

Honeywell

Fourth Quarter / Full Year 2008

Earnings Release

January 30, 2009

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.

2008 Summary

Honeywell

- **Strong Financial Performance**
 - 6% Sales Growth
 - 19% EPS Growth
 - 110% Free Cash Flow Conversion*
 - 10% Dividend Increase
- **Portfolio Management**
 - Attractive Norcross, Metrologic, Callidus and IAC Acquisitions
 - \$1B+ Consumable Solutions Proceeds
- **Key Initiatives Driving Growth / Productivity**
 - HOS, FT, VPD™
- **Prepared For Challenging 2009**
 - \$424M Repositioning Actions in 2008

Strong 2008 Performance

Fourth Quarter 2008 Results

Honeywell

<i>(M)</i>	<u>4Q07</u>	<u>4Q08</u>	
Sales	\$9,275	\$8,712	<ul style="list-style-type: none"> • 6% Decline <ul style="list-style-type: none"> ◆ (4)% Organic ◆ 2% Acq. / Div. ◆ (4)% F/X
Segment Profit	\$1,274	\$1,160	<ul style="list-style-type: none"> • 9% Decline <ul style="list-style-type: none"> ◆ ACS + 110 bps ◆ TS (1030) bps
<i>Margin %</i>	<i>13.7%</i>	<i>13.3%</i>	
Net Income	\$689	\$707	<ul style="list-style-type: none"> • 3% Growth <ul style="list-style-type: none"> ◆ Repo. Offsets Taxes
EPS	\$0.91	\$0.97	<ul style="list-style-type: none"> • 7% Growth <ul style="list-style-type: none"> ◆ Lower Sharecount
Free Cash Flow*	\$1,130	\$1,093	<ul style="list-style-type: none"> • 155% Conversion

Good Performance In Tough Environment

Full Year 2008 Results

Honeywell

<i>(M)</i>	<u>FY07</u>	<u>FY08</u>	
Sales	\$34,589	\$36,556	<ul style="list-style-type: none"> • 6% Growth <ul style="list-style-type: none"> ◆ 2% Organic ◆ 3% Acq. / Div. ◆ 1% F/X
Segment Profit	\$4,654	\$4,845	<ul style="list-style-type: none"> • 4% Growth <ul style="list-style-type: none"> ◆ <i>Margin Expansion</i> ◆ <i>3 of 4 Segments</i>
<i>Margin %</i>	<i>13.5%</i>	<i>13.3%</i>	
Net Income	\$2,444	\$2,792	<ul style="list-style-type: none"> • 14% Growth <ul style="list-style-type: none"> ◆ <i>Including \$424M Repo.</i>
EPS	\$3.16	\$3.76	<ul style="list-style-type: none"> • 19% Growth <ul style="list-style-type: none"> ◆ <i>Lower Sharecount</i>
Free Cash Flow*	\$3,144	\$3,073	<ul style="list-style-type: none"> • 110% Conversion

Another Great Year

Aerospace

Honeywell

(\$M)	4Q			FY		
	2007	2008	V	2007	2008	V
Sales	\$ 3,267	\$ 3,229	(1)%	\$ 12,236	\$ 12,650	3%
Segment Profit	614	619	1%	2,197	2,300	5%
Margin	18.8%	19.2%	+40 bps	18.0%	18.2%	+20 bps

4Q and FY Sales Walks

(\$B)	4Q08	V'07	FY08	V'07
2007	\$ 3.3		\$ 12.2	
AT&R	(0.0)	(3)%	0.2	4%
B&GA	0.1	10%	0.1	5%
D&S	0.0	3%	0.2	3%
Organic	0.1	2%	0.5	4%
FX	-	0%	-	0%
Acq/Div	(0.1)	(3)%	(0.1)	(1)%
2008	\$ 3.2	(1)%	\$ 12.7	3%

4Q and FY Highlights

- Air Transport and Regional (Organic)
 - 4Q: OE -12%, AM +0% (Flight Hours -1.6%)
 - FY: OE +3%, AM +4% (Flight Hours +3.4%)
- Business and General Aviation
 - 4Q: OE +16%, AM +3% (TFE Hours -22%)
 - FY: OE +5%, AM +6% (TFE Hours -12%)
- Defense and Space
 - Logistics and Services, Orion and Tiger

Strong 4Q And 2008 Results

Automation And Control Solutions

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(\$M)	4Q			FY		
	2007	2008	V	2007	2008	V
Sales	\$ 3,442	\$ 3,534	3%	\$ 12,478	\$ 14,018	12%
Segment Profit	425	474	12%	1,405	1,622	15%
Margin	12.3%	13.4%	+110 bps	11.3%	11.6%	+30 bps

4Q and FY Sales Walks

(\$B)	4Q08	V'07	FY08	V'07
2007	\$ 3.4		\$ 12.5	
Products	(0.0)	(1)%	0.0	0%
Solutions	0.1	7%	0.3	6%
Organic	0.1	2%	0.3	2%
FX	(0.3)	(9)%	0.0	0%
Acq/Div	0.3	10%	1.2	10%
2008	\$ 3.5	3%	\$ 14.0	12%

