

News Release

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HONEYWELL AEROSPACE BUSINESS AVIATION OUTLOOK FORECASTS \$200 BILLION IN GLOBAL BUSINESS JET SALES THROUGH 2019

Up to 11,000 New Business Jet Shipments Projected Through 2019

International Demand Accounts for 50 Percent of Planned New Aircraft Orders

*Near-Term Down Cycle for New Jet Deliveries, Orders and Aircraft Usage, but
Survey Points to Demand Improvement by 2012*

NBAA, ORLANDO, Fla., Oct. 18, 2009 – In the 18th edition of its annual Business Aviation Outlook issued today, Honeywell (NYSE: HON) forecasts delivery of approximately 11,000 new business jets from 2009 through 2019, generating estimated industry sales of \$200 billion.

For 2009, Honeywell Aerospace forecasts deliveries of 750-800 new business jets, down from 1,139 in 2008. Deliveries in 2010 are expected to drop below 700. Based on operator survey responses, long-term buyer interest has increased, however new purchase plans are currently timed later in the five-year planning window, which strongly suggests that by 2011-2012 there will be significant pent-up demand that will improve the outlook for order intake and new jet deliveries.

“Offsetting this near-term contraction, Honeywell’s surveyed operators said their new purchase plans were less affected during the five-year horizon in key international markets within Europe, Asia, Africa and the Middle East,” said Rob Wilson, President, Business and General Aviation, Honeywell Aerospace.

“The relatively stronger levels and timing of international purchase plans suggests that pent-up demand will improve both order intake and new jet delivery rates by 2011-2012, similar to what

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the industry experienced in the last cycle,” Wilson said. “Despite some program cancellations and delays, there is still a solid pipeline of new high-value models supporting long-term growth and our survey indicates that international demand will remain significant.”

2008 marks the end of an unprecedented five-year industry expansion that began in 2003. After peaking in 2008, new jet deliveries are projected to decline roughly 30 percent in 2009 followed by a 10- to 15-percent decline in 2010 before starting a recovery in 2011.

Global Purchase Expectations Improve in Latest Survey

Honeywell’s 2009 purchase expectations survey is based on interviews conducted in the second and third quarters of 2009 encompassing a random sample of more than 1,200 corporate flight departments worldwide. Overall, world purchase plans improved over 2008 levels despite the economic turbulence encountered in the last year.

North American purchase expectations declined slightly, but expectations in several other world regions improved to an unexpected extent. Globally respondents to this year’s survey said they expect to purchase new aircraft equivalent of about 40 percent of their current fleets over the next five years, exceeding 2008 survey results by about eight points. This includes aircraft to be purchased for replacement as well as those for fleet expansion.

“The improvement in overall purchase expectations is remarkable and indicative of the increasingly global nature of the industry and of improved outlooks for economic recovery in a number of regions outside North America,” Wilson said.

International demand now accounts for more than 50 percent of the new aircraft purchase plans projected over the next five years. Honeywell forecasts that the regional mix of deliveries will continue to reflect this global shift in share.

Aggregating all regions, five-year purchase expectations exceeded the 30-plus percent levels reported in Honeywell’s 2008 survey. Purchase expectations trended down in North America and Latin America, but rose markedly in Europe and moderately in the Middle East and Asia.

Honeywell’s 2009 survey indicates a potential demand for more than 5,000 aircraft globally during the 2010-2014 period, excluding demand from fractional ownership or branded charter start-up businesses and piston aircraft owner trade-ups into jet aircraft. The strong survey results are welcome, however a sharp recovery in deliveries is less probable, since this potential demand has to be translated to orders, and in turn to increases in production which will take some time to implement if purchase intentions remain solid. “Clearly operators around the world are looking beyond the current economic climate and anticipating a return to improved business conditions.

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The level of optimism varies somewhat by region, but it is certainly behind the stronger purchase plans reported this year,” Wilson added. “While these results appear remarkably upbeat, it should be noted that the timing of planned purchases in the five-year window is heavily shifted in most regions to the post-2010 timeframe.”

North America Expectations

In North America, 2009 survey respondents said they expect to purchase aircraft equal to about 25 percent of their existing fleets for replacement or expansion during the next five years.

“The level of purchase expectations in North America is encouraging,” Wilson said. “Despite negative economic growth in the U.S. and some adverse domestic publicity, the survey indicates that purchases over the five-year period will maintain at levels similar to those reported in our 2008 survey, reflecting the value and productivity these aircraft deliver.”

