

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-8974

Honeywell International Inc.

(Exact name of registrant as specified in its charter)

Delaware

22-2640650

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

101 Columbia Road
Morris Township, New Jersey

07962

(Address of principal executive offices)

(Zip Code)

(973)455-2000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-Accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

There were 766,182,091 shares of Common Stock outstanding at March 31, 2010.

Honeywell International Inc.
Index

	<u>Page No.</u>
<u>Part I.</u>	<u>Financial Information</u>
<u>Item 1.</u>	<u>Financial Statements:</u>
	<u>Consolidated Statement of Operations (unaudited) – Three Months Ended March 31, 2010 and 2009</u>
	<u>Consolidated Balance Sheet (unaudited) – March 31, 2010 and December 31, 2009</u>
	<u>Consolidated Statement of Cash Flows (unaudited) – Three Months Ended March 31, 2010 and 2009</u>
	<u>Notes to Financial Statements (unaudited)</u>
	<u>Report of Independent Registered Public Accounting Firm</u>
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>
<u>Part II.</u>	<u>Other Information</u>
<u>Item 1.</u>	<u>Legal Proceedings</u>
<u>Item 6.</u>	<u>Exhibits</u>
<u>Signatures</u>	

Cautionary Statement about Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are those that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future. They are based on management’s assumptions and assessments in the 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. These forward-looking statements should be considered in the light of the information included in this report and our other filings with the Securities and Exchange Commission, including, without limitation, the Risk Factors, as well as the description of trends and other factors in Management’s Discussion and Analysis of Financial Condition and Results of Operations, set forth in our Form 10-K for the year ended December 31, 2009.

PART I. FINANCIAL INFORMATION

The financial information as of March 31, 2010 should be read in conjunction with the financial statements for the year ended December 31, 2009 contained in our Form 10-K filed on February 12, 2010.

ITEM 1. FINANCIAL STATEMENTS

Honeywell International Inc.
Consolidated Statement of Operations
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
	(Dollars in millions, except per share amounts)	
Product sales	\$ 6,047	\$ 5,818
Service sales	1,729	1,752
Net sales	7,776	7,570
Costs, expenses and other		
Cost of products sold	4,787	4,608
Cost of services sold	1,195	1,148
	5,982	5,756
Selling, general and administrative expenses	1,136	1,152
Other (income) expense	(2)	2
Interest and other financial charges	107	117
	7,223	7,027
Income from continuing operations before taxes	553	543
Tax expense	160	144
Net income	393	399
Less: Net income attributable to the noncontrolling interest	7	2
Net income attributable to Honeywell	\$ 386	\$ 397
Earnings per share of common stock-basic	\$ 0.50	\$ 0.54
Earnings per share of common stock-assuming dilution	\$ 0.50	\$ 0.54
Cash dividends per share of common stock	\$ 0.3025	\$ 0.3025

The Notes to Financial Statements are an integral part of this statement.

Honeywell International Inc.
Consolidated Balance Sheet
(Unaudited)

	March 31, 2010	December 31, 2009
(Dollars in millions)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,851	\$ 2,801
Accounts, notes and other receivables	6,184	6,274
Inventories	3,568	3,446
Deferred income taxes	1,024	1,034
Investments and other current assets	706	381
Total current assets	14,333	13,936
Investments and long-term receivables	586	579
Property, plant and equipment - net	4,697	4,847
Goodwill	10,362	10,494
Other intangible assets - net	2,114	2,174
Insurance recoveries for asbestos related liabilities	936	941
Deferred income taxes	1,973	2,017
Other assets	1,025	1,016
Total assets	\$ 36,026	\$ 36,004
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,553	\$ 3,633
Short-term borrowings	44	45
Commercial paper	1,248	298
Current maturities of long-term debt	23	1,018
Accrued liabilities	6,233	6,153
Total current liabilities	11,101	11,147
Long-term debt	6,246	6,246
Deferred income taxes	570	542
Postretirement benefit obligations other than pensions	1,547	1,594
Asbestos related liabilities	1,049	1,040
Other liabilities	6,409	6,481
SHAREOWNERS' EQUITY		
Capital - common stock issued	958	958
- additional paid-in capital	3,859	3,823
Common stock held in treasury, at cost	(8,922)	(8,995)
Accumulated other comprehensive income (loss)	(4,543)	(4,429)
Retained earnings	17,635	17,487
Total Honeywell shareowners' equity	8,987	8,844
Noncontrolling interest	117	110
Total shareowners' equity	9,104	8,954
Total liabilities and shareowners' equity	\$ 36,026	\$ 36,004

The Notes to Financial Statements are an integral part of this statement.

Honeywell International Inc.
Consolidated Statement of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
	(Dollars in millions)	
Cash flows from operating activities:		
Net income attributable to Honeywell	\$ 386	\$ 397
Adjustments to reconcile net income attributable to Honeywell to net cash provided by operating activities:		
Depreciation and amortization	233	234
Repositioning and other charges	142	111
Net payments for repositioning and other charges	(119)	(148)
Pension and other postretirement expense	182	55
Pension and other postretirement payments	(36)	(47)
Stock compensation expense	50	42
Deferred income taxes	26	272
Excess tax benefits from share based payment arrangements	(2)	—
Other	(96)	(142)
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts, notes and other receivables	90	461
Inventories	(122)	49
Other current assets	(28)	(31)
Accounts payable	(80)	(629)
Accrued liabilities	117	(283)
	743	341
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(70)	(109)
Proceeds from disposals of property, plant and equipment	1	8
Increase in investments	(296)	—
Decrease in investments	—	1
Cash paid for acquisitions, net of cash acquired	—	(20)
Other	(16)	(6)
	(381)	(126)
Cash flows from financing activities:		
Net increase/(decrease) in commercial paper	950	(931)
Net (decrease)/increase in short-term borrowings	(1)	6
Proceeds from issuance of common stock	32	4
Proceeds from issuance of long-term debt	—	1,488
Payments of long-term debt	(1,001)	(493)
Excess tax benefits from share based payment arrangements	2	—
Cash dividends paid	(231)	(224)
	(249)	(150)
Effect of foreign exchange rate changes on cash and cash equivalents	(63)	(78)
Net increase/(decrease) in cash and cash equivalents	50	(13)
Cash and cash equivalents at beginning of period	2,801	2,065
Cash and cash equivalents at end of period	\$ 2,851	\$ 2,052

The Notes to Financial Statements are an integral part of this statement.

NOTE 1. Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of Honeywell International Inc. and its consolidated subsidiaries at March 31, 2010 and the results of operations for the three months ended March 31, 2010 and 2009 and cash flows for the three months ended March 31, 2010 and 2009. The results of operations for the three month period ended March 31, 2010 should not necessarily be taken as indicative of the results of operations that may be expected for the entire year. We have evaluated subsequent events through the date of issuance of our consolidated financial statements.

We report our quarterly financial information using a calendar convention; that is, the first, second and third quarters are consistently reported as ending on March 31, June 30 and September 30, respectively. It has been our practice to establish actual quarterly closing dates using a predetermined "fiscal" calendar, which requires our businesses to close their books on a Saturday in order to minimize the potentially disruptive effects of quarterly closing on our business processes. The effects of this practice are generally not significant to reported results for any quarter and only exist within a reporting year. In the event that differences in actual closing dates are material to year-over-year comparisons of quarterly or year-to-date results, we provide appropriate disclosures. Our actual closing dates for the three month periods ended March 31, 2010 and 2009 were April 3, 2010 and April 4, 2009, respectively.

The financial information as of March 31, 2010 should be read in conjunction with the financial statements for the year ended December 31, 2009 contained in our Form 10-K filed on February 12, 2010.

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 2. Recent Accounting Pronouncements

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Company considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position and results of operations.

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for transfers of financial assets. The guidance requires additional disclosures for transfers of financial assets and changes the requirements for derecognizing financial assets. The guidance was effective for fiscal years beginning after November 15, 2009. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for the consolidation of variable interest entities. The guidance affects the overall consolidation analysis and requires enhanced disclosures on involvement with variable interest entities. The guidance was effective for fiscal

years beginning after November 15, 2009. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In October 2009, the FASB issued amendments to the accounting and disclosure for revenue recognition. These amendments, effective for fiscal years beginning on or after June 15, 2010 (early adoption is permitted), modify the criteria for recognizing revenue in multiple element arrangements and the scope of what constitutes a non-software deliverable. The Company has elected to early adopt this guidance, on a prospective basis for applicable transactions originating or materially modified after January 1, 2010. The implementation of this amended accounting guidance did not have a material impact on our consolidated financial position and results of operations in the period of adoption. Adoption impacts in future periods will vary based upon the nature and volume of new or materially modified transactions but are not expected to have a significant impact on sales.

NOTE 3. Repositioning and Other Charges

A summary of repositioning and other charges follows:

	Three Months Ended March 31,	
	2010	2009
Severance	\$ 33	\$ 62
Asset impairments	8	2
Exit costs	4	1
Adjustments	(5)	(21)
Total net repositioning charge	40	44
Asbestos related litigation charges, net of insurance	38	36
Probable and reasonably estimable environmental liabilities	46	31
Other	18	—
Total net repositioning and other charges	\$ 142	\$ 111

The following table summarizes the pretax distribution of total net repositioning and other charges by income statement classification:

	Three Months Ended March 31,	
	2010	2009
Cost of products and services sold	\$ 139	\$ 94
Selling, general and administrative expenses	3	17
	\$ 142	\$ 111

The following table summarizes the pretax impact of total net repositioning and other charges by segment:

	Three Months Ended March 31,	
	2010	2009
Aerospace	\$ —	\$ (2)
Automation and Control Solutions	24	23
Specialty Materials	11	4
Transportation Systems	59	51
Corporate	48	35
	\$ 142	\$ 111

In the first quarter of 2010 we recognized a net repositioning charge of \$40 million including severance costs of \$33 million related to workforce reductions of 617 manufacturing and administrative positions primarily in our Automation and Control Solutions and Transportation Systems segments. The workforce reductions were primarily related to the planned shutdown of certain manufacturing facilities in our Automation and Control Solutions and Transportation Systems segments. The repositioning charge also included asset impairments of \$8 million principally related to manufacturing plant and equipment in facilities scheduled to close.

In the first quarter of 2009, we recognized repositioning charges totaling \$65 million primarily for severance costs related to workforce reductions of 1,309 manufacturing and administrative positions across all of our segments. The workforce reductions were primarily related to the adverse market conditions experienced by many of our businesses as well as cost savings actions taken in connection with our ongoing functional transformation initiative. Also, \$21 million of previously established accruals for severance, mainly at our Aerospace, Automation and Control Solutions and Transportation Systems segments, were returned to income in the first quarter of 2009 due to fewer employee separations than originally planned associated with prior severance programs and changes in the scope of previously announced repositioning actions.

The following table summarizes the status of our total repositioning reserves:

	Severance Costs	Asset Impairments	Exit Costs	Total
Balance at December 31, 2009	\$ 303	\$ —	\$ 37	\$ 340
2010 charges	33	8	4	45
2010 usage	(54)	(8)	(2)	(64)
Adjustments	(5)	—	—	(5)
	\$ 277	\$ —	\$ 39	\$ 316

Certain repositioning projects in our Aerospace, Automation and Control Solutions and Transportation Systems segments included exit or disposal activities, the costs related to which will be recognized in future periods when the actual liability is incurred. The nature of these exit or disposal costs principally includes product recertification and requalification and employee training and travel. The following tables summarize by segment, expected, incurred and remaining exit and disposal costs related to 2010 and 2008 repositioning actions which we were not able to recognize at the time the actions were initiated. The exit and disposal costs related to the repositioning actions in 2009 which we were not able to recognize at the time the actions were initiated were not significant.

2008 Repositioning Actions	Aerospace	Automation and Control Solutions	Transportation Systems	Total
Expected exit and disposal costs	\$ 96	\$ 27	\$ 6	\$ 129
Costs incurred year ended December 31, 2008	(12)	—	(1)	(13)
Costs incurred year ended December 31, 2009	(44)	(1)	(2)	(47)
Costs incurred three months ended March 31, 2010	(10)	(3)	—	(13)
Remaining exit and disposal costs at March 31, 2010	<u>\$ 30</u>	<u>\$ 23</u>	<u>\$ 3</u>	<u>\$ 56</u>

2010 Repositioning Actions	Automation and Control Solutions	Transportation Systems	Total
Expected exit and disposal costs	\$ 6	\$ 3	\$ 9
Costs incurred three months ended March 31, 2010	—	—	—
Remaining exit and disposal costs at March 31, 2010	<u>\$ 6</u>	<u>\$ 3</u>	<u>\$ 9</u>

In the first quarter of 2010, we recognized a charge of \$46 million for environmental liabilities deemed probable and reasonably estimable in the quarter. We recognized a charge of \$38 million primarily representing an update to our estimated liability for the resolution of Bendix related asbestos claims as of March 31, 2010, net of probable insurance recoveries. Environmental and Asbestos matters are discussed in detail in Note 14, Commitments and Contingencies. We also recognized other charges of \$18 million in connection with the evaluation of potential settlements of certain legal matters.

