

Honeywell

Third Quarter 2009

Earnings Release

October 23, 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**
 - 3Q Highlights: \$7.7B Sales, 13.8% Margins, \$0.80 EPS, \$1.0B FCF
 - Repositioning: \$(0.03) Impact in 3Q, \$(0.14) YTD
 - FY09 Outlook: Sales ~\$31B, EPS ~ \$2.85, FCF ~\$3B
- **Benefiting From Productivity Actions**
 - Savings from Proactive Repositioning
 - Aggressive Cost and Capital Discipline
- **Continued Seed Planting**
 - Strategic Growth Platforms: Natural Gas Measurement (RMG)
 - Innovation: SmartPath™ First to Receive GBAS FAA Approval
 - Emerging Region Expansion: China, Middle East and North Africa
 - Traction on Key Process Initiatives – HOS/VPD™/FT

Benefiting From Productivity And Seed Planting

Financial Summary

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<i>(M)</i>	<u>3Q08</u>	<u>3Q09</u>	
Sales	\$9,275	\$7,700	<ul style="list-style-type: none"> • 17% Decline <ul style="list-style-type: none"> ◆ (15)% Organic ◆ (2)% F/X
Segment Profit	\$1,158	\$1,060	<ul style="list-style-type: none"> • 8% Decline <ul style="list-style-type: none"> ◆ <i>Aero, ACS, SM margins up</i>
<i>Margin %</i>	<i>12.5%</i>	<i>13.8%</i>	
Net Income	\$719	\$608	<ul style="list-style-type: none"> • 15% Decline
<i>Attributable to Honeywell</i>			
EPS	\$0.97	\$0.80	<ul style="list-style-type: none"> • 18% Decline, including <ul style="list-style-type: none"> ◆ <i>\$(0.03) Repositioning</i> ◆ <i>\$0.04 Lower Tax Expense</i>
Free Cash Flow	\$556	\$1,022	<ul style="list-style-type: none"> • 168% Conversion

Good Performance In Tough Environment

- **What We Are Seeing**
 - **Continued Softness In Commercial Aerospace**
 - ◆ Air transport spares decline outpaces decline in flight hours
 - ◆ Business aviation flight activity, OE demand weak as expected
 - **Defense & Space Growth**
 - ◆ Continued strong military OE and logistics services
 - **ACS Headwinds, But Showing Some Selective Improvement**
 - ◆ Residential, Gas stabilization – New products and energy retrofit
 - ◆ Industrial project delays, commercial still slow
 - **TS And SM On Track At Reduced Levels**
 - ◆ Turbo 2H09 volume increasing sequentially
- **All SBGs And Corporate Controlling Costs Aggressively**
 - **Attrition, Furloughs And Restructuring**
 - **Indirect Spend Savings**

Signs Of Stability

(\$M)

		<u>3Q08</u>	<u>3Q09</u>	<u>V</u>
Sales	\$	3,110	\$ 2,622	(16)%
Segment Profit		516	455	(12)%
Margin		16.6%	17.4%	80 bps

Business Highlights

- + Continued Contract Wins
- + Defense Growth
- + Cost Actions
- AT&R AM – Spares Destocking Continues
- Further B&GA Softness

Financial Highlights

- Sales down 16%, Organic down 15%
 - Air Transport & Regional down 18%, Organic down 15%
 - ◆ OE (21)%, Organic (14%)
 - ◆ Aftermarket (17)%
 - Business & General Aviation down 47%
 - ◆ OE (66)%
 - ◆ Aftermarket (27)%
 - Defense & Space up 2%
 - ◆ Strong OE and Services Growth
- Segment Profit down 12%
 - ◆ 80 bps Margin Expansion
 - + Productivity, Net
 - Volume
 - Mix

Good Execution In Difficult Environment

Automation And Control Solutions

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(\$M)

		<u>3Q08</u>	<u>3Q09</u>	<u>V</u>
Sales	\$	3,688	\$ 3,188	(14)%
Segment Profit		430	431	-
Margin		11.7%	13.5%	180 bps

