

Honeywell

First Quarter 2010

Earnings Release

April 23, 2010

Forward Looking Statements

Honeywell

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.

Overview

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- **1Q Represents Great Start to 2010**
 - \$7.8B Sales, 13.3% Segment Margin, \$0.50 EPS, \$0.7B FCF
 - Strong Operating Leverage, Disciplined Cost Controls, Margin up 170 BPS
 - Increasing FY Guidance: \$2.30 – \$2.45 EPS, \$2.8 – 3.1B FCF
- **End Markets Stabilized, Signs of Improvement**
 - Short Cycle Orders Growth
 - Evidence of Early Cycle Recovery
 - Working with Supply Base Across Portfolio
- **Growth Reflects Continued Seed Planting**
 - Asia-Pac Up Strongly; Building Future Platforms – HPS Wins, COMAC APU
 - NPIs Continue To Make a Difference – ACS, SM
 - Acceleration of HOS Bronze Deployment

Performance Ahead Of Expectations

Financial Summary

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<i>(M)</i>	<u>1Q09</u>	<u>1Q10</u>	
Sales	\$7,570	\$7,776	<ul style="list-style-type: none"> • 3% Increase <ul style="list-style-type: none"> ◆ 3% F/X
Segment Profit	\$876	\$1,036	<ul style="list-style-type: none"> • 18% Increase <ul style="list-style-type: none"> ◆ ACS +200 bps ◆ TS +1000 bps ◆ SM +300 bps
<i>Margin %</i>	<i>11.6%</i>	<i>13.3%</i>	
Net Income	\$397	\$386	<ul style="list-style-type: none"> • 3% Decline
<i>Attributable to Honeywell</i>			
EPS	\$0.54	\$0.50	<ul style="list-style-type: none"> • 7% Decline <ul style="list-style-type: none"> ◆ 21% Increase Ex-Pension
<i>EPS, Ex-Pension</i>	<i>\$0.56</i>	<i>\$0.68</i>	
Free Cash Flow	\$232	\$673	<ul style="list-style-type: none"> • 174% Conversion <ul style="list-style-type: none"> ◆ 127% Ex Non-Cash Pension

Strong Earnings Growth Ex-Pension

Key Market Assumptions

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Business	Drivers	2010 Forecast	
AT&R	Flight Hours	3% to 4%	↑
	OE Deliveries	(10)% to (15)%	
B&GA	TFE Flight Hours	10% to 15%	
	OE Deliveries	(10)% to (15)%	
Defense	DOD Budget	Flat	
ACS – Developed	US/EU Housing Sales	Stable	↑ ↑
	US/EU Non-Res	Downturn	
	Energy Retrofit / Regulation	Continued Growth	
	General Industrial	Improving	
ACS – Emerging	Industrial Cap/Op Ex	Stable	↑
	Construction / Industrial	Orders Growth	
Turbocharging	Europe Auto Production	1H10 Growth	↑ ↑
	Europe Diesel Penetration	2 pts Increase	
	New Turbo Launches	100+ Launches	
UOP	Refining / Gas / Petrochem	Stable, EM Growth	

Conditions Improving Overall

Aerospace

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<i>(\$M)</i>				<u>Financial Highlights</u>	
	<u>1Q09</u>	<u>1Q10</u>	<u>Δ</u>		
Sales	\$ 2,759	\$ 2,506	(9)%	<ul style="list-style-type: none"> • Sales Down 9% <ul style="list-style-type: none"> - Air Transport & Regional down 9% <ul style="list-style-type: none"> ◆ OE (16)%, Regionals Declining ◆ Aftermarket (4)%, Flat Sequentially - Business & General Aviation Down 33% <ul style="list-style-type: none"> ◆ OE (59)%, Although Stable ◆ Aftermarket +1%, Improving Utilization Rates - Defense & Space Flat <ul style="list-style-type: none"> ◆ Up 2% Excluding Commercial Helo 	
Segment Profit	488	413	(15)%	<ul style="list-style-type: none"> • Segment Profit Down 15% <ul style="list-style-type: none"> ◆ 120 bps Margin Contraction <ul style="list-style-type: none"> + Productivity, Net of Inflation - Volume 	
Margin	17.7%	16.5%	(120) bps		
<u>Business Highlights</u>					
<ul style="list-style-type: none"> + Continued New Contract Wins + Stabilization Across Business + Flight Hours Improving (ATR, BGA) + Cost Actions - Parked Aircraft - Airline Inventories 					