In the first quarter of 2009, we recognized a charge of \$31 million for environmental liabilities deemed probable and reasonably estimable in the quarter. We also recognized a charge of \$36 million primarily representing an update to our estimated liability for the resolution of Bendix related asbestos claims as of March 31, 2009, net of probable insurance recoveries.

NOTE 4. Other (income) expense.

	Three Months Ended March 31,	
	2010	2009
Equity (income)/loss of affiliated companies	\$ (4)	\$ (6)
Interest income	(9)	(12)
Foreign exchange	11	22
Other, net	—	(2)
	<u>\$ (2)</u>	<u>\$ 2</u>

NOTE 5. Earnings Per Share

The details of the earnings per share calculations for the three months ended March 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
<u>Basic</u>		
Net income attributable to Honeywell	\$ 386	\$ 397
Weighted average number of common shares outstanding	765.7	737.7
Earnings per share of common stock	<u>\$ 0.50</u>	<u>\$ 0.54</u>
	<u>2010</u>	<u>2009</u>
<u>Assuming Dilution</u>		
Net income attributable to Honeywell	\$ 386	\$ 397
<u>Average Shares</u>		
Weighted average number of common shares outstanding	765.7	737.7
Dilutive securities issuable in connection with stock plans	6.0	1.6
Total weighted average number of common shares outstanding	<u>771.7</u>	<u>739.3</u>
Earnings per share of common stock	<u>\$ 0.50</u>	<u>\$ 0.54</u>

The diluted earnings per share calculations exclude the effect of stock options when the options' assumed proceeds exceed the average market price of the common shares during the period. For the three months ended March 31, 2010 and 2009, the number of stock options excluded from the computations were 18.4 and 41.2 million, respectively. These stock options were outstanding at the end of each of the respective periods.

NOTE 6. Accounts, Notes and Other Receivables

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Trade	\$ 6,060	\$ 6,183
Other	356	326
	<u>6,416</u>	<u>6,509</u>
Less - Allowance for doubtful accounts	(232)	(235)
	<u>\$ 6,184</u>	<u>\$ 6,274</u>

NOTE 7. Inventories

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Raw materials	\$ 1,030	\$ 988
Work in process	820	796
Finished products	1,874	1,823
	<u>3,724</u>	<u>3,607</u>
Less - Progress payments	1	—
- Reduction to LIFO cost basis	(157)	(161)
	<u>\$ 3,568</u>	<u>\$ 3,446</u>

The change in the carrying amount of goodwill for the three months ended March 31, 2010 by segment is as follows:

	Dec. 31, 2009	Acquisitions	Divestitures	Currency Translation Adjustment	Mar. 31, 2010
Aerospace	\$ 1,891	\$ —	\$ —	\$ (11)	\$ 1,880
Automation and Control Solutions	6,918	8	—	(115)	6,811
Specialty Materials	1,164	—	—	(6)	1,158
Transportation Systems	521	—	—	(8)	513
	<u>\$ 10,494</u>	<u>\$ 8</u>	<u>\$ —</u>	<u>\$ (140)</u>	<u>\$ 10,362</u>

Other intangible assets are comprised of:

	March 31, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with determinable lives:						
Patents and technology	\$ 1,055	\$ (619)	\$ 436	\$ 1,053	\$ (595)	\$ 458
Customer relationships	1,356	(311)	1,045	1,359	(282)	1,077
Trademarks	173	(67)	106	164	(62)	102
Other	482	(384)	98	514	(406)	108
	<u>3,066</u>	<u>(1,381)</u>	<u>1,685</u>	<u>3,090</u>	<u>(1,345)</u>	<u>1,745</u>
Trademarks with indefinite lives	<u>429</u>	<u>—</u>	<u>429</u>	<u>429</u>	<u>—</u>	<u>429</u>
	<u>\$ 3,495</u>	<u>\$ (1,381)</u>	<u>\$ 2,114</u>	<u>\$ 3,519</u>	<u>\$ (1,345)</u>	<u>\$ 2,174</u>

Amortization expense related to intangible assets for the three months ended March 31, 2010 and 2009 was \$60 and \$61 million, respectively.

We completed our annual impairment testing of goodwill and indefinite-lived intangibles as of March 31, 2010 and determined that there was no impairment as of that date.

NOTE 9. Long-term Debt and Credit Agreements

	March 31, 2010	December 31, 2009
7.50% notes due 2010	—	1,000
6.125% notes due 2011	500	500
5.625% notes due 2012	400	400
4.25% notes due 2013	600	600
3.875% notes due 2014	600	600
5.40% notes due 2016	400	400
5.30% notes due 2017	400	400
5.30% notes due 2018	900	900
5.00% notes due 2019	900	900
Industrial development bond obligations, floating rate maturing at various dates through 2037	47	47
6.625% debentures due 2028	216	216
9.065% debentures due 2033	51	51
5.70% notes due 2036	550	550
5.70% notes due 2037	600	600
Other (including capitalized leases), 0.61%-15.5% maturing at various dates through 2017	105	100
	6,269	7,264
Less-current portion	(23)	(1,018)
	\$ 6,246	\$ 6,246

The schedule of principal payments on long term debt is as follows:

	At March 31, 2010
2010	\$ 17
2011	520
2012	406
2013	605
2014	606
Thereafter	4,115
	6,269
Less-current portion	(23)
	\$ 6,246

In the first quarter of 2010, the Company repaid \$1,000 million of its 7.50% notes. The repayment was funded with the issuance of commercial paper and cash provided by operating activities.

We sell interests in designated pools of trade accounts receivables to third parties. As of March 31, 2010 and December 31, 2009 none of the receivables in the designated pools had been sold to third parties. The terms of the trade accounts receivable program permit the repurchase of receivables from the third parties at our discretion. As a result, program receivables remain on the Company's balance sheet, reflected as Accounts, notes and other receivables with a corresponding amount recorded as either Short-term borrowings or Long-term debt. Program costs are recognized as Interest and other financial charges in the Consolidated Statement of Operations.

Credit and Market Risk—Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest and currency exchange rates and commodity prices. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties in derivative transactions are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest rates, currency exchange rates and commodity prices and restrict the use of derivative financial instruments to hedging activities.

We continually monitor the creditworthiness of our customers to which we grant credit terms in the normal course of business. The terms and conditions of our credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer. Our sales are not materially dependent on a single customer or a small group of customers.

Foreign Currency Risk Management—We conduct our business on a multinational basis in a wide variety of foreign currencies. Our exposure to market risk for changes in foreign currency exchange rates arises from international financing activities between subsidiaries, foreign currency denominated monetary assets and liabilities and transactions arising from international trade. Our objective is to preserve the economic value of non-functional currency denominated cash flows. We attempt to hedge transaction exposures with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency exchange forward and option contracts with third parties.

We hedge monetary assets and liabilities denominated in non-functional currencies. Prior to conversion into U.S. dollars, these assets and liabilities are remeasured at spot exchange rates in effect on the balance sheet date. The effects of changes in spot rates are recognized in earnings and included in Other (Income) Expense.

We partially hedge forecasted sales and purchases, which predominantly occur in the next twelve months and are denominated in non-functional currencies, with currency forward contracts. Changes in the forecasted non-functional currency cash flows due to movements in exchange rates are substantially offset by changes in the fair value of the currency forward contracts designated as hedges. Market value gains and losses on these contracts are recognized in earnings when the hedged transaction is recognized.

Open foreign currency exchange forward contracts mature predominantly in the next twelve months. At March 31, 2010 and December 31, 2009 we had contracts with notional amounts of \$3,817 and \$2,959 million, respectively, to exchange foreign currencies, principally the U.S. dollar, Euro, British pound, Canadian dollar, Hong Kong dollar, Mexican peso, Swiss franc, Czech koruna, Chinese renminbi, Indian rupee and Singapore dollar.

Commodity Price Risk Management—Our exposure to market risk for commodity prices can result in changes in our cost of production. We primarily mitigate our exposure to commodity price risk through the use of long-term, fixed-price contracts with our suppliers and formula price agreements with suppliers and customers. We also enter into forward commodity contracts with third parties designated as hedges of anticipated purchases of several commodities. Forward commodity contracts are marked-to-market, with the resulting gains and losses recognized in earnings when the hedged transaction is recognized. At March 31, 2010 and December 31, 2009 we had contracts with notional amounts of \$39 and \$52 million, respectively, related to forward commodity agreements, principally for base metals and natural gas.

Interest Rate Risk Management—We use a combination of financial instruments, including long-term, medium-term and short-term financing, variable-rate commercial paper, and interest rate swaps to manage the interest rate mix of our total debt portfolio and related overall cost of borrowing. At March 31, 2010 and

December 31, 2009, interest rate swap agreements designated as fair value hedges effectively changed \$600 million of fixed rate debt at a rate of 3.875 percent to LIBOR based floating debt. Our interest rate swaps mature in 2014.

Fair Value of Financial Instrument—The FASB’s accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The FASB’s guidance classifies the inputs used to measure fair value into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Unadjusted quoted prices in active markets for similar assets or liabilities, or Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or Inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability

The Company endeavors to utilize the best available information in measuring fair value. Nonfinancial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company has determined that our financial assets and liabilities are level 2 in the fair value hierarchy. The following table sets forth the Company’s financial assets and liabilities that were accounted for, at fair value on a recurring basis:

	March 31, 2010	December 31, 2009
Assets:		
Foreign currency exchange contracts	\$ 40	\$ 11
Available for sale investments	478	141
Interest rate swap agreements	4	1
Forward commodity contracts	5	4
Liabilities:		
Foreign currency exchange contracts	\$ 21	\$ 3
Interest rate swap agreements	—	3
Forward commodity contracts	7	—

The foreign currency exchange contracts, interest rate swap agreements, and forward commodity contracts are valued using broker quotations, or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are classified within level 2. The Company also holds investments in marketable equity securities, commercial paper, certificates of deposits, and time deposits that are designated as available for sale and are valued using market transactions in over-the-counter markets. As such, these investments are classified within level 2.

The carrying value of cash and cash equivalents, trade accounts and notes receivables, payables, commercial paper and short-term borrowings contained in the Consolidated Balance Sheet approximates fair value. The following table sets forth the Company’s financial assets and liabilities that were not carried at fair value:

	March 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Long-term receivables	\$ 287	\$ 272	\$ 317	\$ 303
Liabilities :				
Long-term debt and related current maturities	\$ 6,265	\$ 6,601	\$ 7,262	\$ 7,677

As of March 31, 2010 the Company had \$14 million of nonfinancial assets, specifically property, plant and equipment, software, and intangible assets, which were accounted for at fair value on a nonrecurring basis. These assets were tested for impairment and based on the fair value of these assets the Company recognized losses of \$13 million as of March 31, 2010. The Company has determined that our nonfinancial assets and nonfinancial liabilities are level 3 in the fair value hierarchy. As of March 31, 2009 the Company had \$2 million of nonfinancial assets, specifically property, plant and equipment, that were accounted for at fair value on a nonrecurring basis as part of repositioning occurring in the first quarter of 2009. Based on the fair value of these assets the Company recognized losses of \$2 million as of March 31, 2009.

The derivatives utilized for risk management purposes as detailed above are included on the Consolidated Balance Sheet and impacted the Statement of Operations as follows:

Fair value of asset derivatives consist of the following:

Designated as a Hedge	Balance Sheet Location	March 31, 2010	December 31, 2009
<i>Foreign currency exchange contracts</i>	Accounts, notes and other receivables	\$ 40	\$ 8
<i>Interest rate swap agreements</i>	Other assets	4	1
<i>Commodity contracts</i>	Accounts, notes and other receivables	5	4
Not Designated as a Hedge	Balance Sheet Location		
<i>Foreign currency exchange contracts</i>	Accounts notes and other receivables	\$ —	\$ 3

Fair value of liability derivatives consist of the following:

Designated as a Hedge	Balance Sheet Location	March 31, 2010	December 31, 2009
<i>Foreign currency exchange contracts</i>	Accrued liabilities	\$ 19	\$ 1
<i>Interest rate swap agreements</i>	Accrued liabilities	—	3
<i>Commodity contracts</i>	Accrued liabilities	7	—
Not Designated as a Hedge	Balance Sheet Location		
<i>Foreign currency exchange contracts</i>	Accrued liabilities	\$ 2	\$ 3

Gains (losses) recognized in OCI consist of the following:

Designated as a Cash Flow Hedge	March 31, 2010	December 31, 2009
<i>Foreign currency exchange contracts</i>	\$ 20	\$ 18
<i>Commodity contracts</i>	(2)	(1)

Gains (losses) reclassified from AOCI to Income (effective portions) consist of the following:

Designated as a Cash Flow Hedge	Income Statement Location	March 31, 2010	March 31, 2009
<i>Foreign currency exchange contracts</i>	Product sales	\$ (3)	\$ (2)
	Cost of products sold	2	(2)
	Selling general and administrative	1	—
<i>Commodity contracts</i>	Cost of products sold	(1)	(1)

Ineffective portions of commodity derivative instruments designated in cash flow hedge relationships were less than \$1 million in the first quarter of 2010

and 2009 and are located in cost of products sold. Foreign currency exchange contracts designated in cash flow hedge relationships qualify as critical matched terms hedge relationships and as a result have no ineffectiveness.