Business Highlights

- + Selective Improvement
- + Stimulus Activity
- + Cost Actions
- + RMG Acquisition Closed
- Products End-Markets
- Process Solutions Orders Delays

Financial Highlights

- Sales down 14%
 - ◆ (11)% Organic
 - ◆ +1% Acquisition Impact
 - ◆ (4)% F/X Impact
- Products down 14%
 - ◆ (11)% Organic
 - ◆ Continued challenging conditions
- Solutions down 13%
 - ◆ (11)% Organic
 - Building Efficiency, Emerging Regions still strong
 - ◆ (13)% Organic Orders
 - Strong Buildings orders Asia
- Segment Profit ~ Flat
 - ◆ 180 bps Margin Expansion
 - + Productivity, Net
 - Volume

New Products And Productivity Driving Margin Expansion

Transportation Systems

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(\$M)

		<u>3Q08</u>		<u>3Q09</u>	<u>V</u>
Sales	\$	1,156	\$	875	(24)%
Segment Profit		102		62	(39)%
Margin		8.8%		7.1%	(170) bps

Business Highlights

- + Cost Actions
- + Turbo Volume Outlook Improving
- + Improved CPG Operating Performance
- + Turbo Platform Wins
- Diesel Penetration

Financial Highlights

- Sales down 24%
 - ◆ F/X Impact (3)%
 - ◆ Sequential +11%
- Turbo down 30%
 - ◆ Lower passenger and commercial production volumes; Diesel penetration (8) pts
- CPG down 15%
 - ◆ Down 6% excluding impact of FX and raw material pass-through
- Friction Materials down 21%
 - ◆ Volume and FX
- Segment Profit down 39%
 - ◆ 170 bps Margin Contraction
 - + Productivity, Net
 - Turbo Volume

Beginning To Stabilize

Specialty Materials

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(\$M)

		<u>3Q08</u>	<u>3Q09</u>	<u>V</u>
Sales	\$	1,321	\$ 1,015	(23)%
Segment Profit		158	155	(2)%
Margin		11.9%	15.2%	330 bps

Business Highlights

- + Cost Actions
- + Catalyst Reloads
- Long-cycle Project Delays – UOP
- Semiconductor Segment Demand

Financial Highlights

- Sales down 23%
 - UOP down 11%
 - ◆ Catalyst reloads improve
 - Resins and Chemicals down 44%
 - ◆ Pricing impact of lower raw material costs
 - Specialty Products down 24%
 - ◆ Electronic Materials still weak, but sequential improvement vs. 2Q
- Segment Profit down 2%
 - ◆ 330 bps Margin Expansion
 - + Productivity
 - + Raw Materials
 - Volume

Great Margin Performance In Tough Environment

4Q09 Preview

Honeywell

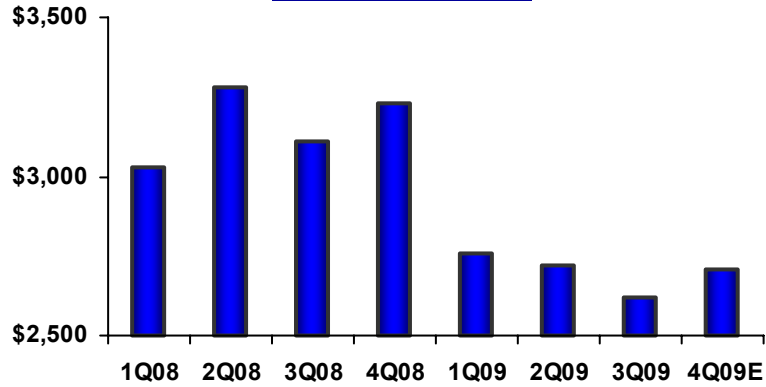
<i>(\$B)</i>	<u>Sales</u>	<u>Comments</u>
Aerospace	~2.7	<ul style="list-style-type: none">• Commercial Aero Softness Continues• Defense & Space Growth
ACS	~3.4	<ul style="list-style-type: none">• Acq. +4% Estimated Impact• Mixed End-Markets• Cost Actions Mitigate Volume Declines
Transportation	~0.9	<ul style="list-style-type: none">• Sequential Turbo Volume Increases• CPG Relatively Flat
Specialty	~1.1	<ul style="list-style-type: none">• UOP Catalyst Reloads• Seasonal Up Tick