“We are hearing increased concerns about the Large Aircraft Security Program (LSAP) plus other TSA regulations, user fees, and carbon emission regulations and the associated costs of reporting and complying within the U.S., coupled with the weak economy, there is more uncertainty in the timing of new aircraft purchase in the five-year window in this year’s survey,” Wilson said. “A great deal of stated plans are shifted out into 2011 and subsequent years. Despite these concerns, overall buying plans in the region remained stable, with replacement plans increasing while plans for fleet expansion declined by an offsetting amount.”

Honeywell’s baseline forecast is based on a negative 2.5- to 3-percent U.S. Gross Domestic Product growth year, but a return to positive growth on the order of 2 percent in 2010. Volatility in economic forecasts over the last year is giving way to more consistent estimates and forecasts from several sources seem to be stabilizing in this range.

Regional Purchase Expectations

In other regions, five-year purchase expectations were mixed. In Europe, purchase expectations equal to nearly 59 percent of the current fleet were up sharply to an all-time high and are well above the 25 percent-or-better levels that prevailed between 2001 and 2006. “Nine consecutive years of strong purchase intentions in Europe despite the current economic contraction, is evidence of the value operators in this region place in using business jets,” Wilson said.

The resurgent strength of the Euro, Pound, Swiss Franc and Ruble against the dollar acts as a purchase incentive for new aircraft, as does the outlook for a resumption of strong rates of growth and business expansion expected in Eastern Europe and Russia after 2010. Strengthening of the

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dollar against these currencies earlier in the year during the highest period of economic instability has reversed. The potential for a weaker dollar will remain in place for some time as interest rates remain low and deficits increase. This trend should help support new aircraft demand from the region as economic growth resumes.

Overall, European operators increased their already healthy desire to replace their existing fleets compared to the 2008 survey findings. Reduced plans for fleet expansion only offset a small portion of the replacement plans.

Purchase plans are timed predominantly in the 2010-2012 period, demonstrating a more confident posture than seen in the North American responses. A great deal of interest in moving into larger, longer range and more efficient or lower cost models was reported by European respondents. Concerns voiced closely correlated to those expressed in North America, centering on evolving operational and noise regulations plus cost of complying with pending carbon emissions restrictions.

Asia, Africa and Middle East Expectations Remain High

The Asia, Africa, and Middle East regions still rank as the areas with the highest purchase expectations despite the effects of the global recession. Purchase expectations of 55 percent recorded in Africa/Middle East were up more than 10 points from 2008, setting a new record high.

All the increase in purchase plans came from the fleet replacement category. Fleet expansion demand fell by about three points compared to last year. Middle East and selected African economies continue to benefit from improved oil prices and burgeoning trade with China and Asia, and operators in these regions expect to be active buyers. Operator plans to buy are timed sooner than in Latin America, North America and Europe. But fleets in these areas are relatively small so even high planned purchase rates yield smaller absolute numbers of new jet purchases until the fleets expand at a future time.

Asian purchase plans had posted a nearly nine-point gain in the 2008 survey versus the year earlier, and they remain high compared to other regions and from a historical perspective. Total replacement and expansion plans are just over 58 percent for the region in the 2009 survey after approaching 50 percent last year.

Clearly the relatively mild impact of the global recession on major Asian economies such as China and India is helping support a more optimistic level of interest in business jets. Improved access and ease of use may also be a contributing factor.

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Since the fleets are relatively small in this region, more volatility is to be expected. As in the other regions, the majority of the change came from improved plans for fleet replacement rather than from expansion plans.

Confidence in Asian and Middle Eastern economic growth in the intermediate and long term remains high, boosting interest in larger, longer-range aircraft with better operating economics. Concerns over new duty time restrictions and carbon emission regulations were voiced in this region as well.

Latin America

In Latin America, operators reported slightly lower levels of purchase expectations in the 2009 survey. Operators in this region report plans to purchase new aircraft equal to more than 40 percent of current fleets for replacement or expansion over the next five years.

Purchase plans declined from the 2008 survey by about five points, though interest is still high in historical terms, matching or beating survey levels from 2007 and prior.