Interest rate swap agreements are designated as hedge relationships with gains or (losses) on the derivative recognized in Interest and other financial charges offsetting the gains and losses on the underlying debt being hedged. Gains on interest rate swap agreements recognized in earnings were \$4 million as of March 31, 2010. These gains were fully off-set by losses on the underlying debt being hedged. As of March 31, 2009 we had no interest rate swap agreements.

We also economically hedge our exposure to changes in foreign exchange rates principally with forward contracts. These contracts are marked-to-market with the resulting gains and losses recognized in earnings offsetting the gains and losses on the non-functional currency denominated monetary assets and liabilities being hedged. As of March 31, 2010 and 2009, we recognized \$22 million and \$39 million of expense, respectively in Other (Income) Expense.

NOTE 11. Comprehensive Income/(Loss)

Comprehensive income/(loss) consists of the following:

	Three Months Ended March 31,	
	2010	2009
Net income	\$ 393	\$ 397
Foreign exchange translation adjustment	(284)	(250)
Pensions and other post retirement benefit adjustments	114	26
Changes in fair value of available for sale investments	49	(22)
Changes in fair value of effective cash flow hedges	7	6
Total comprehensive income	279	157
Comprehensive income attributable to noncontrolling interest (1)	(7)	(2)
Comprehensive income (loss) attributable to Honeywell	\$ 272	\$ 155

(1) Comprehensive Income/(Loss) attributable to noncontrolling interest consisted predominately of net income.

In the first quarter of 2010 there were no increases or decreases to Honeywell additional paid in capital for purchases or sales of existing noncontrolling interests.

NOTE 12. Segment Financial Data

Honeywell's senior management evaluates segment performance based on segment profit. Segment profit is measured as business unit income (loss) before taxes excluding general corporate unallocated expense, other income (expense), interest and other financial charges, pension and other postretirement benefits (expense), stock compensation expense, repositioning and other charges and accounting changes.

	Three Months Ended March 31,	
	2010	2009
Net Sales		
Aerospace	\$ 2,506	\$ 2,759
Automation and Control Solutions	3,124	3,001
Specialty Materials	1,139	1,054
Transportation Systems	1,007	756
Corporate	—	—
	<u>\$ 7,776</u>	<u>\$ 7,570</u>
Segment Profit		
Aerospace	\$ 413	\$ 488
Automation and Control Solutions	386	311
Specialty Materials	170	125
Transportation Systems	96	(3)
Corporate	(29)	(45)
	<u>1,036</u>	<u>876</u>
Total Segment Profit	1,036	876
Other income/(expense) (A)	(2)	(8)
Interest and other financial charges	(107)	(117)
Stock compensation expense (B)	(50)	(42)
Pension (expense) (B)	(200)	(26)
Other postretirement income/(expense) (B)	18	(29)
Repositioning and other charges (B)	(142)	(111)
	<u>\$ 553</u>	<u>\$ 543</u>
Income from continuing operations before taxes	\$ 553	\$ 543

(A) Equity income/(loss) of affiliated companies is included in Segment Profit.

(B) Amounts included in cost of products and services sold and selling, general and administrative expenses.

NOTE 13. Pension and Other Postretirement Benefits

Net periodic pension and other postretirement benefits costs for our significant defined benefit plans include the following components:

	Three Months Ended March 31,	
	2010	2009
<u>Pension Benefits</u>		
Service cost	\$ 73	\$ 57
Interest cost	247	242
Expected return on plan assets	(311)	(321)
Amortization of prior service cost	5	7
Recognition of actuarial losses	176	36
Settlements and curtailments	4	—
	\$ 194	\$ 21
<u>Other Postretirement Benefits</u>		
Service cost	\$ 1	\$ 3
Interest cost	24	29
Amortization of prior service (credit)	(10)	(10)
Recognition of actuarial losses	4	7
Settlements and curtailments	(37)	—
	\$ (18)	\$ 29

On February 1, 2010, in connection with a new collective bargaining agreement reached with one of its union groups, Honeywell amended its U.S. retiree medical plan eliminating the subsidy for those union employees who retire after February 1, 2013. This plan amendment reduced the accumulated postretirement benefit obligation by \$39 million which will be recognized as part of net periodic postretirement benefit cost over the average future service period to full eligibility of the remaining active union employees still eligible for a retiree medical subsidy. This plan amendment also resulted in a curtailment gain of \$37 million in the first quarter of 2010 which was included as part of net periodic postretirement benefit cost. The curtailment gain represents the recognition of previously unrecognized negative prior service costs attributable to the future years of service of the union group for which future accrual of benefits has been eliminated.

We recorded a one-time, non-cash charge of \$13 million related to income taxes in the first quarter of 2010, resulting from the March 2010 enactment of the Patient Protection and Affordable Care Act, including modifications made in the Health Care and Education Reconciliation Act of 2010. The charge results from a change in the tax treatment of the Medicare Part D program.

In April 2010, Honeywell contributed marketable securities valued at \$100 million to one of its non-U.S. pension plans.

NOTE 14. Commitments and Contingencies

Environmental Matters

We are subject to various federal, state, local and foreign government requirements relating to the protection of the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury and that our handling, manufacture, use and disposal of hazardous substances are in accordance

with environmental and safety laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental and safety matters, including past production of products containing hazardous substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually or jointly with other potentially responsible parties, to determine the feasibility of various remedial techniques. It is our policy to record appropriate liabilities for environmental matters when remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of remedial investigations and feasibility studies, the timing of litigation and settlements of remediation liability, personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties. The following table summarizes information concerning our recorded liabilities for environmental costs:

	Three Months Ended March 31, 2010
Beginning of period	\$ 779
Accruals for environmental matters deemed probable and reasonably estimable	50
Environmental liability payments	(39)
Other	11
End of period	<u>\$ 801</u>

Environmental liabilities are included in the following balance sheet accounts:

	March 31, 2010	December 31, 2009
Accrued liabilities	\$ 318	\$ 314
Other liabilities	483	465
	<u>\$ 801</u>	<u>\$ 779</u>

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations or operating cash flows in the periods recognized or paid. However, considering our past experience and existing reserves, we do not expect that these environmental matters will have a material adverse effect on our consolidated financial position.

New Jersey Chrome Sites— The excavation and offsite disposal of approximately one million tons of chromium residue present at a predecessor Honeywell site located in Jersey City, New Jersey, known as Study Area 7 was completed in January 2010. We have also received approval of the United States District Court for the District of New Jersey for the implementation of related groundwater and sediment remedial actions, and are seeking the appropriate permits from state and federal agencies. Provisions have been made in our financial statements for the estimated cost of these remedies.

The above-referenced site is the most significant of the twenty-one sites located in Hudson County, New Jersey that are the subject of an Administrative Consent Order (ACO) entered into with the New Jersey Department of Environmental Protection (NJDEP) in 1993 (the "Honeywell ACO Sites"). Remedial investigations and activities consistent with the ACO have also been conducted and are underway at the other Honeywell ACO Sites. We have recorded reserves for the Honeywell ACO Sites where appropriate under the accounting policy described above.

On May 3, 2005, NJDEP filed a lawsuit in New Jersey Superior Court against Honeywell and two other companies seeking declaratory and injunctive relief, unspecified damages, and the reimbursement of unspecified total costs relating to sites in New Jersey allegedly contaminated with chrome ore processing residue. The claims against Honeywell relate to the activities of a predecessor company which ceased its New Jersey manufacturing operations in the mid-1950's. Honeywell and the two other companies have agreed to settle this litigation with NJDEP, subject to Court approval. Under the settlement, Honeywell would pay \$5 million of NJDEP's past costs, as well as accept sole responsibility to remediate 24 of the 53 "Publicly Funded Sites" (i.e., those sites for which none of the three companies had previously accepted responsibility). Honeywell would also bear 50% of the costs at another 10 Publicly Funded Sites. We have recorded reserves for the Publicly Funded Sites where appropriate under the accounting policy described above.

We have entered into court-approved settlements of litigation filed in federal court against Honeywell and other landowners seeking the cleanup of chrome residue at groups of properties known as Study Areas 5, 6 South and 6 North of the Honeywell ACO Sites. The required remedial actions are consistent with our recorded reserves.

Dundalk Marine Terminal, Baltimore— Chrome residue from legacy chrome plant operations in Baltimore was deposited as fill at the Dundalk Marine Terminal ("DMT"), which is owned and operated by the Maryland Port Administration ("MPA"). Honeywell and the MPA have been sharing costs to investigate and mitigate related environmental issues, and have entered into a cost sharing agreement under which Honeywell will bear 77 percent of the costs of developing and implementing permanent remedies for the DMT facility. The investigative phase is ongoing, after which the appropriate remedies will be identified and chosen. We have negotiated a Consent Decree with the MPA and Maryland Department of the Environment ("MDE") with respect to the investigation and remediation of the DMT facility. The Consent Decree is being challenged in federal court by BUILD, a Baltimore community group, together with a local church and two individuals (collectively "BUILD"). In October 2007, the Court dismissed with prejudice BUILD's state law claims and dismissed without prejudice BUILD's RCRA claims regarding neighborhoods near the DMT facility. In August 2008, the Court held a hearing on the Company's motion to dismiss BUILD's remaining claims on the grounds that MDE is diligently prosecuting the investigation and remediation of the DMT. We are awaiting the Court's decision. We do not believe that this matter will have a material adverse impact on our consolidated financial position or operating cash flows. Given the scope and complexity of this project, it is possible that the cost of remediation, when determinable, could have a material adverse impact on our results of operations in the periods recognized.

Onondaga Lake, Syracuse, NY— We are implementing a combined dredging/capping remedy of Onondaga Lake pursuant to a consent decree approved by the United States District Court for the Northern District of New York in January 2007. We have accrued for our estimated cost of remediating Onondaga Lake based on currently available information and analysis performed by our engineering consultants. Honeywell is also conducting remedial investigations and activities at other sites in Syracuse. We have recorded reserves for these investigations and activities where appropriate under the accounting policy described above.

Honeywell has entered into a cooperative agreement with potential natural resource trustees to assess alleged natural resource damages relating to this site. It is not possible to predict the outcome or duration of this assessment, or the amounts of, or responsibility for, any damages.

Asbestos Matters

Like many other industrial companies, Honeywell is a defendant in personal injury actions related to asbestos. We did not mine or produce asbestos, nor did

we make or sell insulation products or other construction materials that have been identified as the primary cause of asbestos related disease in the vast majority of claimants. Products containing asbestos previously manufactured by Honeywell or by previously owned subsidiaries primarily fall into two general categories: refractory products and friction products.

Refractory Products—Honeywell owned North American Refractories Company (NARCO) from 1979 to 1986. NARCO produced refractory products (high temperature bricks and cement) that were sold largely to the steel industry in the East and Midwest. Less than 2 percent of NARCO'S products contained asbestos.

When we sold the NARCO business in 1986, we agreed to indemnify NARCO with respect to personal injury claims for products that had been discontinued prior to the sale (as defined in the sale agreement). NARCO retained all liability for all other claims. On January 4, 2002, NARCO filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code.

As a result of the NARCO bankruptcy filing, all of the claims pending against NARCO are automatically stayed pending the reorganization of NARCO. In addition, the bankruptcy court enjoined both the filing and prosecution of NARCO-related asbestos claims against Honeywell. The stay has remained in effect continuously since January 4, 2002. In connection with NARCO's bankruptcy filing, we paid NARCO's parent company \$40 million and agreed to provide NARCO with up to \$20 million in financing. We also agreed to pay \$20 million to NARCO's parent company upon the filing of a plan of reorganization for NARCO acceptable to Honeywell (which amount was paid in December 2005 following the filing of NARCO's Third Amended Plan of Reorganization), and to pay NARCO's parent company \$40 million, and to forgive any outstanding NARCO indebtedness to Honeywell, upon the effective date of the plan of reorganization.

We believe that, as part of the NARCO plan of reorganization, a trust will be established for the benefit of all asbestos claimants, current and future, pursuant to Trust Distribution Procedures negotiated with the NARCO Asbestos Claimants Committee and the Court-appointed legal representative for future asbestos claimants. If the trust is put in place and approved by the Court as fair and equitable, Honeywell as well as NARCO will be entitled to a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos related claims based on exposure to NARCO products to be made against the federally-supervised trust. Honeywell has reached agreement with the representative for future NARCO claimants and the Asbestos Claimants Committee to cap its annual contributions to the trust with respect to future claims at a level that would not have a material impact on Honeywell's operating cash flows.