4Q09 Sales ~\$8.0B – \$8.2B
EPS ~\$0.91

2009 Revenue Summary

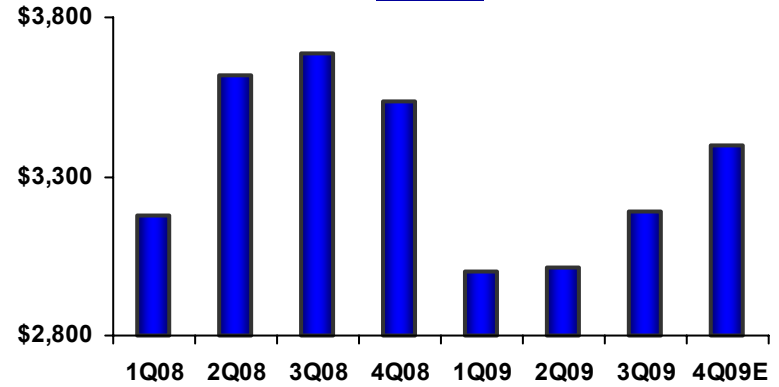
USD \$M

Aerospace



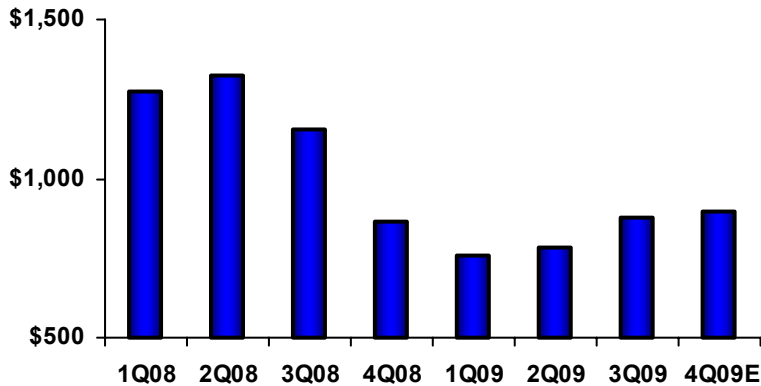
Defense & Space Driving Sequential Growth

ACS



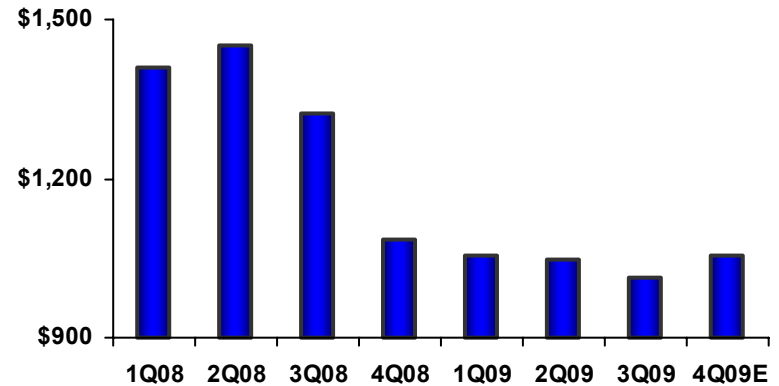
New Products + EM Regions + Acquisitions

Transportation Systems



Turbo Improving, 4Q Above 2008 Level

Specialty Materials



R&C Up Tick, UOP Timing

Declines Moderating, Some Sequential Pick Up

Preliminary Planning For 2010

- **Economic/Industry View Drives Flattish Top Line**
 - Tough Conditions Continue: Commercial Aero OE, Commercial Construction
 - Some Positives: Turbo, Stimulus Spending, Commercial Aero AM Stable
- **Modest Segment Profit Improvement**
 - Volume Stable, Favorable Mix
 - Labor Inflation Partially Offset by Repositioning Benefits
- **Pension Headwind ~\$700M (Discount Rate Sensitive)**
 - Other Below The Line Expenses In Line With 2009
- **FCF Conversion 100%+**
- **Balanced Cash Deployment**
 - Continued Focus on Business Investment and Debt Repayment

