

Honeywell

Second Quarter 2008

Earnings Release

July 18, 2008

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 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.

- **Financial Performance**

- **13% Sales Growth, Organic Growth Across All Regions**
- **Segment Profit up 13%, Net Income up 18%, EPS up 23%**
- **Repositioning \$62M, Benefiting Future Periods**
- **Free Cash Flow \$853M, 118% Conversion; up 11% Year To Date**
- **Raising Guidance; FY 2008 EPS \$3.75 - \$3.85**

- **Highlights**

- **Global Reach: 70%+ Growth from Outside US**
- **Great Positions: Gaining Share In Key Markets**
- **Good Industries: Strong Performance Despite Tougher Conditions**
- **Portfolio Management: Norcross/Metrologic Acquisitions, CS Divestiture**

Financial Summary

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<i>(M)</i>	<u>2Q07</u>	<u>2Q08</u>	
Sales	\$8,538	\$9,674	<ul style="list-style-type: none">• 13% Growth<ul style="list-style-type: none">◆ 4% Acq./Div. Impact◆ 3% F/X Impact
Segment Profit	\$1,134	\$1,278	<ul style="list-style-type: none">• 13% Growth
<i>Margin %</i>	<i>13.3%</i>	<i>13.2%</i>	<ul style="list-style-type: none">• (10) bps
Net Income	\$611	\$723	<ul style="list-style-type: none">• 18% Growth
EPS	\$0.78	\$0.96	<ul style="list-style-type: none">• 23% Growth
Free Cash Flow	\$820	\$853	<ul style="list-style-type: none">• 118% Conversion

Solid Second Quarter Performance

<i>(M)</i>	<u>2Q07</u>	<u>2Q08</u>	<u>V'07</u>
Sales	\$ 3,027	\$ 3,281	8%
Segment Profit	\$ 523	\$ 602	15%
Margin	17.3%	18.3%	100 bps

Business Highlights

- + Continued Robust AT&R and B&GA Growth
- + Defense & Space Strength
- + Consumables Solutions Divestiture Announced
- + Price and Productivity Actions

Financial Highlights

- Sales up 8%
 - ◆ 1% Acquisition Impact
 - Air Transport & Regional up 7%
 - ◆ OE up 8%
 - ◆ Aftermarket up 6% (Flight Hours up 5.5%)
 - Business & General Aviation up 6%
 - ◆ OE up 3%
 - ◆ Aftermarket up 8%
 - Defense & Space up 11%
- Segment Profit up 15%
 - ◆ 100 bps Margin Expansion
 - + Price / Volume
 - + Productivity
 - Inflation

Continued Broad Based Strength

Aerospace Outlook Update

- **Air Transport and Regional**
 - 7,000+ OE Aircraft Backlog, Continued International Demand
 - FY08 ~4% Flight Hour Growth; 1H08 ~6% vs. 2H08 ~2% Anticipated
- **Business and General Aviation**
 - Multi-Year OE Backlog, Strong Order Trends Continue
 - Medium-Long Range Aircraft Remain Solid
- **Defense and Space**
 - Continued Stable Growth
 - Limited Supplementals Exposure

Continued Positive Outlook Overall

Automation And Control Solutions

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<i>(M)</i>	<u>2Q07</u>	<u>2Q08</u>	<u>V'07</u>
Sales	\$ 3,039	\$ 3,616	19%
Segment Profit	\$ 333	\$ 390	17%
Margin	11.0%	10.8%	(20) bps

Business Highlights

- + Organic Growth Across All Regions
- + Continued Orders Strength
- + Acquisition Integrations On-Track
- + Attractive Norcross, Metrologic acquisitions
- S&C and Residential Softness Continues

Financial Highlights

- Sales up 19%
 - ◆ 10% Acquisition Impact
 - ◆ 5% F/X Impact
- Products up 22%
 - ◆ Acquisitions and F/X
 - ◆ Environmental and Combustion Controls, Life Safety Strength
- Solutions up 15%
 - ◆ Orders up 12%
- Segment Profit up 17%
 - ◆ 20 bps Margin Contraction
 - + Productivity
 - + Price
 - Inflation
 - Acquisitions

Diversification And Productivity Benefits

Transportation Systems

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<i>(M)</i>	<u>2Q07</u>	<u>2Q08</u>	<u>V'07</u>
Sales	\$ 1,256	\$ 1,327	6%
Segment Profit	\$ 157	\$ 149	-5%
Margin	12.5%	11.2%	(130) bps