In November 2007, the Bankruptcy Court entered an amended order confirming the NARCO Plan without modification and approving the 524(g) trust and channeling injunction in favor of NARCO and Honeywell. In December 2007, certain insurers filed an appeal of the Bankruptcy Court Order in the United States District Court for the Western District of Pennsylvania. The District Court affirmed the Bankruptcy Court Order in July 2008. In August 2008, insurers filed a notice of appeal to the Third Circuit Court of Appeals. The appeal is fully briefed, oral argument took place on May 21, 2009, and the matter has been submitted for decision. We expect that the stay enjoining litigation against NARCO and Honeywell will remain in effect during the pendency of these proceedings.

Our consolidated financial statements reflect an estimated liability for settlement of pending and future NARCO-related asbestos claims as of March 31, 2010 and December 31, 2009 of \$1.1 billion. The estimated liability for pending claims is based on terms and conditions, including evidentiary requirements, in definitive agreements with approximately 260,000 current claimants, and an estimate of the unsettled claims pending as of the time NARCO filed for bankruptcy protection. Substantially all settlement payments with respect to current claims have been made. Approximately \$100 million of payments due pursuant to these settlements is due only upon establishment of the NARCO trust.

The estimated liability for future claims represents the estimated value of future asbestos related bodily injury claims expected to be asserted against NARCO through 2018 and the aforementioned obligations to NARCO's parent. In light of the uncertainties inherent in making long-term projections we do not believe that we have a reasonable basis for estimating asbestos claims beyond 2018. The estimate is based upon the disease criteria and payment values contained in the NARCO Trust

Distribution Procedures negotiated with the NARCO Asbestos Claimants Committee and the NARCO future claimants' representative. Honeywell projected the probable number and value, including trust claim handling costs, of asbestos related future liabilities based upon experience of asbestos claims filing rates in the tort system and in certain operating asbestos trusts, and the claims experience in those forums. The valuation methodology also includes an analysis of the population likely to have been exposed to asbestos containing products, epidemiological studies to estimate the number of people likely to develop asbestos related diseases, NARCO claims filing history, the pending inventory of NARCO asbestos related claims and payment rates expected to be established by the NARCO trust. This methodology used to estimate the liability for future claims has been commonly accepted by numerous courts and resulted in a range of estimated liability for future claims of \$743 to \$961 million. We believe that no amount within this range is a better estimate than any other amount and accordingly, we have recorded the minimum amount in the range.

As of March 31, 2010 and December 31, 2009, our consolidated financial statements reflect an insurance receivable corresponding to the liability for settlement of pending and future NARCO-related asbestos claims of \$829 and \$831 million, respectively. This coverage reimburses Honeywell for portions of the costs incurred to settle NARCO related claims and court judgments as well as defense costs and is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. At March 31, 2010, a significant portion of this coverage is with insurance companies with whom we have agreements to pay full policy limits based on corresponding Honeywell claims costs. We conduct analyses to determine the amount of insurance that we estimate is probable of recovery in relation to payment of current and estimated future claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. We made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings with our insurers, our knowledge of any pertinent solvency issues surrounding insurers and various judicial determinations relevant to our insurance programs.

In the second quarter of 2006, Travelers Casualty and Insurance Company ("Travelers") filed a lawsuit against Honeywell and other insurance carriers in the Supreme Court of New York, County of New York, disputing obligations for NARCO-related asbestos claims under high excess insurance coverage issued by Travelers and other insurance carriers. Approximately \$300 million of coverage under these policies is included in our NARCO-related insurance receivable at March 31, 2010. Honeywell believes it is entitled to the coverage at issue and expects to prevail in this matter. In the third quarter of 2007, Honeywell prevailed on a critical choice of law issue concerning the appropriate method of allocating NARCO-related asbestos liabilities to triggered policies. The plaintiffs appealed and the trial court's ruling was upheld by the intermediate appellate court in the second quarter of 2009. Plaintiffs' further appeal to the New York Appellate Division, the highest court in New York, was denied in October 2009. A related New Jersey action brought by Honeywell has been dismissed, but all coverage claims against plaintiffs have been preserved in the New York action. Based upon (i) our understanding of relevant facts and applicable law, (ii) the terms of insurance policies at issue, (iii) our experience on matters of this nature, and (iv) the advice of counsel, we believe that the amount due from Travelers and other insurance carriers is probable of recovery. While Honeywell expects to prevail in this matter, an adverse outcome could have a material impact on our results of operations in the period recognized but would not be material to our consolidated financial position or operating cash flows.

Projecting future events is subject to many uncertainties that could cause the NARCO related asbestos liabilities or assets to be higher or lower than those projected and recorded. There is no assurance that the plan of reorganization will become final, that insurance recoveries will be timely or whether there will be any NARCO related asbestos claims beyond 2018. Given the inherent uncertainty in predicting future events, we review our estimates periodically, and update them based on our experience and other relevant factors. Similarly we will reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability or other developments that may impact insurance recoveries.

Friction Products—Honeywell's Bendix friction materials (Bendix) business manufactured automotive brake parts that contained chrysotile asbestos in an encapsulated form. Existing and potential claimants consist largely of individuals who allege exposure to asbestos from brakes from either performing or being in the vicinity of individuals who performed brake replacements.

From 1981 through March 31, 2010, we have resolved approximately 153,000 Bendix related asbestos claims. We had 129 trials resulting in favorable verdicts and 17 trials resulting in adverse verdicts. Four of these adverse verdicts were reversed on appeal, five verdicts were vacated on post-trial motions, three claims were settled and the remaining five have been or will be appealed. The claims portfolio was reduced in 2009 due to settlements, dismissals and the elimination of significantly aged (i.e., pending for more than six years), inactive (including claims for which the required medical and exposure showings have not been made) and duplicate claims. The following tables present information regarding Bendix related asbestos claims activity:

	Three Months Ended March 31, 2010	Year Ended December 31,	
		2009	2008
Claims Activity			
Claims Unresolved at the beginning of period	19,940	51,951	51,658
Claims Filed during the period	644	2,697	4,003
Claims Resolved and Reactivated during the period (1)	316	(34,708)	(3,710)
Claims Unresolved at the end of period	20,900	19,940	51,951

(1) Includes approximately 1,400 claims previously classified as inactive (93% non-malignant and accrued liability of approximately \$1.8 million) which were activated during the current period.

Disease Distribution of Unresolved Claims

	March 31, 2010	December 31,	
		2009	2008
Mesothelioma and Other Cancer Claims	4,890	4,727	5,575
Other Claims	16,010	15,213	46,376
Total Claims	20,900	19,940	51,951

Honeywell has experienced average resolution values per claim excluding legal costs as follows:

	Year Ended December 31,			
	2009	2008	2007	2006
	(in whole dollars)			
Malignant claims	\$ 50,000	\$ 65,000	\$ 33,000	\$ 33,000
Nonmalignant claims	\$ 200	\$ 1,500	\$ 500	\$ 250

It is not possible to predict whether resolution values for Bendix related asbestos claims will increase, decrease or stabilize in the future.

Our consolidated financial statements reflect an estimated liability for resolution of pending and future Bendix related asbestos claims of \$575 and \$566 million at March 31, 2010 and December 31, 2009, respectively. Our liability for the estimated cost of future Bendix related asbestos claims is based on historic claims filing experience, disease classifications, expected resolution values, and historic dismissal rates. In the fourth quarter of each year we update our analysis of the estimated cost of future Bendix related asbestos claims. We have valued Bendix pending and future claims using average resolution values for the previous four years. Changes in the tort system which began in 2006 refocused asbestos litigation on mesothelioma cases, making the four year period 2006 through 2009 representative for forecasting purposes. We will continue to update

the expected resolution values used to estimate the cost of pending and future Bendix claims during the fourth quarter each year.

The estimated liability for future claims represents the estimated value of future asbestos related bodily injury claims expected to be asserted against Bendix over the next five years. In light of the uncertainties inherent in making long-term projections, as well as certain factors unique to friction product asbestos claims, we do not believe that we have a reasonable basis for estimating asbestos claims beyond the next five years. The estimate is based upon Bendix historical experience in the tort system for the four years ended December 31, 2009 with respect to claims filing and resolution values. The methodology used to estimate the liability for future claims has been commonly accepted by numerous courts. It is similar to that used to estimate the future NARCO related asbestos claims liability.

Honeywell currently has approximately \$1.9 billion of insurance coverage remaining with respect to pending and potential future Bendix related asbestos claims, of which \$169 and \$172 million are reflected as receivables in our consolidated balance sheet at March 31, 2010 and December 31, 2009, respectively. This coverage is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. Insurance receivables are recorded in the financial statements simultaneous with the recording of the liability for the estimated value of the underlying asbestos claims. The amount of the insurance receivable recorded is based on our ongoing analysis of the insurance that we estimate is probable of recovery. This determination is based on our analysis of the underlying insurance policies, our historical experience with our insurers, our ongoing review of the solvency of our insurers, our interpretation of judicial determinations relevant to our insurance programs, and our consideration of the impacts of any settlements reached with our insurers. Insurance receivables are also recorded when structured insurance settlements provide for future fixed payment streams that are not contingent upon future claims or other events. Such amounts are recorded at the net present value of the fixed payment stream.

On a cumulative historical basis, Honeywell has recorded insurance receivables equal to approximately 45 percent of the value of the underlying asbestos claims recorded. However, because there are gaps in our coverage due to insurance company insolvencies, certain uninsured periods, and insurance settlements, this rate is expected to decline for any future Bendix related asbestos liabilities that may be recorded. Future recoverability rates may also be impacted by numerous other factors, such as future insurance settlements, insolvencies and judicial determinations relevant to our coverage program, which are difficult to predict. Assuming continued defense and indemnity spending at current levels, we estimate that the cumulative recoverability rate could decline over the next five years to approximately 35 percent.

Honeywell believes it has sufficient insurance coverage and reserves to cover all pending Bendix related asbestos claims and Bendix related asbestos claims estimated to be filed within the next five years. Although it is impossible to predict the outcome of either pending or future Bendix related asbestos claims, we do not believe that such claims would have a material adverse effect on our consolidated financial position in light of our insurance coverage and our prior experience in resolving such claims. If the rate and types of claims filed, the average resolution value of such claims and the period of time over which claim settlements are paid (collectively, the "Variable Claims Factors") do not substantially change, Honeywell would not expect future Bendix related asbestos claims to have a material adverse effect on our results of operations or operating cash flows in any fiscal year. No assurances can be given, however, that the Variable Claims Factors will not change.

Refractory and Friction Products — The following tables summarize information concerning NARCO and Bendix asbestos related balances:

Asbestos Related Liabilities

	Three Months Ended March 31, 2010		
	Bendix	NARCO	Total
Beginning of period	\$ 566	\$ 1,128	\$ 1,694
Accrual for update to estimated liability	41	1	42
Asbestos related liability payments	(32)	(1)	(33)
End of period	\$ 575	\$ 1,128	\$ 1,703

Insurance Recoveries for Asbestos Related Liabilities

	Three Months Ended March 31, 2010		
	Bendix	NARCO	Total
Beginning of period	\$ 172	\$ 831	\$ 1,003
Probable insurance recoveries related to estimated liability	4	—	4
Insurance receipts for asbestos related liabilities	(7)	(2)	(9)
End of period	<u>\$ 169</u>	<u>\$ 829</u>	<u>\$ 998</u>

NARCO and Bendix asbestos related balances are included in the following balance sheet accounts:

	March 31, 2010	December 31, 2009
Other current assets	\$ 62	\$ 62
Insurance recoveries for asbestos related liabilities	936	941
	<u>\$ 998</u>	<u>\$ 1,003</u>
Accrued liabilities	\$ 654	\$ 654
Asbestos related liabilities	1,049	1,040
	<u>\$ 1,703</u>	<u>\$ 1,694</u>

Other Matters

We are subject to a number of other lawsuits, investigations and disputes (some of which involve substantial amounts claimed) arising out of the conduct of our business, including matters relating to commercial transactions, government contracts, product liability, prior acquisitions and divestitures, employee benefit plans, intellectual property, and health and safety matters. We recognize a liability for any contingency that is probable of occurrence and reasonably estimable. We continually assess the likelihood of adverse judgments of outcomes in these matters, as well as potential ranges of possible losses (taking into consideration any insurance recoveries), based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Included in these other matters are the following:

Allen, et al. v. Honeywell Retirement Earnings Plan—Pursuant to a settlement approved by the U.S. District Court for the District of Arizona in February 2008, 18 of 21 claims alleged by plaintiffs in this class action lawsuit were dismissed with prejudice in exchange for approximately \$35 million and the maximum aggregate liability for the remaining three claims (alleging that Honeywell impermissibly reduced the pension benefits of certain employees of a predecessor entity when the plan was amended in 1983 and failed to calculate benefits in accordance with the terms of the plan) was capped at \$500 million. Any amounts payable, including the settlement amount, have or will be paid from the Company's pension plan. In October 2009, the Court granted summary judgment in favor of the Honeywell Retirement Earnings Plan with respect to the claim regarding the calculation of benefits. We continue to expect to prevail on the remaining claims in light of applicable law and our substantial affirmative defenses, which have not yet been considered fully by the Court. Accordingly, we do not believe that a liability is probable of occurrence and reasonably estimable with respect to these claims and we have not recorded a provision for the remaining claims in our financial statements.