Latin American purchase plans were influenced in the 2009 survey by a somewhat less positive outlook on rapid resumption of economic growth than was present in other regions outside North America. Latin American operators appear to be taking a more cautious view of the recovery with very few new purchases intended prior to 2011. Range and more efficient aircraft were leading reasons for replacing existing models. Fear of trade restrictions in Venezuela and U.S. security regulations were the top concerns voiced by operators in Latin America.

Fleet Replacement Drivers

Chief reasons to replace current aircraft remain relatively consistent with prior surveys; with age, cabin size and range improvement all listed as important criteria in every region. As might be expected in the current economic climate, a desire to replace current models with more efficient or lower operating cost models gained prominence this year. New technologies in avionics and engines are also leading reasons for aircraft replacement in every region.

“Customers tell us they want aircraft that are both economical and deliver efficiencies of flight. Technologies for the Next Gen flight environment are entering the marketplace today and are actively being pursued by every manufacturer to meet these desires,” said TK Kallenbach, Vice President, Marketing and Product Development. “Capabilities such as RNP and WAAS-LPV, teamed with improved cabin comfort, extended range, broader mission capability and safety

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systems will produce business jets that are highly productive, cost-efficient assets. These innovations are available now for both existing and emerging business aircraft OEMs.”

Used Jets and Flight Operations Levels

The used jet environment remains challenging in the near-term. Over the last year, asking prices have begun to slide rapidly – first for older used models, but more recently newer model jets have begun to see significant price erosion.

Average pricing is estimated to be 15 to 18 percent lower than a year ago after several years of gradual increases. The 2009 survey recorded a further decline in planned used-jet purchases over the next five years, which may add continued pressure to pricing of older less economically attractive models. Recent inventory levels have stabilized after particularly strong increases from 2008 into early 2009.

The 2009 survey recorded clear intentions regarding usage rates of business jets in the near future. All regions posted a shift in intention toward flat to lower usage rather than increased utilization in the near-term.

These actions are already in place based on reduced jet cycle counts recorded by the FAA and Eurocontrol far into 2009. Declines in the level of flight activity have been reported in various media and are consistent with Honeywell’s own analysis indicating a 20-plus percent business jet cycle reduction overall through three quarters of 2009.

Flight activity declines are largest in absolute and percentage terms in Light Aircraft; however most aircraft segments are posting reductions in the 12- to 24-percent range over 2008 levels of activity. Very Long Range and Very Light Jet (VLJ) activity levels appear least affected with both classes showing well below average levels of decline. Obviously a contributing factor in these classes is the surging fleet growth in the VLJ segment and the strong recent levels of demand for Long Range models at the top end of the spectrum.

The implications of these used aircraft and jet utilization trends are significant for service providers and dealers. Economic and operating cost concerns are clearly affecting the desire to own and operate older jets as extensively as in the past. The most pronounced effects appear to be more prevalent in the smaller classes of Jets and extend down into the general aviation segments.

Global Economy and New Product Pipeline Favor Recovery and Long-Term Growth

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For the past several years, the Honeywell model has been predicting a moderate down cycle to initiate in the 2009-2010 time period and the company's public forecast releases had reflected this pattern.

The 2009 business jet down cycle has been much more severe than originally forecast in Honeywell's 2008 survey due to the sudden, unpredicted downturn in the global economy and limitations on credit availability.

The company therefore conducted a re-survey of 500 operators during the first quarter of 2009, and this re-survey confirmed changes in purchase plans consistent with industry thus far in 2009.

The first quarter 2009 findings indicated that globally more than 75 percent of purchase plans mentioned to Honeywell during the 2008 survey were still in place, though about 17 percent were being deferred to a later date. It should be noted that industry deliveries of new jets were off 24 percent on a unit basis and 25 percent on a retail value basis in the first half of the year – directly in line with the re-survey projections.

Honeywell's current 2009 statistical forecasting model predicts a business jet delivery decline of more than 40 percent measured in dollar terms (excluding fractional and start-up jet taxi demand) with the trough occurring in 2010 and a flat to moderate improvement in 2011. The model is signaling a rather robust recovery starting in 2012 with the next cyclic peak likely to be higher than in 2008, although fairly late in the forecast period.

During the last down cycle, the Honeywell's statistical analysis accurately predicted the timing and magnitude of the 2003 trough and also accurately predicted the recovery timing. The magnitude of the recovery upswing at that time was driven by the rapid globalization of new aircraft demand, leading to a reconfiguration of the model emphasizing world economic performance more so than that of the U.S. alone.

