

# **FBR Capital Markets Fall Investor Conference**

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**December 2, 2009**

**Honeywell**

# Forward Looking Statements

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*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.*

- **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**

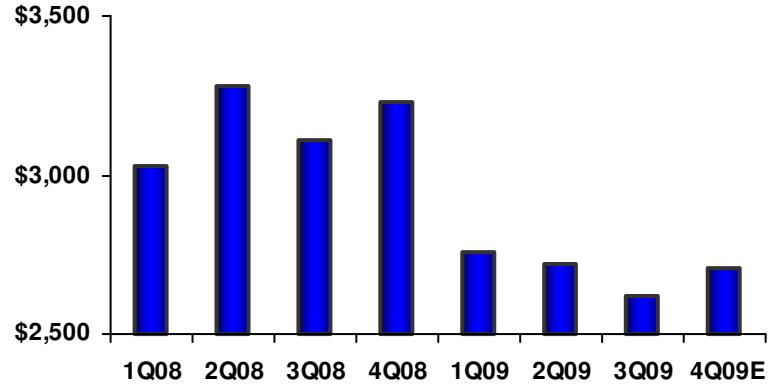
***Signs Of Stability***

# 2009 Revenue Summary

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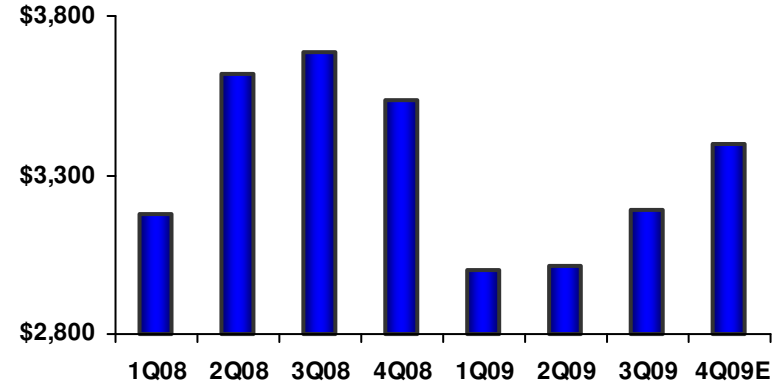
USD \$M

## Aerospace



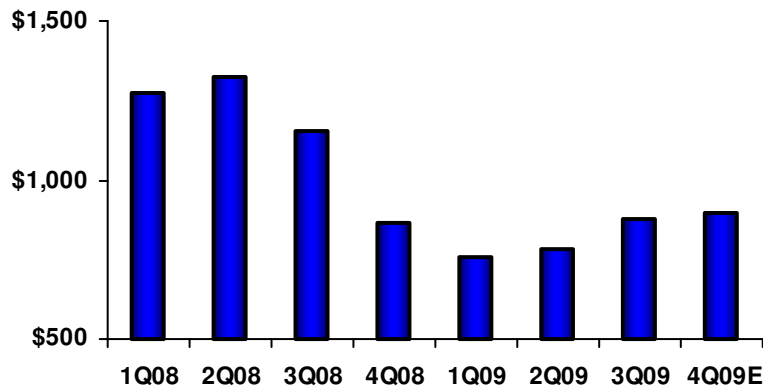
*Defense & Space Driving Sequential Growth*

## ACS



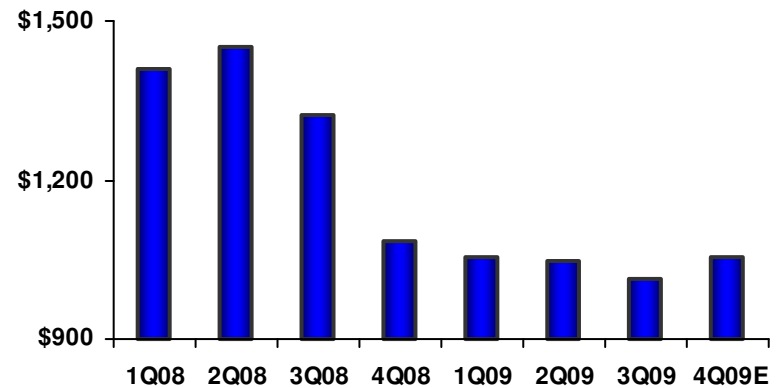
*New Products + EM Regions + Acquisitions*