Quick Lube—On March 31, 2008, S&E Quick Lube, a filter distributor, filed suit in U.S. District Court for the District of Connecticut alleging that twelve filter manufacturers, including Honeywell, engaged in a conspiracy to fix prices, rig bids and allocate U.S. customers for aftermarket automotive filters. This suit is a purported class action on behalf of direct purchasers of filters from the defendants. Parallel purported class actions, including on behalf of indirect purchasers of filters, have been filed by other plaintiffs in a variety of jurisdictions in the United States and Canada. The U.S cases have been consolidated into a single multi-district litigation in the Northern District of Illinois. We intend to vigorously defend the claims raised in these actions. The Antitrust Division of the Department of Justice notified Honeywell on January 21, 2010 that it has officially closed its investigation into possible collusion in the replacement auto filters industry.

Given the uncertainty inherent in litigation and investigations (including the specific matters referenced above), we do not believe it is possible to develop estimates of reasonably possible loss in excess of current accruals for these matters. Considering our past experience and existing accruals, we do not expect the outcome of these matters, either individually or in the aggregate, to have a material adverse effect on our consolidated financial position. Because most contingencies are resolved over long periods of time, potential liabilities are subject to change due to new developments, changes in settlement strategy or the impact of evidentiary requirements, which could cause us to pay damage awards or settlements (or become subject to equitable remedies) that could have a material adverse effect on our results of operations or operating cash flows in the periods recognized or paid.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners
of Honeywell International Inc.:

We have reviewed the accompanying consolidated balance sheet of Honeywell International Inc. and its subsidiaries as of March 31, 2010, and the related consolidated statement of operations for the three-month periods ended March 31, 2010 and 2009 and the consolidated statement of cash flows for the three-month periods ended March 31, 2010 and 2009. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2009, and the related consolidated statement of operations, of shareowners' equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 11, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2009, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
April 22, 2010

The "Report of Independent Registered Public Accounting Firm" included above is not a "report" or "part of a Registration Statement" prepared or certified by an independent accountant within the meanings of Sections 7 and 11 of the Securities Act of 1933, and the accountants' Section 11 liability does not extend to such report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)
(Dollars in millions, except per share amounts)

The following MD&A is intended to help the reader understand the results of operations and financial condition of Honeywell International Inc. ("Honeywell") for the first quarter ended March 31, 2010. The financial information as of March 31, 2010 should be read in conjunction with the financial statements for the year ended December 31, 2009 contained in our Form 10-K filed on February 12, 2010.

A. RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31, 2010 COMPARED WITH THREE MONTHS ENDED MARCH 31, 2009

Net Sales

	Three Months Ended March 31,	
	2010	2009
Net sales	\$ 7,776	\$ 7,570
% change compared with prior period	3%	

The increase in net sales in the first quarter of 2010 compared with the first quarter of 2009 is attributable to the following:

Foreign Exchange	3%
Price	1
Volume	(1)
Acquisitions/Divestitures	—
	3%

A discussion of net sales by segment can be found in the Review of Business Segments section of this MD&A.

Cost of Products and Services Sold

	Three Months Ended March 31,	
	2010	2009
Cost of products and services sold	\$ 5,982	\$ 5,756
Gross Margin percentage	23.1%	24.0%

Cost of products and services sold increased by \$226 million or 4 percent in 2010 compared with 2009. This increase is primarily due to higher pension expense (driven by an increase in amortization of losses in our U.S. plans) and increased sales as a result of the factors discussed within the Review of Business Segments section of this MD&A, partially offset by benefits from prior repositioning actions, the positive impact of indirect cost savings initiatives across each of our Business Segments and lower other postretirement benefits expense (primarily related to a curtailment gain, see Note 13 of Notes to Financial Statements).

Gross margin percentage decreased by 0.9 of a percentage point in the first quarter of 2010 compared with the first quarter of 2009 primarily due to higher pension expense and lower margins in our Aerospace segment, partially offset by higher margins in our Transportation Systems, Automation and Control Solutions and Specialty Materials segments and lower other postretirement benefits expense.

For further discussion of segment results see "Review of Business Segments".

Selling, General and Administrative Expenses

	Three Months Ended March 31,	
	2010	2009
Selling, general and administrative expenses	\$ 1,136	\$ 1,152
Percent of sales	14.6%	15.2%

Selling, general and administrative expenses (SG&A) as a percentage of sales decreased by 0.6 of a percentage point in the first quarter of 2010 compared with the first quarter of 2009 primarily due to increased sales and benefits of indirect cost savings initiatives across each of our Business Segments, partially offset by higher pension costs, resulting in decreased SG&A expense of \$16 million.

Other (Income) Expense

	Three Months Ended March 31,	
	2010	2009
Equity (income)/loss of affiliated companies	\$ (4)	\$ (6)
Interest income	(9)	(12)
Foreign exchange	11	22
Other net	—	(2)
	<u>\$ (2)</u>	<u>\$ 2</u>

Other income of \$2 million in the first quarter of 2010 compared with Other expense of \$2 the first quarter of 2009 is primarily due to lower foreign exchange losses offset by lower interest income (primarily due to lower interest rates).

Interest and Other Financial Charges

	Three Months Ended March 31,	
	2010	2009
Interest and other financial charges	\$ 107	\$ 117
% change compared with prior period	(9)%	

Interest and other financial charges decreased by 9 percent in the first quarter of 2010 compared with the first quarter of 2009, due to lower debt balances and lower borrowing costs.

Tax Expense

	Three Months Ended March 31,	
	2010	2009
Tax expense	\$ 160	\$ 144
Effective tax rate	28.9%	26.5%

The effective tax rate in the first quarter of 2010 increased 2.4 percentage points compared to the first quarter of 2009 primarily due to the impact of an enacted change in the tax treatment of the Medicare Part D program (see Note 13 of Notes to Financial Statements).

The effective tax rate was lower than the statutory rate of 35 percent primarily due to foreign earnings taxed at lower tax rates.

Net Income Attributable to Honeywell

	Three Months Ended March 31,	
	2010	2009
Net income attributable to Honeywell	\$ 386	\$ 397
Earnings per share of common stock – assuming dilution	\$ 0.50	\$ 0.54

Earnings per share of common stock – assuming dilution decreased by \$0.04 per share in the first quarter of 2010 compared with the first quarter of 2009 primarily due primarily to higher pension expense, lower segment profit in our Aerospace segment and an increase in the number of shares outstanding, partially offset by higher segment profit in our Transportation Systems, Automation and Control Solutions and Specialty Materials segments and lower other postretirement expense.

	Three Months Ended March 31,	
	2010	2009
Net Sales		
Aerospace	\$ 2,506	\$ 2,759
Automation and Control Solutions	3,124	3,001
Specialty Materials	1,139	1,054
Transportation Systems	1,007	756
Corporate	—	—
	<u>\$ 7,776</u>	<u>\$ 7,570</u>
Segment Profit		
Aerospace	\$ 413	\$ 488
Automation and Control Solutions	386	311
Specialty Materials	170	125
Transportation Systems	96	(3)
Corporate	(29)	(45)
	<u>1,036</u>	<u>876</u>
Other income/(expense) (A)	(2)	(8)
Interest and other financial charges	(107)	(117)
Stock compensation expense (B)	(50)	(42)
Pension (expense) (B)	(200)	(26)
Other postretirement income/(expense) (B)	18	(29)
Repositioning and other charges (B)	(142)	(111)
	<u>\$ 553</u>	<u>\$ 543</u>

(A) Equity income/(loss) of affiliated companies is included in Segment Profit.

(B) Amounts included in cost of products and services sold and selling, general and administrative expenses.

Aerospace

	Three Months Ended March 31,	
	2010	2009
Net sales	\$ 2,506	\$ 2,759
% change compared with prior period	(9)%	
Segment profit	\$ 413	\$ 488
% change compared with prior period	(15)%	

Aerospace sales by major customer end-markets for the first quarter ended March 31, 2010 and 2009 were as follows:

Customer End-Markets	Three Months Ended March 31,		
	% of Aerospace Sales	% Changes in Sales	
	2010	2009	2010 Versus 2009
Commercial:			
Air transport and regional original equipment	13%	14%	(16%)
Air transport and regional aftermarket	23	22	(4)
Business and general aviation original equipment	5	11	(59)
Business and general aviation aftermarket	9	8	1
Defense and Space	50	45	—
Total	100%	100%	(9%)

Aerospace sales decreased by 9 percent in the first quarter of 2010 compared with the first quarter of 2009. Details regarding the changes in sales by customer end-markets are as follows:

- Air transport and regional original equipment (OE) sales decreased by 16 percent driven primarily by lower sales to our OE customers, consistent with production rates and platform mix.
- Air transport and regional aftermarket sales decreased by 4 percent primarily as a result of decreased sales of spare parts driven by higher parked aircraft and customer inventory initiatives, partially offset by the impact of increased flying hours of approximately 4 percent. While we expect global flying hours to increase slightly in 2010, we expect aftermarket sales to be flat for the full year 2010 compared to 2009.
- Business and general aviation OE sales decreased by 59 percent due to the expected decrease in new business jet deliveries reflecting rescheduling and cancellations of deliveries by OE customers.
- Business and general aviation aftermarket sales increased by 1 percent primarily due to increased sales of spare parts due to higher engine utilization.
- Defense and space sales were essentially unchanged, primarily due to higher sales of logistics services and original equipment for military platforms offset by lower sales related to commercial helicopters and

program completions. Delays in defense and space programs could impact the timing of sales in this end-market over the course of 2010.

Aerospace segment profit decreased by 15 percent in the first quarter of 2010 compared with the first quarter of 2009 primarily due to lower sales as a result of the factors discussed above partially offset by volume related material cost reductions and reduced labor costs (reflecting reduced census, work schedule reductions and benefits from prior repositioning actions) and the positive impact of indirect cost savings initiatives.

Automation and Control Solutions

	Three Months Ended March 31,	
	2010	2009
Net sales	\$ 3,124	\$ 3,001
% change compared with prior period	4%	
Segment profit	\$ 386	\$ 311
% change compared with prior period	24%	

Automation and Control Solutions (“ACS”) sales increased by 4 percent in the first quarter of 2010 compared with the first quarter of 2009, primarily due to the positive impact of foreign exchange of 5 percent. Regionally, we experienced strength in Asia, modest growth in North America and continued weakness in Europe.

- Sales in our Products businesses increased by 5 percent, including the positive impact of foreign exchange and higher sales volume in selected businesses. While we continue to see softness in commercial and residential end-markets, we have started to experience improvements in our businesses tied to industrial production resulting in increased sales volume of our sensing and control, scanning and mobility, gas detection and personal protective equipment products.
- Sales in our Solutions businesses increased by 2 percent primarily due to the positive impact of foreign exchange, growth in energy efficiency projects and acquisitions most significantly the RMG Group, partially offset by volume decreases largely due to continued soft demand for process solutions projects, most significantly refining. Orders and backlog increased in the first quarter primarily driven by energy efficiency projects, industrial field solutions and growth in emerging regions.

ACS segment profit increased by 24 percent in the first quarter of 2010 compared with the first quarter of 2009 principally due to the increased sales as a result of the factors noted above, benefits from prior repositioning actions and the positive impact of indirect cost savings initiatives, partially offset by inflation.

Specialty Materials

	Three Months Ended March 31,	
	2010	2009
Net sales	\$ 1,139	\$ 1,054
% change compared with prior period	8%	
Segment profit	\$ 170	\$ 125
% change compared with prior period	36%	

Specialty Materials sales increased by 8 percent in the first quarter of 2010 compared with the first quarter of 2009 driven by (i) a 34 percent increase in our Resins and Chemicals business due to price increases (most significantly the result of formula pricing arrangements), (ii) a 20 percent increase in our Specialty Products business most significantly due to increased sales to our semiconductor customers, and (iii) a 20 percent increase in our Fluorine Products business primarily due to higher sales volume of refrigerants and insulating materials, partially offset by a 15 percent decrease in our UOP business due to lower catalyst sales and timing of project activity in the refining and petrochemical industries.

Specialty Materials segment profit increased by 36 percent in the first quarter of 2010 compared with the first quarter of 2009. The increase is due principally to higher sales volumes as a result of the factors discussed above and the positive impact of indirect cost savings initiatives. We anticipate the above noted positive trends in certain customer end markets to continue throughout 2010.

Transportation Systems

	Three Months Ended March 31,	
	2010	2009
Net sales	\$ 1,007	\$ 756
% change compared with prior period	33%	
Segment profit	\$ 96	\$ (3)

Transportation Systems sales increased by 33 percent in the first quarter of 2010 compared with the first quarter of 2009, primarily due to higher volume and the positive impact of foreign exchange.