Based on the historical relationships between the global economies, new model value and the business jet segment, there is every reason to believe that demand for business jets will begin to recover 12 to 18 months after a global economic recovery begins.

Overall, Honeywell believes that the longer term outlook for business aviation is still positive. The company said its update process factors the survey findings together with statistical model analysis, manufacturer insights, backlog levels and timing to produce the current outlook.

Honeywell predicts deliveries will cycle down in 2009 and 2010 and the peak-to-trough decline will be in the range of 40 to 45 percent. By 2012, a combination of pent-up demand and

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global economic recovery will cause demand for new jets to improve. The pipeline of new high-value models also supports the long term growth scenario and international demand will remain significant.

A year ago, it appeared that the large industry backlog would act as a buffer to any moderate economic contraction and reduce the volatility in new aircraft deliveries. As the extent of the recession worsened and the insidious nature of the credit crisis was revealed, it became evident that industry backlogs were insufficiently firm to provide short term buffering.

Despite significant cancellations and deferrals, there are still several thousand aircraft on order – many scheduled for delivery post-2010. Assuming economic recovery progresses, it is still likely delivery of these aircraft will be taken, providing a boost to shipment levels as we move into the 2011-2012 period.

Honeywell Aerospace's "Customer Benefit Index," a key component of the long-range forecast, which tracks the perceived value offered by business jets to fleet owners and operators, also has a favorable long-term trend based on many new production models and development programs in the pipeline – even after taking account of several recent program delays and cancellations.

"Evaluating these customer values along with the purchase plans from the 2009 operator survey still supports a more positive long-range outlook for the industry," Wilson said.

Fractionals

Owners of fleets serving fractional shareholders and jet card purchasers have reduced demand sharply in the current recession. Fractional fleet operators still account for about 10 to 12 percent of the backlog for business jets, but have drastically curtailed current new aircraft additions in the face of net share sales erosion.

New jet deliveries to fractional fleet operators are off more than 66 percent through the first half of 2009. Sales of new ownership shares have deteriorated further after 2008 posted a 13 percent loss. As a result, Honeywell is projecting much lower deliveries into this segment for the next few years as excess capacity is worked off and shareholder levels are rebuilt.

Replacement demand for new aircraft contributes a significant share of new jet purchases in the fractional segment which should support some improvement in new jet deliveries to the sector by 2011-2012. This segment's higher utilization and its desire to maintain a consistent passenger experience with newer aircraft and hold down operating costs leads to replacement at shorter intervals than is typical for traditional operator groups.

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Near-Term Demand Well-Distributed Across Aircraft Classes

Based on new jet models mentioned by survey respondents, the 2009 Business Aviation Outlook projects a fairly balanced demand profile across most business jet segments over the next five years.

Medium and Medium-Large aircraft combined account for about 23 percent of the projected demand through 2014. Light and Light-Medium aircraft make up about 24 percent of projected five-year demand. The next largest groupings are in Long Range and Ultra-Long Range aircraft at 18 percent and in large class models also at 18 percent. Sustained interest in the Long and Ultra-Long Range segment is has been present for several years and reflects increased need for aircraft capable of trans-Pacific flights, as well as the growth in demand in other regions requiring more Long Range operations as trade and economic growth is still anticipated.

North America is expected to account for about 48 percent of business jet deliveries over the next five years, continuing to reflect somewhat more cautious attitudes and slower growth in the region versus the very high levels of purchase expectations in all other areas.

Honeywell has reported on this trend for several years, and the survey is tracking with observed shifts in orders and deliveries very closely. The North American share declined from 55 percent in the 2008 survey.

Asian demand through 2014 based on the survey slipped back to around 7 percent of the total on lower purchase plans aimed at fleet growth. European demand share expanded to 27 percent based on the record purchase plans in the region. Latin America share declined roughly one point to 11 percent. The Middle East/Africa region gained three points over last year to nearly 7 percent. While these percentages shift somewhat each year, the overall demand pool remains fairly large so individual regions are still absorbing significant numbers of new aircraft into their fleets, even if percentage share slips a few points.