4Q Highlights

- Products
 - ECC and Life Safety Organic Growth
 - Wireless and Energy Efficient Controls
 - Weakness in Security and Sensing
- Solutions
 - Continued Energy Retrofit and Process Optimization Demand
 - Backlog and Service Bank Robust
 - Organic Orders -1% (FY +4%)

Strengthened Portfolio Performing Well

Transportation Systems

Honeywell

(\$M)	4Q			FY		
	2007	2008	V	2007	2008	V
Sales	\$ 1,326	\$ 863	(35)%	\$ 5,009	\$ 4,622	(8)%
Segment Profit	146	6	(96)%	583	406	(30)%
Margin	11.0%	0.7%	(1030) bps	11.6%	8.8%	(280) bps

4Q and FY Sales Walks

(\$B)	4Q08	V'07	FY08	V'07
2007	\$ 1.3		\$ 5.0	
Turbo	(0.3)	(40)%	(0.4)	(14)%
CPG/FM	(0.1)	(17)%	(0.2)	(9)%
Organic	(0.4)	(31)%	(0.6)	(12)%
FX	(0.1)	(4)%	0.2	4%
Acq/Div	-	0%	-	0%
2008	\$ 0.9	(35)%	\$ 4.6	(8)%

4Q Highlights

- Turbo Technologies
 - EU Passenger Vehicle Sales -25%, Diesel Penetration -5 points
 - NA Class 8 Truck Volumes -46%, US Light Truck -73%
- CPG / Friction Materials
 - Consumer Confidence, Miles Driven Down
 - OE and Aftermarket Declines

Industry Challenges; Turbo LT Outlook Positive

Specialty Materials

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(\$M)	4Q			FY		
	2007	2008	V	2007	2008	V
Sales	\$ 1,240	\$ 1,086	(12)%	\$ 4,866	\$ 5,266	8%
Segment Profit	134	112	(16)%	658	721	10%
Margin	10.8%	10.3%	(50) bps	13.5%	13.7%	+20 bps

4Q and FY Sales Walks

(\$B)	4Q08	V'07	FY08	V'07
2007	\$ 1.2		\$ 4.9	
UOP	0.0	2%	0.1	8%
Other SM	(0.1)	(17)%	0.3	9%
Organic	(0.1)	(10)%	0.4	9%
FX	(0.0)	(2)%	0.0	0%
Acq/Div	(0.0)	(0)%	(0.1)	(1)%
2008	\$ 1.1	(12)%	\$ 5.3	8%

4Q Highlights

- UOP
 - Catalysts +7% Offset By Project Timing
- Other SM
 - Fluorines +7%; Regulation and Strong Technology Position
 - Resins & Chemicals -40%; Weak Demand and Formula Pricing Deflation
 - Specialty Products -14%; Semiconductor Industry Declines, Hurricane Impacts

Difficult 4Q; Strong 2008 Overall

2009 Financial Guidance Update

Honeywell

Consolidated (\$B)	2009 Financial Outlook	Growth 2009E vs. 2008E
Sales	\$ 33.6 - 35.3	(8)% - (4)%
<i>Organic (LCE)</i>		(4)% - 1%
Segment Profit	4.4 - 4.8	(8)% - 0%
<i>Segment Margin</i>	13.2% - 13.7%	(10) bps - 40 bps
Net Income	2.4 - 2.7	(14)% - (4)%
EPS	\$3.20 - 3.55	(15)% - (6)%
Free Cash Flow	>100% Conversion	

Status Since December 15 Guidance

- + Pension Plan Returns -29% vs. -33%
- + Euro \$1.31 Spot vs. \$1.25 Plan
- + ACS Performance
- + Commodity Costs
- + Productivity Savings
- Pension Discount Rate 6.95% vs. 7.5%
- China and India Slow-Down
- Commercial Aerospace Weakness
- Electronic Materials Demand
- Earnings and Cash Non-Linearity

Fluid Economic Environment

1Q09 Preview

Honeywell

(\$B)	<u>Sales</u>	<u>Comments</u>
Aerospace	~2.6 – 2.8	<ul style="list-style-type: none">• Acq. / Div. -4% Estimated Impact• OE Deliveries Decline• ATR Flight Hours -4%, TFE Hours -25%
ACS	~3.0 – 3.2	<ul style="list-style-type: none">• FX -12%, Acq. +8% Estimated Impact• Contribution from Acquisitions• Conversion of Solutions Backlog
Transportation	~0.7 – 0.8	<ul style="list-style-type: none">• FX -8% Estimated Impact• Continued Automotive Weakness
Specialty	~0.9 – 1.0	<ul style="list-style-type: none">• FX -2% Estimated Impact• UOP Catalysts Decline, Negative Mix• Continued R&C, EM Weakness