- Turbo Technologies, including Friction Materials, sales increased by 45 percent primarily due to increased turbocharger sales to both commercial and light vehicle engine manufacturers and the positive impact of foreign exchange. We expect increased volumes to continue as we benefit from new platform launches and increased diesel penetration rates in Western Europe.
- Consumer Products Group sales increased by 6 percent primarily due to the positive impacts of foreign exchange, improvements in sales volumes across each of our major brands and higher prices (primarily pass through of ethylene glycol cost increases).

Transportation Systems segment profit increased \$99 million in the first quarter of 2010 compared with the first quarter of 2009 due principally to higher sales volume as a result of the factors discussed above and increased productivity driven by benefits from prior repositioning actions.

Repositioning and Other Charges

See Note 3 of Notes to Financial Statements for a discussion of repositioning and other charges incurred in the three months ended March 31, 2010 and 2009. Our repositioning actions are expected to generate incremental pretax savings of approximately \$300 million in 2010 compared with 2009 principally from planned workforce reductions. Cash expenditures for severance and other exit costs necessary to execute these actions were \$56 million in the first three months of 2010 and were funded through operating cash flows. Cash expenditures for severance and other costs necessary to execute the remaining actions will be approximately \$225 million in 2010 and will be funded through operating cash flows.

B. LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Summary

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows for the three months ended March 31, 2010 and 2009, are summarized as follows:

	<u>2010</u>	<u>2009</u>
Cash provided by/(used for):		
Operating activities	\$ 743	\$ 341
Investing activities	(381)	(126)
Financing activities	(249)	(150)
Effect of exchange rate changes on cash	(63)	(78)
Net increase/(decrease) in cash and cash equivalents	<u>\$ 50</u>	<u>\$ (13)</u>

Cash provided by operating activities increased by \$402 million during the first three months of 2010 compared with the first three months of 2009, primarily due to higher accrued expenses of \$400 million (primarily increased customer advances and lower benefit and other employee related payments), partially offset by higher cash taxes of \$214 million.

Cash used for investing activities increased by \$255 million during the first three months of 2010 compared with the first three months of 2009 due primarily to investment in marketable securities of \$296 million, partially offset by decreased expenditures for property, plant, and equipment of \$39 million.

Cash used for financing activities increased by \$99 million during the first three months of 2010 compared with the first three months of 2009 primarily due to a net repayment of debt (including commercial paper) in the first quarter 2010 of \$52 million compared to net proceeds (including commercial paper) of \$70 million in the first quarter of 2009 partially offset by an increase in proceeds from issuance of common stock, primarily related to stock option exercises, of \$28 million.

Liquidity

The Company continues to manage its businesses to maximize operating cash flows as the primary source of liquidity. In addition to our available cash and operating cash flows, additional sources of liquidity include committed credit lines, short-term debt from the commercial paper market, long-term borrowings, access to the public debt and equity markets as well as the ability to sell trade accounts receivables. We continue to balance our cash and financing uses through investment in our existing core businesses, acquisition activity, share repurchases and dividends.

We continuously assess the relative strength of each business in our portfolio as to strategic fit, market position, profit and cash flow contribution in order to upgrade our combined portfolio and identify business units that will most benefit from increased investment. We identify acquisition candidates that will further our strategic plan and strengthen our existing core businesses. We also identify business units that do not fit into our long-term strategic plan based on their market position, relative profitability or growth potential. These business units are considered for potential divestiture, restructuring or other repositioning actions subject to regulatory constraints.

In the first quarter of 2010, the Company repaid \$1,000 million of its 7.50% notes. The repayment was funded with the issuance of commercial paper and cash provided by operating activities.

We plan to make voluntary contributions of Honeywell common stock to our U.S. pension plans in 2010 totaling approximately \$400 million to improve the funded status of our plans. We also expect to make contributions to our non-U.S. plans of approximately \$150 million in 2010, including \$100 million of marketable securities that were contributed in April 2010.

Current global economic conditions or the current tightening of credit could adversely affect our customers' or suppliers' ability to obtain financing, particularly in our long cycle businesses and airline and automotive end markets. Customer or supplier bankruptcies, delays in their ability to obtain financing, or the unavailability of financing could adversely affect our cash flow or results of operations. To date we have not experienced material impacts from customer or supplier bankruptcy or liquidity issues. We continue to monitor and take measures to limit our exposures.

C. OTHER MATTERS

Litigation

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See a discussion of environmental, asbestos and other litigation matters in Note 14 of Notes to Financial Statements.

Critical Accounting Policies

The financial information as of March 31, 2010 should be read in conjunction with the financial statements for the year ended December 31, 2009 contained in our Form 10-K filed on February 12, 2010.

For a discussion of the Company's critical accounting policies, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K filed on February 12, 2010.

Recent Accounting Pronouncements

See Note 2 of Notes to Financial Statements for a discussion of recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See our 2009 Annual Report on Form 10-K (Item 7A). As of March 31, 2010, there has been no material change in this information.

ITEM 4. CONTROLS AND PROCEDURES

Honeywell management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that such disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure information required to be disclosed in the reports that Honeywell files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that it is accumulated and communicated to our management, including our CEO, our CFO, and our Controller, as appropriate, to allow timely decisions regarding required disclosure. There have been no changes that have materially affected, or are reasonably likely to materially affect, Honeywell's internal control over financial reporting that have occurred during the period covered by this Quarterly Report on Form 10-Q.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

General Legal Matters

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See a discussion of environmental, asbestos and other litigation matters in Note 14 of Notes to Financial Statements.

Environmental Matters Involving Potential Monetary Sanctions in Excess of \$100,000

Although the outcome of the matters discussed below cannot be predicted with certainty, we do not believe that any of them, individually or in the aggregate, will have a material adverse effect on our consolidated financial position, consolidated results of operations or operating cash flows.

The United States Environmental Protection Agency and the United States Department of Justice ("federal authorities") are investigating whether the storage of certain sludges generated during uranium hexafluoride production at our Metropolis, Illinois facility has been in compliance with the requirements of the Resource Conservation and Recovery Act. The federal authorities have convened a grand jury in this matter. This storage issue was previously voluntarily disclosed to the Illinois Environmental Protection Agency, with whom Honeywell has been working to resolve the matter. The Company has met with the federal authorities and is cooperating fully with the investigation. Although the outcome of this matter cannot be predicted with certainty, we do not believe that it will have a material adverse effect on our consolidated financial position, consolidated results of operations or operating cash flows.

Honeywell is negotiating with the New York State Department of Environmental Conservation to settle allegations that Honeywell failed to properly close out waste storage areas associated with the legacy operations in Syracuse, New York, which areas are known as the Solvay Settling Basins.

The United States Environmental Protection Agency and the United States Department of Justice are investigating whether the Company's manufacturing facility in Hopewell, Virginia is in compliance with the requirements of the Clean Air Act and the facility's air operating permit. Based on these investigations, the federal authorities have issued notices of violation with respect to the facility's benzene waste operations, leak detection and repair program, emissions of nitrogen oxides and emissions of particulate matter. The Company has entered into negotiations with federal authorities to resolve the alleged violations.

ITEM 6. EXHIBITS

- (a) Exhibits. See the Exhibit Index on page 40 of this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Honeywell International Inc.

Date: April 23, 2010

By: /s/ Kathleen A. Winters

Kathleen A. Winters
Vice President and Controller
(on behalf of the Registrant
and as the Registrant's
Principal Accounting Officer)

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
10.1*	2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates – Form of Growth Plan Agreement (filed herewith)
10.2*	Consulting Agreement between Larry E. Kittelberger and Honeywell International Inc. dated March 24, 2010 (filed herewith)
11	Computation of Per Share Earnings (1)
12	Computation of Ratio of Earnings to Fixed Charges (filed herewith)
15	Independent Accountants' Acknowledgment Letter as to the incorporation of their report relating to unaudited interim financial statements (filed herewith)
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101.INS	XBRL Instance Document (furnished herewith)
101.SCH	XBRL Taxonomy Extension Schema (furnished herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (furnished herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (furnished herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase (furnished herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (furnished herewith)

* The Exhibits identified above with an asterisk (*) are management contracts or compensatory plans or arrangements.

(1) Data required is provided in Note 5 to the consolidated financial statements in this report.

2006 Stock Incentive Plan
of Honeywell International Inc. and its Affiliates

GROWTH PLAN AGREEMENT

GROWTH PLAN AGREEMENT made in Morris Township, New Jersey, United States of America, as of the [DAY] day of [MONTH, YEAR] between Honeywell International Inc. (which together with its subsidiaries and affiliates, when the context so indicates, is hereinafter referred to as the "Company") and [EMPLOYEE NAME] (the "Employee").

- 1. Grant of Awards.** The Company has granted to you [NUMBER] Growth Plan Units, subject to the terms of this Agreement and the terms of the 2006 Stock Incentive Plan of Honeywell International Inc. and Its Affiliates (the "Stock Plan").
- 2. Target and Actual Award.** The number of Growth Plan Units awarded to you represents a target award for the Performance Cycle (as defined below). Each Growth Plan Unit has a target value of \$100 ("Target Value"). Your actual award value (the "Actual Award") is equal to the product of (i) the Target Value, (ii) the Plan Payout Percentage, and (iii) the number of Growth Plan Units awarded to you under this Agreement. For purposes of this Agreement, the "Plan Payout Percentage" shall be based on the achievement of the Performance Measures described in Section 3 below and may range from zero to a maximum of 200%.
- 3. Performance Measures.** The Plan Payout Percentage shall be determined based on [PERFORMANCE MEASURES] (collectively the "Performance Measures") for the Performance Cycle. Performance Measures shall be determined at the Company level for eligible employees not assigned to one of the Company's four strategic business groups ("SBG"), and at both the Company and SBG level for other eligible employees. For purposes of this determination, if you transfer from one of the Company's businesses during the Performance Cycle, your award will be prorated for the number of days actively employed in that business.

Notwithstanding anything in this Agreement to the contrary, except in the event of a Change in Control (as defined in the Stock Plan), no Growth Plan Unit awards will be paid unless the Company attains a minimum level of [PERFORMANCE MEASURE] during the Performance Cycle. The minimum level of [PERFORMANCE MEASURE] shall be a [AMOUNT OR PERCENTAGE] over the Performance Cycle. In determining [PERFORMANCE MEASURE] for this purpose, the Management Development and Compensation Committee of the Company's Board of Directors (the "Committee") shall [INCLUDE AS APPLICABLE: hold share count constant to 2009 for all periods and] exclude from its calculations unusual, infrequently occurring, and extraordinary items [INCLUDE AS APPLICABLE: as well as pension expense or pension income recorded] during the Performance Cycle.

4. **Performance Cycles.** The two year performance cycle to which this Agreement applies commences on [DATE] and ends on [DATE] (the “Performance Cycle”).
5. **Timing of Payments.** The payment of Growth Plan Unit awards is contingent upon (i) the achievement of the performance criteria outlined in Section 3 above, and (ii) you remaining actively employed by the Company on the applicable payment dates. Thus, for example, if you are receiving pay from the Company but not actively performing services therefore (including, but not limited to, severance periods, notice periods, grandfathered vacation periods, short or long-term disability periods), you will not be considered “active” for purposes of the payment of Growth Plan Unit awards. To the extent a Growth Plan Unit award is earned, you will receive it in two installments (subject, of course, to the active employment criteria described herein). One-half of your Actual Award will be paid in [MONTH, YEAR]; the second half of your Actual Award will be paid in [MONTH, YEAR]; provided, however, that in no event will a payment be made later than two and one-half months from the end of the year in which the payment vests.
6. **Form of Payment.** Growth Plan Units may be paid out in either cash or shares of the Company’s common stock (“Shares”), at the discretion of the Committee. Your award will be expressed in U.S. dollars. Payment shall be made in the same currency as your pay (“Local Currency”). In the event you receive pay in more than one Local Currency, the currency used for payment will be at the discretion of the Company or your employer. The Company will normalize your award value for any fluctuation in exchange rates between U.S. dollars and your Local Currency using the rate in effect for compensation planning at the beginning of the Performance Cycle. If your Actual Award is paid in Shares, the number of Shares shall be determined by dividing the Actual Award by the Fair Market Value (as defined in the Stock Plan) of the Shares as of the date the Committee determines the amount of your Actual Award. Fractional Shares will always be paid in cash. No payment amounts will be credited with interest, and you may not defer the payment of any awards hereunder.
7. **Termination of Employment.** If your employment with the Company is terminated for any reason other than death or Disability prior to the date a Growth Plan Unit payment is to be made pursuant to Section 5 above, any unpaid amounts shall be forfeited and your rights with respect to any Growth Plan Units will terminate unless the Committee, or its designee, determines otherwise in its sole and absolute discretion.
8. **Death or Disability.** If your employment with the Company terminates because of death or Disability (as defined in the Stock Plan) prior to the first installment payment of your Actual Award, you or your estate will receive the prorated value of your Actual Award. The prorated value of the Actual Award shall be determined by multiplying the Actual Award by a fraction, the numerator of which is the number of days you were actively employed by the Company during the Performance Cycle prior to your death or Disability, and the denominator of which is the total number of days from your first eligibility date during the Performance Cycle through the last day of the Performance Cycle. Such prorated Actual Award shall be payable in a single lump sum at the time the first installment payment is paid to other Growth Plan grantees. If your death or Disability occurs after the first installment payment of your Actual Award has been made

but before the second installment payment has been made, the Company shall pay the second installment payment in a lump sum as soon as practicable after the date of death or Disability.