Business Highlights

- + Commercial Vehicle Recovery On-Track
- + New Passenger Vehicle Platform Execution
- Passenger Vehicle Customer Launch Timing
- Diesel Price Impact on EU Penetration
- Continued CPG Challenges
 - ◆ Automotive Aftermarket

Financial Highlights

- Sales up 6%
 - ◆ F/X Impact 10%
- Turbo up 7%
 - ◆ Commercial Vehicle Growth and F/X
 - ◆ European Passenger Vehicle Softness
- CPG down 7%
 - ◆ F/X and Price More Than Offset by Lower Volume
- Friction Materials up 17%
 - ◆ F/X and Europe Growth
- Segment Profit down 5%
 - ◆ 130 bps Margin Contraction
 - + Productivity
 - Volume
 - Platform Investments

Turbo Volumes; CPG Challenges

Specialty Materials

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<i>(M)</i>	<u>2Q07</u>	<u>2Q08</u>	<u>V'07</u>
Sales	\$ 1,216	\$ 1,450	19%
Segment Profit	\$ 175	\$ 186	6%
Margin	14.4%	12.8%	(160) bps

Business Highlights

- + Continued Strong UOP performance
- + All Business Contributing
- + Growth Across All Geographies
- + Price and Productivity Actions
- Fluorines Plant Performance

Financial Highlights

- Sales up 19%
 - UOP up 27%
 - ◆ Strong Catalysts and Adsorbents Product Growth
 - Resins and Chemicals up 30%
 - Fluorine Products up 10%
 - Specialty Products up 7%

- Segment Profit up 6%
 - ◆ 160 bps Margin Contraction
 - + Price
 - + Productivity
 - Raw Materials Formula Pricing
 - Fluorines Plant Performance

UOP, R&C Growth; Raw Materials Formula Pricing

2008 Key Market Assumptions

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Business	Drivers	Key Assumptions
AT&R	Flight Hours OE Deliveries	+5% → +4% +10%
B&GA	OE Deliveries	+9%
Defense	DOD Budget	+4%
ACS – Developed Markets	US Housing Starts US Non-Res Construction Retrofit / Regulation Europe	No Recovery Slower Growth Increasing Moderating
ACS – Emerging Markets	New Construction	Double Digit Growth
Passenger Vehicles	Europe Auto Production Europe Diesel Penetration	Flat to +2% → Flat +2 pts → +1 pts
Commercial Vehicles	NA Class 8 Truck Production	Rebounding
UOP	Refining and Petrochemicals	Continued Strength

Market Assumptions Remain Largely Intact

3Q08 Preview

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(\$B)

	<u>Sales</u>	<u>Comments</u>
Aerospace	~\$3.2	<ul style="list-style-type: none">• ~5% Growth• Growth Across ATR, BGA and Defense• Flight Hours up ~2%
Automation & Control	~3.8	<ul style="list-style-type: none">• ~17% Growth• Contribution from Acquisitions• Some Select Softness
Transportation	~1.2	<ul style="list-style-type: none">• ~2% Growth• Weak European Automotive• Continued CPG Softness
Specialty Materials	~1.4	<ul style="list-style-type: none">• ~11% Growth• UOP Timing / Mix• Raw Material Pass-Through

*3Q08 Sales ~\$9.6B, Up ~ 10%
EPS \$0.94 - 0.96, Up 16% - 19%*

Second Half Guidance*

	Sales		EPS	
	<u>Sales (B)</u>	<u>V% PY</u>	<u>EPS (\$)</u>	<u>V% PY</u>
3Q	~\$9.6	~10%	~\$0.95	~17%
4Q	<u>~\$9.8</u>	<u>~6%</u>	<u>~\$1.04</u>	<u>~14%</u>
2H	~\$19.4	~8%	~\$1.99	~16%

*2H excludes expected gain from Consumables Solutions divestiture, see slide 14

*Estimates correspond to midpoint of FY08 guidance range, see slide 13

Delivering In A Challenging Environment

2008 Financial Summary*

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(\$B)

	<u>2007</u>	<u>2008E</u>	<u>V'07</u>
Sales	\$34.6	\$37.6 – 38.2	9 - 11%
Segment Profit	\$4.7	\$5.1 - 5.3	10 - 15%
<i>Margin %</i>	13.5%	13.6 – 13.9%	10 - 40 bps
EPS	\$3.16	\$3.75 – 3.85	19 - 22%
Free Cash Flow	\$3.1	\$3.2 - 3.4	2 - 8%
<i>Conversion</i>	129%	+100%	