2010 Outlook Call – December 16th

Pension Update

(\$M)	2010 Pre-Tax Pension Expense			
	<u>Estimated 2009 Actual Return</u>			
	<u>9%</u>	<u>12%</u>	<u>15%</u>	<u>20%</u>
Estimated Discount Rate 12/31/09				
5.50%	900	880	850	820
5.75%	850	830	810	770
6.00%	800	780	760	720
6.25%	750	730	710	670
6.50%	700	680	660	620

**2009 Forecasted Pension Expense Is Approximately \$120M*

2010 Headwind ~\$700M

- **YTD Results Underscore Execution Focus**
 - **Preserving Margin Rate** – 12.6%, Down 60 bps
 - **Funding Repositioning** – \$145M Net, ~\$250M OI Benefit 2010
 - **Generating Strong Cash** – \$2.3B Free Cash Flow, Up 14%
- **FY09 EPS ~\$2.85 , Free Cash Flow ~ \$3.0B**
- **Seed Planting Continues**
 - **New Products & Services and Geographic Expansion**
 - **Process Initiatives – HOS / VPD™ / FT**

HON Executing Well In Difficult Market

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)	3Q08	3Q09
Sales	\$9,275	\$7,700
Cost of Products and Services Sold	(7,476)	(5,797)
Selling, General and Administrative Expenses	(1,309)	(1,034)
Operating Income	\$490	\$869
Stock Based Compensation ⁽¹⁾	31	18
Repositioning and Other ^(1, 2)	601	122
Pension and OPEB Expense ⁽¹⁾	36	51
Segment Profit	\$1,158	\$1,060
Operating Income	\$490	\$869
÷ Sales	\$9,275	\$7,700
Operating Income Margin %	5.3%	11.3%
Segment Profit	\$1,158	\$1,060
÷ Sales	\$9,275	\$7,700
Segment Profit Margin %	12.5%	13.8%

(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

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<i>(\$M)</i>	<u>3Q08</u>	<u>3Q09</u>
Cash Provided by Operating Activities	\$769	\$1,148
Expenditures for Property, Plant and Equipment	(213)	(126)
Free Cash Flow	556	1,022
Cash Provided by Operating Activities	\$769	\$1,148
÷ Net Income Attributable to Honeywell	719	608
Operating Cash Flow Conversion %	<u>107%</u>	<u>189%</u>
Free Cash Flow	\$556	\$1,022
÷ Net Income Attributable to Honeywell	719	608
Free Cash Flow Conversion %	<u>77%</u>	<u>168%</u>

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

(\$B)	YTD 08	YTD 09
Sales	\$27.8	\$22.8
Cost of Products and Services Sold	(21.5)	(17.2)
Selling, General and Administrative Expenses	(3.9)	(3.3)
Operating Income	\$2.5	\$2.3
Stock Based Compensation ⁽¹⁾	0.1	0.1
Repositioning and Other ^(1, 2)	0.9	0.4
Pension and OPEB Expense ⁽¹⁾	0.1	0.1
Segment Profit	\$3.7	\$2.9
Operating Income	\$2.5	\$2.3
÷ Sales	\$27.8	\$22.8
Operating Income Margin %	9.0%	10.2%
Segment Profit	\$3.7	\$2.9
÷ Sales	\$27.8	\$22.8
Segment Profit Margin %	13.2%	12.6%

⁽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>	<u>YTD 08</u>	<u>YTD 09</u>
Cash Provided by Operating Activities	\$2,532	\$2,615
Expenditures for Property, Plant and Equipment	(552)	(352)
Free Cash Flow	1,980	2,263
Cash Provided by Operating Activities	\$2,532	\$2,615
÷ Net Income Attributable to Honeywell	2,085	1,455
Operating Cash Flow Conversion %	<u>121%</u>	<u>180%</u>
Free Cash Flow	\$1,980	\$2,263
÷ Net Income Attributable to Honeywell	2,085	1,455
Free Cash Flow Conversion %	<u>95%</u>	<u>156%</u>

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