- 9. Change in Control.** In the event of a Change in Control (as defined in the Stock Plan), you will be deemed to have earned an Actual Award at a Plan Payout Percentage of 100%. In such case, you shall receive both installments of your Actual Award in a single sum payment no later than the earlier of 90 days after the date of the Change in Control or two and one-half months after the end of the calendar year in which the Change in Control occurs. Such single sum payment may be in cash or Shares, as determined by the Committee.
- 10. Change in Status.** If your role within the Company changes during the Performance Cycle such that you would no longer be eligible to receive Growth Plan Units, this Agreement shall remain in full force and effect as if no such change had occurred.
- 11. Transfer of Awards.** You may not transfer any interest in your Growth Plan Units. Any attempt to dispose of your interest in your Growth Plan Units shall be null and void.
- 12. Personal Data.**
 - a. By entering into this Agreement, and as a condition of the grant of the Growth Plan Units, you expressly consent to the collection, use, and transfer of personal data as described in this Section to the full extent permitted by and in full compliance with applicable law.
 - b. You understand that your local employer holds, by means of an automated data file, certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares or directorships held in the Company, details of all restricted units or other entitlement to shares or cash awarded, canceled, exercised, vested, unvested, or outstanding in your favor, for the purpose of managing and administering the Plan ("Data").
 - c. You further understand that part or all of your Data may be also held by the Company or its Affiliates, pursuant to a transfer made in the past with your consent, in respect of any previous grant of restricted units or awards, which was made for the same purposes of managing and administering of previous award/incentive plans, or for other purposes.
 - d. You further understand that your local employer will transfer Data to the Company or its Affiliates among themselves as necessary for the purposes of implementation, administration, and management of your participation in the Plan, and that the Company or its Affiliates may transfer data among themselves, and/or each, in turn, further transfer Data to any third parties assisting the Company in the implementation, administration, and management of the Plan ("Data Recipients").

- e. You understand that the Company or its Affiliates, as well as the Data Recipients, are or may be located in your country of residence or elsewhere, such as the United States. You authorize the Company or its Affiliates, as well as the Data Recipients, to receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Plan, including any transfer of such Data, as may be required for the administration of the Plan and/or the subsequent holding of Shares on your behalf, to a broker or third party with whom the Shares may be deposited.
- f. You understand that you may show your opposition to the processing and transfer of your Data, and, may at any time, review the Data, request that any necessary amendments be made to it, or withdraw your consent herein in writing by contacting the Company. You further understand that withdrawing consent may affect your ability to participate in the Plan.

13. Discretionary Nature and Acceptance of Award. By accepting this Award, you agree to be bound by the terms of this Agreement and acknowledge that:

- a. The Company (and not your local employer) is granting your Growth Plan Units. Furthermore, this Agreement is not derived from any preexisting labor relationship between you and the Company, but rather from a mercantile relationship.
- b. The Company may administer the Plan from outside your country of residence and United States law will govern all Growth Plan Units granted under the Plan.
- c. Benefits and rights provided under the Plan are wholly discretionary and, although provided by the Company, do not constitute regular or periodic payments.
- d. The benefits and rights provided under the Plan are not to be considered part of your salary or compensation under your employment with your local employer for purposes of calculating any severance, resignation, redundancy or other end of service payments, vacation, bonuses, long-term service awards, indemnification, pension or retirement benefits, or any other payments, benefits or rights of any kind. You waive any and all rights to compensation or damages as a result of the termination of employment with your local employer for any reason whatsoever insofar as those rights result, or may result, from the loss or diminution in value of such rights under the Plan or your ceasing to have any rights under, or ceasing to be entitled to any rights under, the Plan as a result of such termination.
- e. The grant of Growth Plan Units hereunder, and any future grant of Growth Plan Units under the Plan, is entirely voluntary, and at the complete discretion of the Company. Neither the grant of the Growth Plan Units nor any future grant by the Company will be deemed to create any obligation to make any future grants, whether or not such a reservation is explicitly stated at the time of such a grant. The Company has the right, at any time and/or on an annual basis, to amend, suspend or terminate the Plan; provided, however, that except as provided in

Section 15, no such amendment, suspension, or termination will adversely affect your rights hereunder.

- f. The Plan will not be deemed to constitute, and will not be construed by you to constitute, part of the terms and conditions of employment. Neither the Company nor your local employer will incur any liability of any kind to you as a result of any change or amendment, or any cancellation, of the Plan at any time.
- g. Participation in the Plan will not be deemed to constitute, and will not be deemed by you to constitute, an employment or labor relationship of any kind with the Company.

14. Limitations. Nothing in this Agreement or the Plan gives you any right to continue in the employ of the Company or any of its Affiliates or to interfere in any way with the right of the Company or any Affiliate to terminate your employment at any time. Payment of your Growth Plan Units is not secured by a trust, insurance contract or other funding medium, and you do not have any interest in any fund or specific asset of the Company by reason of this Agreement. You have no rights as a shareowner of the Company pursuant to the Growth Plan Units unless and until Shares are actually delivered to you.

15. Agreement Changes. The Company reserves the right to change the terms of this Agreement and the Stock Plan without your consent to the extent necessary or desirable to comply with the requirements of Code section 409A, the Treasury regulations and other guidance thereunder.

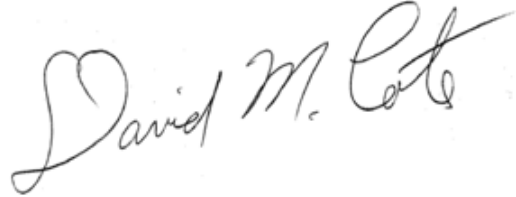
16. Forfeiture of Award.

- a. By accepting the Award, you expressly agree and acknowledge that the forfeiture provisions of subparagraph (b) will apply if, from the date of the grant of the Growth Plan Units until the date that is twenty-four (24) months after your Termination of Employment for any reason, you enter into an employment or consultation agreement or arrangement (including any arrangement for service as an agent, partner, stockholder, consultant, officer or director) with any entity or person engaged in a business in which the Company or any Affiliate is engaged if the business is competitive (in the sole judgment of the Committee) with the Company or an Affiliate and the Committee has not approved the agreement or arrangement in writing.
- b. If the Committee determines, in its sole judgment, that you have engaged in an act that violates subparagraph (a) prior to the 24-month anniversary of your Termination of Employment, any payment that you have received in connection with the Growth Plan Units described herein will immediately be rescinded, and you will forfeit any rights you may have with respect to future payments as of the date of the Committee's determination. In addition, you hereby agree and promise immediately to deliver to the Company, a cash payment equal in value to the gross amount of any payment you received in connection with the Growth Plan Units described herein during the period beginning six (6) months prior to

your Termination of Employment and ending on the date of the Committee's determination.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by the facsimile signature of its Chairman of the Board and Chief Executive Officer as of the day and year first above written. By signing this Agreement, you agree that (i) you have carefully read, fully understand and agree to all of the terms and conditions described in this Agreement, the Stock Plan and the Stock Plan prospectus; and (ii) you understand and agree that this Agreement and the Stock Plan constitute the entire understanding between you and the Company regarding your award of Growth Plan Units, and that any prior agreements, commitments or negotiations concerning such Growth Plan Units are hereby replaced and superseded. You will be deemed to consent to the application of the terms and conditions set forth in this Agreement and the Stock Plan unless you contact Honeywell International Inc., Executive Compensation/AB-1D, 101 Columbia Road, Morristown, NJ 07962, in writing, within thirty (30) days of the date of this Agreement.

HONEYWELL INTERNATIONAL INC.



By: David M. Cote
Chairman of the Board and
Chief Executive Officer

Participant's signature

This Agreement and the underlying Stock Plan represent the entire agreement between the Company and you regarding your Growth Plan Units. This Agreement and the Stock Plan should be read in conjunction with one another so that they are not in conflict. Nevertheless, in the event this Agreement and the Stock Plan cannot be harmonized with each other, the terms of the Stock Plan shall control. You should consult the Stock Plan for additional information with respect to your rights, responsibilities and entitlements.

The Company reserves the right to amend, modify or terminate the Stock Plan at its sole and absolute discretion, subject to shareowner approval if required.

This Agreement does not guarantee your eligibility for any Stock Plan benefit now or in the future. Please keep in mind that neither the Stock Plan nor this Agreement, or any amendments thereto, constitute a contract of employment with the Company or otherwise give you the right to be retained in the employment of the Company.

CONSULTING AGREEMENT

AGREEMENT made as of this 24th day of March, 2010 by and between Larry E. Kittelberger (hereinafter referred to as "Consultant"), and Honeywell International Inc., a corporation organized under the laws of the state of Delaware (hereinafter referred to as "Honeywell" or the "Company").

WITNESSETH:

WHEREAS, Consultant has been a senior executive of the Company for approximately 13 years; and

WHEREAS, the Consultant, in his role as the Company's Senior Vice President of Technology and Operations, became intimately familiar with the Company's significant business and technological strategies and challenges; and

WHEREAS, the Consultant has announced his retirement from the Company effective April 12, 2010; and

WHEREAS, the Company is desirous of engaging Consultant to help in the transition and management of certain projects and initiatives on an ad hoc basis; and

WHEREAS, Consultant is desirous of working on certain such projects and initiatives on a part-time basis and according to his own schedule;

NOW THEREFORE, in consideration of the mutual covenants contained herein, it is agreed as follows:

1. The Company hereby retains Consultant as an independent contractor to perform the services set forth in Exhibit A, attached hereto and made a part hereof, as well as other similar and appurtenant duties as may be assigned to Consultant while performing such services. Company and Consultant shall confer from time to time to review and revise, as appropriate, the list of services set forth in Exhibit A. Subject to the provisions of Paragraph 2, Consultant agrees to comply with applicable Company policies in the performance of his services hereunder. The term of this Agreement shall begin on April 13, 2010 and end on April 12, 2011, unless earlier terminated as provided herein. The term of this Agreement may be further extended by the written agreement of Consultant and the Company.

2. Consultant shall provide to the Company, in accordance with the procedures set forth in Paragraph 17, written periodic reports of his activities in sufficient detail to evidence the nature and scope of the services provided, and will provide supporting documentation in the form of related work records, meeting reports and similar documents as requested by the Company. Consultant shall be free to determine his own means and manner of accomplishing the purposes of the parties, as more fully set forth in Exhibit A, provided he performs his services hereunder in a

manner acceptable to Honeywell, as determined in accordance with Paragraph 7 hereof, and provided he complies fully with all laws and regulations applicable to Honeywell's operations and Consultant's services. Honeywell shall not exercise or retain the right to control, direct or supervise the manner in which Consultant performs services for Honeywell.

3. Consultant shall perform the services specified in Exhibit A at such locations as shall be necessary, convenient or appropriate to the performance of such services.

4. As full and complete payment for all services rendered hereunder, the Management Development and Compensation Committee of the Board of Directors has approved the following compensation package (the "Consideration"), which compensation package shall apply to the specific elements hereof notwithstanding any contrary provisions in the applicable Company compensation plans:

(a) *Pre-existing Stock Option Awards.* All outstanding stock options that are unvested as of April 12, 2010 shall become vested on April 12, 2010.

(b) *Extension of Option Vesting Periods.* With respect to any stock options awarded to Consultant after 2003, Consultant will have the full remaining term thereof to exercise such options.

5. The Company shall reimburse Consultant for all reasonable out-of-pocket expenses (transportation, hotels, meals, and telecommunications) necessarily incurred by Consultant in connection with any trip made at the request of the Company and with its approval. Necessary expenses will include reimbursement for coach class airfares and the cost of reasonable meals and accommodations. Reimbursement shall be made by payment within 30 days after receipt of invoice rendered by the Consultant, subject to approval of the Company. All invoices submitted for payment shall be in the name of Consultant. No other expenses will be eligible for reimbursement unless the Company authorizes them in advance and an itemized statement of the expense is submitted to the Company along with the Consultant's invoice. Any disbursement paid to a third party by the Consultant shall be authorized in advance by the Company and an itemized statement of the same shall be submitted to the Company with the Consultant's invoice.

6. Notwithstanding any provision herein contained to the contrary, in the event the Company determines that the payment of a fee or the payment of any reimbursement as herein provided is contrary to law or governmental policy of the country or countries out of which the transaction arises, the Consultant hereby waives any right title or interest to the fee or reimbursement to which the Consultant would otherwise be entitled. The Consultant hereby represents to the Company that (i) no part of any fee paid or reimbursement for any disbursement shall be paid, directly or indirectly, to or for the benefit of any employee, agent or representative of any government, governmental agency or commercial customer for an improper purpose or to obtain a benefit for the Company or any of its subsidiaries or affiliates, and (ii) this Agreement and its performance hereunder do not violate the laws or regulations of the United States, any state thereof, or any other country in which Consultant is performing services hereunder, including, without limitation, laws and regulations pertaining to gratuities, conflicts of interest, post-Government employment, or the disclosure of source selection or proprietary information.