1Q09 Sales ~\$7.4B - \$8.0B
EPS \$0.50 – \$0.60

- **Strong 2008 Finish in Tough Environment**
- **Anticipating Challenging 1H 2009**
- **Comparisons More Favorable in 2H 2009**
- **Reaffirming 2009 EPS Guidance**

Investor Meeting February 23rd

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

Honeywell

(\$M)	4Q07	4Q08
Sales	\$9,275	\$8,712
Cost of Products and Services Sold	(7,013)	(6,523)
Selling, General and Administrative Expenses	(1,205)	(1,179)
Operating Income	\$1,057	\$1,010
Stock Based Compensation ⁽¹⁾	11	21
Repositioning and Other ^(1, 2)	135	105
Pension and OPEB Expense ⁽¹⁾	71	24
Segment Profit	\$1,274	\$1,160
Operating Income	\$1,057	\$1,010
÷ Sales	\$9,275	\$8,712
Operating Income Margin %	11.4%	11.6%
Segment Profit	\$1,274	\$1,160
÷ Sales	\$9,275	\$8,712
Segment Profit Margin %	13.7%	13.3%

(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

Honeywell

<i>(\$M)</i>	4Q07	4Q08
Cash Provided by Operating Activities	\$1,440	\$1,259
Expenditures for Property, Plant and Equipment	(310)	(332)
Free Cash Flow	1,130	927
Cash taxes relating to the sale of the Consumable Solutions business	-	166
Free Cash Flow excluding cash taxes relating to the sale of the Consumables Solution business	<u>1,130</u>	<u>1,093</u>
Cash Provided by Operating Activities	\$1,440	\$1,259
÷ Net Income	689	707
Operating Cash Flow Conversion %	<u>209%</u>	<u>178%</u>
Free Cash Flow excluding cash taxes relating to the sale of the Consumables Solution business	\$1,130	\$1,093
÷ Net Income	689	707
Free Cash Flow excluding cash taxes relating to the sale of the Consumables Solution business Conversion %	<u>164%</u>	<u>155%</u>

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

Honeywell

(\$B)	<u>2007</u>	<u>2008</u>
Sales	\$34.6	\$36.6
Cost of Products and Services Sold	(26.3)	(28.0)
Selling, General and Administrative Expenses	(4.6)	(5.0)
Operating Income	<u>\$3.7</u>	<u>\$3.6</u>
Stock Based Compensation ⁽¹⁾	0.1	0.1
Repositioning and Other ^(1, 2)	0.6	1.0
Pension and OPEB Expense ⁽¹⁾	0.3	0.1
Segment Profit	<u>\$4.7</u>	<u>\$4.8</u>
Operating Income	\$3.7	\$3.6
÷ Sales	<u>\$34.6</u>	<u>\$36.6</u>
Operating Income Margin %	<u>10.7%</u>	<u>9.8%</u>
Segment Profit	\$4.7	\$4.8
÷ Sales	<u>\$34.6</u>	<u>\$36.6</u>
Segment Profit Margin %	<u>13.5%</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

Honeywell

(\$B)	2007	2008
Cash Provided by Operating Activities	\$3.9	\$3.8
Expenditures for Property, Plant and Equipment	(0.8)	(0.9)
Free Cash Flow	3.1	2.9
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>\$3.1</u>
Cash Provided by Operating Activities	\$3.9	\$3.8
÷ Net Income	\$2.4	2.8
Operating Cash Flow Conversion %	<u>160%</u>	<u>136%</u>
Free Cash Flow excluding cash taxes relating to the sale of the Consumables Solution business	\$3.1	\$3.1
÷ Net Income	\$2.4	\$2.8
Free Cash Flow excluding cash taxes relating to the sale of the Consumables Solution business Conversion %	<u>129%</u>	<u>110%</u>

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

Honeywell

(\$B)	<u>2008</u>	<u>2009E</u>
Sales	\$36.6	\$33.6 - \$35.3
Cost of Products and Services Sold	(28.0)	(25.2) - (26.5)
Selling, General and Administrative Expenses	(5.0)	(4.6) - (4.8)
Operating Income	<u>\$3.6</u>	<u>\$3.8 - \$4.0</u>
Stock Based Compensation ⁽¹⁾	0.1	~0.1
Repositioning and Other ^(1, 2)	1.0	0.3 - 0.4
Pension and OPEB Expense ⁽¹⁾	0.1	0.2 - 0.3
Segment Profit	<u>\$4.8</u>	<u>\$4.4 - 4.8</u>
Operating Income	\$3.6	\$3.8 - \$4.0
÷ Sales	<u>\$36.6</u>	<u>\$33.6 - \$35.3</u>
Operating Income Margin %	<u>9.8%</u>	<u>~11.3%</u>
Segment Profit	\$4.8	\$4.4 - 4.8
÷ Sales	<u>\$36.6</u>	<u>\$33.6 - \$35.3</u>
Segment Profit Margin %	<u>13.3%</u>	<u>13.2 - 13.7%</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)

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