Signs Of Stabilization

Automation And Control Solutions

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<i>(\$M)</i>				<u>Financial Highlights</u>	
	<u>1Q09</u>	<u>1Q10</u>	<u>V</u>		
Sales	\$ 3,001	\$ 3,124	4%	• Sales Up 4%	◆ 5% F/X Impact
Segment Profit	311	386	24%	- Products Up 5%	◆ Industrial Uptick – Gas Detection, PPE, S&C, Scanning & Mobility
Margin	10.4%	12.4%	+200 bps	- Solutions Up 2%	◆ Asia-Pac Up 32% Organic
<u>Business Highlights</u>					
<ul style="list-style-type: none"> + Short Cycle Improvement + Emerging Regions + New Products – ECC, HLS + Restructuring Benefits - Comm'l and Residential Softness - Europe Weak 					<ul style="list-style-type: none"> ◆ Energy Growth, Refining Weak ◆ Orders: +8% Organic, HPS +19%
				• Segment Profit Up 24%	◆ 200 bps Margin Expansion
					+ Productivity, Net of Inflation
					+ Product / Solutions Mix

Strong Operating Leverage

Transportation Systems

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<i>(\$M)</i>				<u>Financial Highlights</u>	
	<u>1Q09</u>	<u>1Q10</u>	<u>Δ</u>		
Sales	\$ 756	\$ 1,007	33%	• Sales up 33%	◆ F/X Impact 7%
Segment Profit	(3)	96	n/a	- Turbo up 45%	◆ New Platform Successes
<i>Margin</i>	-0.4%	9.6%	+1000 bps	- CPG up 6%	◆ Higher PV/CV Production Volumes Europe and Asia
<u>Business Highlights</u>					
<ul style="list-style-type: none"> + Improving Global OE Production + Diesel Penetration + Turbo Share Gains on New Launches + Restructuring Benefits + Continued CPG Performance 					<ul style="list-style-type: none"> • Segment Profit up Significantly <ul style="list-style-type: none"> ◆ 1000 bps Margin Expansion <ul style="list-style-type: none"> + Volume + Productivity, Net of Inflation

Significant Uptick

Specialty Materials

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<i>(\$M)</i>				<u>Financial Highlights</u>	
	<u>1Q09</u>	<u>1Q10</u>	<u>V</u>		
Sales	\$ 1,054	\$ 1,139	8%	<ul style="list-style-type: none"> • Sales up 8% <ul style="list-style-type: none"> - UOP down 15% <ul style="list-style-type: none"> ◆ Large Parex Shipment 1Q09, Project Timing - Resins and Chemicals up 34% <ul style="list-style-type: none"> ◆ Improved Global Markets and Pass-Through Pricing - Fluorines, Specialty Products up 20% <ul style="list-style-type: none"> ◆ Strong Commercial Execution ◆ Electronic Materials Up Sharply 	
Segment Profit	125	170	36%		
<i>Margin</i>	11.9%	14.9%	+300 bps	<ul style="list-style-type: none"> • Segment Profit up 36% <ul style="list-style-type: none"> ◆ 300 bps Margin Expansion <ul style="list-style-type: none"> + Productivity + Volume 	
<u>Business Highlights</u>					
<ul style="list-style-type: none"> + General Industrial Improvement + Commercial Excellence + Factory Performance - UOP Catalysts - Raw Material Pressure 					

Improving Global Markets

2Q10 Preview

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(\$B)	<u>Sales</u>	<u>Comments</u>
Aerospace	~2.5 – 2.6	<ul style="list-style-type: none">• Sequential Commercial Improvement• Defense Seasonal Uptick
ACS	~3.2 – 3.3	<ul style="list-style-type: none">• Short Cycle Upturn Continues• Acq. +1% Estimated Impact
Transportation	~0.9 – 1.0	<ul style="list-style-type: none">• EU LV Production ~ Flat To 1Q• F/X Flat To Prior Year
Specialty	~1.1 – 1.2	<ul style="list-style-type: none">• Continued End Market Improvement• Formula Pricing +4% Estimated Impact

2Q10 Sales ~\$7.8B - \$8.1B, Up 3-7%
EPS \$0.53 – \$0.57

2010 Financial Guidance Summary

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(\$B)		Latest 2010 Guidance			
↑ Sales	\$ 31.5 - \$ 32.3	Segment Margins	13.6% - 13.9%		
Aerospace	10.5 - 10.8		~ 17.6%		
↑ ACS	12.9 - 13.2		~ 13.0%		
↑ Transportation	3.7 - 3.9		~ 10.0%		
Specialty Materials	4.3 - 4.5		~ 14.5%		
↑ EPS	<u>\$ 2.30 - 2.45</u>	EPS, Excl. Pension	<u>\$ 3.07 - 3.22</u>		
% V '09	-14% - -19%	% V '09	4% - 9%		
↑ Free Cash Flow	\$ 2.8 - \$ 3.1	Conversion	~ 150%		

Low End	High End
- Slower Aero Recovery	+ Larger Volume Rebound
- Supplier Readiness	+ New Products / EM Penetration
- Material Inflation, F/X	+ Greater Indirect and Labor Savings