*Excludes expected gain from Consumables Solutions divestiture, see slide 14

Raising Guidance

Consumables Solutions Divestiture

Transaction Price **\$1,050M**

Cash (minimum)* \$800M

B/E Aerospace Stock \$250M

Expected Close **3Q 2008**

Income Statement

Book Gain (Pre Tax) **~\$620M**

Book Gain (After Tax) **~\$425M**

EPS Impact **~\$0.56**



Gain subject to significant reduction due to repositioning and other actions

*Cash may be greater if value of 6M BEAV stock is worth less than \$250M

Expected Gain Not Included In Current Guidance

- **Delivering On Commitments**
 - Growth Despite Tougher Macro Environment
 - Income and Cash Flow Focus
- **Benefiting from Diversified Portfolio**
 - Growth Across All Regions
- **Key Initiatives Contributing**
 - HOS, FT, VPD™
- **Raising 2008 EPS Guidance Range**
 - \$3.75 - \$3.85 (excludes expected CS gain)

Honeywell Continuing To Execute

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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<i>(\$M)</i>	2Q07	2Q08
Sales	\$8,538	\$9,674
Cost of Products and Services Sold	(6,491)	(7,323)
Selling, General and Administrative Expenses	(1,127)	(1,290)
Operating Income	<u>\$920</u>	<u>\$1,061</u>
Stock Based Compensation ⁽¹⁾	17	35
Repositioning and Other ^(1, 2)	125	156
Pension and OPEB Expense ⁽¹⁾	72	26
Segment Profit	<u>\$1,134</u>	<u>\$1,278</u>
Operating Income	\$920	\$1,061
÷ Sales	\$8,538	\$9,674
Operating Income Margin %	<u>10.8%</u>	<u>11.0%</u>
Segment Profit	\$1,134	\$1,278
÷ Sales	\$8,538	\$9,674
Segment Profit Margin %	<u>13.3%</u>	<u>13.2%</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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(\$M)	2Q07	2Q08
Cash Provided by Operating Activities	\$983	\$1,042
Expenditures for Property, Plant and Equipment	(163)	(189)
Free Cash Flow	<u>820</u>	<u>853</u>
Cash Provided by Operating Activities	\$983	\$1,042
÷ Net Income	611	723
Operating Cash Flow Conversion %	<u>161%</u>	<u>144%</u>
Free Cash Flow	\$820	\$853
÷ Net Income	611	723
Free Cash Flow Conversion %	<u>134%</u>	<u>118%</u>

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

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(\$B)	<u>2007</u>	<u>2008E</u>
Sales	\$34.6	\$37.6 - 38.2
Cost of Products and Services Sold	(26.3)	(28.4) - (28.7)
Selling, General and Administrative Expenses	(4.6)	(4.9) - (5.1)
Operating Income	<u>\$3.7</u>	<u>\$4.3 - 4.4</u>
Stock Based Compensation ⁽¹⁾	0.1	~0.1
Repositioning and Other ^(1, 2)	0.6	0.5 - 0.6
Pension and OPEB Expense ⁽¹⁾	0.3	~0.2
Segment Profit	<u>\$4.7</u>	<u>\$5.1 - 5.3</u>
Operating Income	\$3.7	\$4.3 - 4.4
÷ Sales	<u>\$34.6</u>	<u>\$37.6 - 38.2</u>
Operating Income Margin %	<u>10.7%</u>	<u>11.4 - 11.5%</u>
Segment Profit	\$4.7	\$5.1 - 5.3
÷ Sales	<u>\$34.6</u>	<u>\$37.6 - 38.2</u>
Segment Profit Margin %	<u>13.5%</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 (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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(\$B)	2007	2008E
Cash Provided by Operating Activities	\$3.9	\$4.1 - 4.3
Expenditures for Property, Plant and Equipment	(0.8)	~(0.9)
Free Cash Flow	\$3.1	\$3.2 - 3.4
Cash Provided by Operating Activities	\$3.9	\$4.1 - 4.3
÷ Net Income	\$2.4	\$2.8 - 2.9
Operating Cash Flow Conversion %	160%	~147%
Free Cash Flow	\$3.1	\$3.2 - 3.4
÷ Net Income	\$2.4	\$2.8 - 2.9
Free Cash Flow Conversion %	129%	~116%

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