7. In the performance of the services described herein, the Consultant (a) shall be deemed to be and shall act strictly and exclusively as an independent contractor and shall not be considered under the provisions of this Agreement or otherwise as having an employee status with Honeywell, or as being eligible to participate in or receive any benefit under a benefit plan or program made available to employees of the Company; (b) is not granted and shall not exercise any authority to assume or create any obligation or responsibility, express or implied, on behalf of or in the name of the Company, or to bind the Company to any agreement, contract or arrangement of any nature, except as expressly provided herein; (c) shall comply with all applicable laws and regulations; (d) shall have sole responsibility for the payment of applicable taxes, all workers' compensation and disability insurance, Social Security and other similar taxes levied with respect to any payment hereunder that is properly reportable on Form 1099; (e) shall not contact U.S. Government personnel without the prior written consent of the Company; and (f) shall maintain all appropriate insurances in connection with Consultant's obligations hereunder.

8. In further exchange for the Consideration detailed in Paragraph 4 of this Agreement, Consultant agrees that for a period of two (2) years he will not, without the written consent of Honeywell, directly or indirectly, engage or be interested in (without any geographic restrictions or limitations), as owner, partner, shareholder, employee, director, officer, agent, consultant or otherwise, directly or indirectly, with or without compensation, any Competing Business or assist any Competing Business.

For purposes of this Agreement, "Competing Business" shall mean each of the entities, and their subsidiaries and affiliates (including any successors thereto), set forth on Exhibit B attached hereto and made a part hereof. Nothing herein, however, shall prohibit Consultant from acquiring or holding not more than one percent (1%) of any class of publicly traded securities of any such business; provided that such securities entitle Consultant to no more than one percent (1%) of the total outstanding votes entitled to be cast by security holders of such business in matters on which such security holders are entitled to vote.

In the event any of the foregoing covenants shall be determined by any court of competent jurisdiction to be unenforceable by reason of extending for too great a period of time, over too great a geographical area or by reason of its being too extensive in any other respect, it shall be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, and/or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action. The invalidity or unenforceability of any particular provision of this Paragraph 8 shall not affect the other provisions hereof, which shall continue in full force and effect.

Consultant agrees that the Company's remedies at law would be inadequate in the event of a breach or threatened breach of this Paragraph 8; accordingly, the Company shall be entitled, in addition to its rights at law, to seek an injunction or other equitable relief without the need to post a bond.

The terms of this Paragraph 8 are to be read consistent with the terms of any other non-competition agreements that Consultant has executed with the Company; provided, however, to the extent there is a conflict between/among such agreements, such agreements shall be construed as providing the broadest possible protections to the Company, even if such construction would require provisions of more than one such agreement to be given effect.

9. The terms and conditions of this Agreement and the services to be performed hereunder, as well as the information and knowledge divulged to Consultant or developed by Consultant during or in connection with his services hereunder (including any reports, analyses, working papers, memoranda, notebooks, data, computer programs and discs or other materials prepared by Consultant in the course of providing the services which are the subject of this Agreement), shall be treated by the Consultant as confidential information and shall not be disclosed to third parties or to the public without prior written approval of the Company, except to the extent otherwise required by law.

10. Unless Consultant first secures the Company's written consent, he will at no time, during or after his engagement by the Company, directly or indirectly, publish, use, or disclose or authorize, advise, hire, counsel or otherwise procure any other person or entity, directly or indirectly, to publish, disclose or use any trade secrets or other confidential information of the Company which Consultant acquired or became aware of during his employment with the Company or his engagement hereunder either for Consultant's own benefit or for the benefit of any other person, whether or not developed by Consultant, except as required in the performance of Consultant's services for the Company.

11. The Company does not desire to acquire any secret or confidential knowledge or information from Consultant that may have been acquired from others. Accordingly, Consultant represents and warrants that any and all information, practices or techniques which he will describe, demonstrate, divulge or in any other manner make known to the Company during the performance of services hereunder may be divulged without any obligation to, or violation of, any right of others. Consultant further represents and warrants that any and all practices or techniques which he will disclose and materials prepared by him may be freely used by the Company without violation of any law or payment of any royalty, except as it shall specifically advise to the contrary in writing. Consultant shall exonerate, indemnify and hold harmless the Company from and against any and all liability, loss, cost, expense, damage, claims or demands for actual or alleged violation of the rights of others in any trade secret, know how or other confidential information which is based in whole or in part on the Company's receipt or use of the services or information provided by the Consultant.

12. Consultant acknowledges that all records, reports, analyses, working papers, memoranda, notebooks, computer programs and discs or other materials prepared by Consultant in the course of performing services which are the subject of this Agreement and all records and copies of records relating to the Company's operations, investigations and business (collectively referred to as "Proprietary Materials"), made or received by Consultant during the term of this Agreement are and shall be the Company's property exclusively, and Consultant shall surrender the same at the termination of this Agreement, if not before. Consultant may use Proprietary Materials only with the express written consent of the Company.

13. Consultant acknowledges that Honeywell has invested significant time and money to recruit and retain its employees. Therefore, recognizing that in the course of his employment Consultant has obtained valuable information about Honeywell employees, their respective talents and areas of expertise, Consultant agrees that for a period of two (2) years following April 12, 2010, Consultant will not, directly or indirectly, (i) cause any individual previously employed by Honeywell to be employed by any person or entity other than Honeywell unless such individual has not been employed by Honeywell for at least 12 months, (ii) participate in any manner in the employment of any such individual by any person or entity other than Honeywell unless such individual has not

been employed by Honeywell for at least 12 months, or (iii) in any way induce or attempt to induce such individual to leave the employment of Honeywell. Likewise, Consultant acknowledges that Honeywell has invested significant time and money to develop valuable, continuing relationships with existing and prospective clients and customers. Therefore, recognizing that in the course of his employment Consultant has obtained valuable information about Honeywell customers and their requirements, Consultant agrees that, for a period of two (2) years following April 12, 2010, Consultant will not solicit or attempt to solicit, directly or indirectly, for his own account or for others, any clients or customers of Honeywell, or any prospective clients or customers of Honeywell, for the purpose of inducing such clients or customers to cease doing business with Honeywell or to purchase, lease or utilize products or services which are competitive with, are similar to, or which may be used as substitutes for any products or services offered by Honeywell.

14. Consultant shall exonerate, indemnify and hold harmless the Company, its directors, officers and employees, from and against any and all liability, losses, costs, expenses (including attorneys fees), damages, actions, claims or demands (including those based on the injury to or death of any person or damage to property), directly or indirectly arising out of, or resulting from, or relating to any act or omission of Consultant or his employees, officers, agents or subcontractors related to services performed for the Company hereunder, but only to the extent such damages, actions, claims or demands arise from the willful misconduct of Consultant or Consultant's bad faith.

15. Neither party shall assign any right in or obligation arising under this Agreement without the other party's written consent, and any such assignment shall be void. This Agreement shall be binding on and inure to the benefit of each party's heirs, executors, legal representatives, successors and permitted assigns.

16. This Agreement shall be effective as of the date first set forth above written and shall terminate on April 12, 2011, subject to the right of either party to terminate this Agreement for any reason at any time upon not less than 30 days' prior written notice to the other party.

Termination of this Agreement shall not affect Consultant's obligations under Paragraphs 6, 7, 9, 10, 11, 12, 13, 14 and 15. In the event of early termination by Consultant other than by reason of death or total and permanent disability, Consultant shall (i) forfeit any outstanding options, and (ii) repay the compensatory gains from any option exercises after April 12, 2010.

17. Notices or communications hereunder shall be in writing, addressed as follows:

- | | |
|------------------------|--|
| (a) If to the Company: | Honeywell International Inc.
101 Columbia Road
Morristown, New Jersey 07962
Attn: Katherine L. Adams
Senior Vice President and General Counsel |
| If to Consultant: | Larry E. Kittelberger
[address] |

Any such notice shall be deemed to be given as of the date it is personally delivered, the next business day after the date faxed (upon confirmation of receipt of transmission), or five days after the date mailed in the manner specified.

(b) This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of New Jersey, disregarding any conflict-of-laws rules that may direct the application of the laws of another jurisdiction.

(c) This Agreement contains the entire agreement and understanding of the parties hereto with respect to the subject matter hereof, and merges and supersedes all prior agreements, discussions and writings with respect thereto. No modification or alteration of this Agreement shall be effective unless made in writing and signed by both Consultant and the Company.

18. Consultant has received a copy of the Company's Code of Business Conduct (the "Code"). Consultant certifies that it has reviewed and understands the Code and will fully comply with its terms and take all necessary steps to assist the Company in complying with it. If the services provided hereunder are related to a U.S. Department of Defense contract, Consultant shall represent that he has been made aware of the Company's commitment to the Defense Industry Initiative for Federal Procurement Related Services.

19. Without prejudice to the rights and remedies otherwise available to the Company hereunder, the Company shall be entitled to equitable relief by way of injunction or otherwise if Consultant breaches or threatens to breach any of the provisions of this Agreement. In addition, and not by way of limitation, in the event Consultant materially breaches the terms of this Agreement, Consultant shall (i) forfeit any outstanding options, and (ii) repay the compensatory gains from any option exercises after April 12, 2010.

20. In the event any provision of this Agreement shall not be enforceable, the remainder of this Agreement shall remain in full force and effect.

21. The waiver by Company of any nonperformance or breach by Consultant of any provisions of this Agreement must be in writing and shall not be construed as waiving any such provision in the future. No delay or failure by Company in enforcing or exercising any right hereunder and no partial or single exercise thereof, shall be deemed of itself to constitute a waiver of such right or any other rights hereunder.

22. This Agreement contains the entire agreement and understanding between the parties hereto with respect to the subject matter hereof, and merges and supersedes all prior discussions and writings with respect thereto. No modification or alteration of this Agreement shall be effective unless made in writing and signed by both parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the first day above written.

Consultant's Taxpayer No.

By: /s/ Larry E. Kittelberger

LARRY E. KITTELBERGER

HONEYWELL INTERNATIONAL INC.

By: /s/ Mark James

MARK JAMES

Senior Vice President

Human Resources and Communications

EXHIBIT A

**CONSULTING AGREEMENT BETWEEN
HONEYWELL INTERNATIONAL INC.
AND
LARRY E. KITTELBERGER**

Consultant Statement of Work

Consultant agrees to make himself available to consult with the Chief Executive Officer of the Company, or his designees, at his/their discretion, for up to seventy-five (75) hours during the term of this Agreement.

EXHIBIT B

COMPETING BUSINESSES

3M
Airbus
Boeing
Borg-Warner
Bosch
Danaher
DuPont
Emerson
General Electric
Goodrich
ITT
Johnson Controls
Lockheed Martin
Northrop Grumman
Raytheon
Rockwell Collins
Textron
Thales
Tyco
United Technologies

HONEYWELL INTERNATIONAL INC.
STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
Three Months Ended March 31,2010
(Dollars in millions)

Determination of Earnings:		
Income before taxes	\$	553
Add (Deduct):		
Amortization of capitalized interest		5
Fixed charges		127
Equity income, net of distributions		(4)

Total earnings, as defined	\$	681

 Fixed Charges:		
Rents (a)	\$	20
Interest and other financial charges		107

		127
Capitalized interest		5

Total fixed charges	\$	132

Ratio of Earnings to Fixed Charges		5.16

(a) Denotes the equivalent of an appropriate portion of rentals representative of the interest factor on all rentals other than for capitalized leases.

April 23, 2010

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Commissioners:

We are aware that our report dated April 22, 2010 on our review of interim financial information of Honeywell International Inc. (the "Company") for the three month periods ended March 31, 2010 and 2009 and included in the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2010 is incorporated by reference in its Registration Statements on Form S-3 (No. 033-55425, 333-22355, 333-101455 and 333-165036), Form S-8 (No. 033-51455, 033-58347, 333-57515, 333-57517, 333-57519, 333-83511, 333-49280, 333-57868, 333-105065, 333-108461, 333-136083, 333-136086, 333-146932 and 333-148995) and on Form S-4 (No. 333-82049).

Very truly yours,

/s/ PricewaterhouseCoopers LLP

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David M. Cote, Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Honeywell International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 23, 2010

By: /s/ David M. Cote

David M. Cote
Chief Executive Officer

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David J. Anderson, Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Honeywell International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 23, 2010

By: /s/ David J. Anderson

David J. Anderson
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly Report of Honeywell International Inc. (the Company) on Form 10-Q for the period ending March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David M. Cote, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David M. Cote

David M. Cote
Chief Executive Officer
April 23, 2010

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly Report of Honeywell International Inc. (the Company) on Form 10-Q for the period ending March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David J. Anderson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David J. Anderson

David J. Anderson
Chief Financial Officer
April 23, 2010
