%</u>

2Q09 cash flow amounts include \$138 million from the sale of long-term receivables

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

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<i>(\$M)</i>	<u>1H08</u>	<u>1H09</u>
Cash Provided by Operating Activities	\$1,763	\$1,467
Expenditures for Property, Plant and Equipment	(339)	(226)
Free Cash Flow	<u>1,424</u>	<u>1,241</u>
Cash Provided by Operating Activities	\$1,763	\$1,467
÷ Net Income Attributable to Honeywell	<u>1,366</u>	<u>847</u>
Operating Cash Flow Conversion %	<u>129%</u>	<u>173%</u>
Free Cash Flow	\$1,424	\$1,241
÷ Net Income Attributable to Honeywell	<u>1,366</u>	<u>847</u>
Free Cash Flow Conversion %	<u>104%</u>	<u>147%</u>

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