## Transportation Systems



*Turbo Improving, 4Q Above 2008 Level*

## Specialty Materials



*R&C Up Tick, UOP Timing*

***Declines Moderating, Some Sequential Pick Up***

# Seed Planting

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## Aerospace

- Flight Efficiency / New ATM
- Helicopter Safety
- UAV's
- Defense Logistics

## ACS

- Wireless Technology
- Gas Detection
- Energy Savings Performance
- Personal Protection Equipment

## Transportation Systems

- 55%+ Win Rate
- Next Generation VNT™
- Diesel, Gas, Hybrid Applications
- Aerospace Technology Sharing

## Specialty Materials

- Green Diesel
- Heavy Oil Hydrocracking
- Methanol-to-Olefins
- Low Global Warming Refrigerants

***Investing For The Future***

# 2009 Financial Summary

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<i>(M)</i>	<u>FY08</u>	<u>FY09E</u>	
<b>Sales</b>	\$36.6	~\$31.0	• 15% Decline
<b>Segment Profit</b>	\$4.8	~\$4.1	• 15% Decline
<i>Margin %</i>	13.3%	13.3%	◆ <i>Margin Rate Flat</i>
<b>Net Income</b>	\$2.8	~\$2.2	• 23% Decline
<i>Attributable to Honeywell</i>			
<b>EPS</b>	\$3.76	~\$2.85	• 24% Decline, including ◆ <i>\$(0.14) Repositioning</i>
<b>Free Cash Flow</b>	\$3.1	~\$3.0	• >130% Conversion

***Good Performance In Tough Environment***

# Preliminary Planning For 2010

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- **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
  - Repositioning Benefits Partially Offset by Labor Inflation
- **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***

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***Appendix***  
***Reconciliation of non-GAAP Measures***  
***to GAAP Measures***

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

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(\$B)	<u>2008</u>	<u>2009E</u>
Sales	\$36.6	~\$31.0
Cost of Products and Services Sold	(28.0)	~(23.2)
Selling, General and Administrative Expenses	(5.0)	~(4.3)
Operating Income	<u>\$3.6</u>	<u>~3.5</u>
Stock Based Compensation <sup>(1)</sup>	0.1	~0.1
Repositioning and Other <sup>(1, 2)</sup>	1.0	~0.4
Pension and OPEB Expense <sup>(1)</sup>	0.1	~0.1
Segment Profit	<u>\$4.8</u>	<u>~\$4.1</u>
Operating Income	\$3.6	~\$3.5
÷ Sales	<u>\$36.6</u>	<u>~\$31.0</u>
Operating Income Margin %	<u>9.8%</u>	<u>~11.3%</u>
Segment Profit	\$4.8	~\$4.1
÷ Sales	<u>\$36.6</u>	<u>~\$31.0</u>
Segment Profit Margin %	<u>13.3%</u>	<u>~13.3%</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>(\$B)</i>	<b>2008</b>	<b>2009E</b>
Cash Provided by Operating Activities	\$3.8	~\$3.7
Expenditures for Property, Plant and Equipment	(0.9)	~(0.7)
Free Cash Flow	2.9	~3.0
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>~\$3.0</u>
Cash Provided by Operating Activities	\$3.8	~\$3.7
÷ Net Income	2.8	~2.2
Operating Cash Flow Conversion %	<u>136%</u>	<u>~168%</u>
Free Cash Flow excluding cash taxes relating to the sale of the Consumables Solution business	\$3.1	~\$3.0
÷ 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>~136%</u>

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