1Q Strength Reflected In Revised FY Outlook

- **1Q Performance Ahead Of Expectations**
 - Notable Rates of Change in TS, SM, ACS Short-Cycle
 - Clear Evidence Things Getting Better
- **2Q/2H – Modest Organic Growth**
 - Continued Short Cycle Improvement
 - Strong Operating Leverage and Continued Margin Expansion
- **Increasing Full Year Outlook**
 - Raising FY10 EPS to \$2.30 – \$2.45
 - Free Cash Flow to \$2.8 – 3.1 Billion

Strong Start, Improved Outlook

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)	1Q09	1Q10
Sales	\$7,570	\$7,776
Cost of Products and Services Sold	(5,756)	(5,982)
Selling, General and Administrative Expenses	(1,152)	(1,136)
Operating Income	<u>\$662</u>	<u>\$658</u>
Stock Based Compensation ⁽¹⁾	42	50
Repositioning and Other ^(1, 2)	117	146
Pension Expense ⁽¹⁾	26	200
OPEB (Income) Expense ⁽¹⁾	29	(18)
Segment Profit	<u>\$876</u>	<u>\$1,036</u>
Operating Income	\$662	\$658
÷ Sales	<u>\$7,570</u>	<u>\$7,776</u>
Operating Income Margin %	<u>8.7%</u>	<u>8.5%</u>
Segment Profit	\$876	\$1,036
÷ Sales	<u>\$7,570</u>	<u>\$7,776</u>
Segment Profit Margin %	<u>11.6%</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

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

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(\$B)	2009	2010E
Sales	<u>\$30.9</u>	<u>\$31.5 - \$32.3</u>
Cost of Products and Services Sold	(23.2)	(24.4) - (24.8)
Selling, General and Administrative Expenses	<u>(4.3)</u>	<u>(4.2) - (4.4)</u>
Operating Income	<u>\$3.4</u>	<u>\$2.9 - \$3.1</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⁾	<u>0.1</u>	<u>0.9</u>
Segment Profit	<u>\$4.1</u>	<u>\$4.3 - 4.5</u>
Operating Income	\$3.4	\$2.9 - \$3.1
÷ Sales	<u>\$30.9</u>	<u>\$31.5 - \$32.3</u>
Operating Income Margin %	<u>11.0%</u>	<u>9.2 - 9.6%</u>
Segment Profit	\$4.1	\$4.3 - 4.5
÷ Sales	<u>\$30.9</u>	<u>\$31.5 - \$32.3</u>
Segment Profit Margin %	<u>13.3%</u>	<u>13.6 - 13.9%</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

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(\$M)	1Q09	1Q10
Cash Provided by Operating Activities	\$341	\$743
Expenditures for Property, Plant and Equipment	(109)	(70)
Free Cash Flow	\$232	\$673
Cash Provided by Operating Activities	\$341	\$743
÷ Net Income Attributable to Honeywell	\$397	\$386
Operating Cash Flow Conversion %	86%	192%
Free Cash Flow	\$232	\$673
÷ Net Income Attributable to Honeywell	\$397	\$386
Free Cash Flow Conversion %	58%	174%

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

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	2010E
(\$B)	
Cash Provided by Operating Activities	\$3.5 - \$3.8
Expenditures for Property, Plant and Equipment	~(0.7)
Free Cash Flow	<u>\$2.8 - \$3.1</u>
Cash Provided by Operating Activities	\$3.5 - \$3.8
÷ Net Income Attributable to Honeywell	~\$1.9
Operating Cash Flow Conversion %	<u>~190%</u>
Free Cash Flow	\$2.8 - \$3.1
÷ Net Income Attributable to Honeywell	~\$1.9
Free Cash Flow Conversion %	<u>~150%</u>

Calculation of Cash Flow Conversion, Excluding Pension Expense

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	1Q10
(\$M)	
Net Income Attributable to Honeywell	\$386
Pension Expense, net of tax	142
Net Income Attributable to Honeywell, Excluding Pension	\$528
Free Cash Flow	\$673
÷ Net Income Attributable to Honeywell, Excluding Pension	\$528
Free Cash Flow Conversion %, Excluding Pension	127%

Reconciliation of EPS to EPS, Excluding Pension

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(\$B)	1Q09 ⁽¹⁾	1Q10 ⁽¹⁾	2009 ⁽¹⁾	2010E ⁽²⁾
EPS	\$0.54	\$0.50	\$2.85	~\$2.30 - \$2.45
Pension Expense	~0.03	0.18	0.10	~\$0.77
EPS, Excluding Pension	<u>\$0.56</u>	<u>\$0.68</u>	<u>\$2.95</u>	<u>~\$3.07 - \$3.22</u>

(1) Utilizes weighted average shares outstanding and the effective tax rate for the period.
 (2) Assumes weighted average shares outstanding of 780 million and a 26.5% effective tax rate for 2010 guidance.

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