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Demand Trends by Aircraft Segment

Honeywell's 2009 Business Aviation Outlook provides the following estimates of demand trends by aircraft class:

Long Range and Ultra-Long Range: Deliveries of aircraft in these segments are projected to top 1,500 in the forecast period and deliveries should average around 120 to 140 per year over much of the forecast period. Aircraft in this category include the Bombardier Global Express and Global 5000, Challenger 850, Gulfstream G450, G500 and G550, Falcon 900EX, Falcon 900DX and the new Falcon F7X.

A Very High-Speed segment of Ultra-Long Range aircraft has also been launched with the development of the Gulfstream G650 and other potential entrants. This segment adds nearly 500 more aircraft to the demand for Ultra-Long Range aircraft through 2019.

Large: Honeywell Aerospace forecasts delivery of around 1,000 Large business jets over the forecast period. This sector's outlook was affected by the cancellation of the Citation Columbus earlier in the year. Near-term, deliveries are expected to run around 60 to 75 aircraft until 2012 then trend higher from 2013 onward with new model introductions. Aircraft currently in this category include the Challenger 604/605, Gulfstream 350, Falcon 2000, Falcon 2000DX and EX, the future Super-Midsize Falcon and Embraer Legacy 600.

Medium and Medium-Large: Combined, new aircraft deliveries in these segments have been significantly reduced in the near-term. 2008 deliveries exceeded 300 in this class; however deliveries for the next two to three years will be only 50 to 60 percent of those levels. New model introductions will begin to rebuild delivery rates and the 300-per-year level should be reached again late in the forecast period. Deliveries for the forecast period should total about 2,400 aircraft. Among the newer and emerging aircraft in these segments are the Embraer Legacy 450 and 500, Learjet 85, Gulfstream G250, Hawker 900XP, Hawker 850XP and Hawker 4000. Established platforms include the Citation Sovereign, Bombardier Challenger 300, Citation X, Gulfstream G150, G200, Falcon 50EX and Learjet 60.

Light and Light-Medium: Honeywell Aerospace anticipates deliveries of roughly 2,400 jets in these segments between 2009 and 2019. As in the large class, this sector has been affected adversely by the suspension or delay of several new projects, including the Grob SPn and the Hawker 450, among others. As previously noted, the Light and Light-Medium segments continue to be one of the larger areas of operator new jet purchase plans in the 2009 survey. Aircraft in these

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segments include the Hawker 400XP, Hawker 750, Citation Bravo, Citation Encore+, CJ3 (525B), CJ4(525C), Citation XLS, Embraer Phenom 300, Lear 40 and Lear 45/45XR.

Very Light: Deliveries of business jets in this segment will continue to build momentum off a base of over 200 units in 2008. Deliveries are forecast to increase in 2009 but stabilize somewhat for two to three years before resuming growth later in the forecast period, averaging a bit under 300 aircraft per year for the latter portion of the forecast period. The relatively solid projected demand reflects the introduction and rapid production ramp-up of new Very Light jets, such as the Embraer Phenom 100 and Cessna Citation Mustang, both of which continue to enjoy better than average order backlogs. Deliveries in the 2009 to 2019 period are expected to exceed 2,800 planes. Other production and announced aircraft in this segment include the Cessna CJ1+ and CJ2+, Beechcraft Premier I and Sino-Swearingen SJ30-2.

Personal Jets: The 2009 Business Aviation Outlook provides an updated look at the emerging Personal Jet segment. GAMA and the FAA define General Aviation as everything except the airlines and military. This portion of industry demand has been centered on the emergence of Very Light aircraft such as the Eclipse 500, Adam 700, Diamond Jet, Cirrus, Piper Jet and others not normally covered by the Business Aviation Outlook.

As has been widely reported, several of these programs have suffered financial and execution issues delaying or in several cases eliminating the program.

The current outlook is reduced significantly and is heavily influenced by close monitoring of ongoing OEM developments. Current potential is limited by supply as much as demand due to the delays and disruption of several high profile projects.

With this in mind, deliveries over the next 10-year period will likely be constrained to somewhere between 1,000 and 1,500 Very Light personal jets. When combined with new-generation low-cost aircraft carried in the Very Light segment of the Business Aviation Outlook, the total deliveries range from 3,000 to 3,500 aircraft from 2009 to 2019, well below the range predicted by earlier Honeywell survey research. Should plans to restart programs currently on hold or cancelled come to fruition, there could be a modest improvement in the outlook once global economic growth is on firmer footing.

Business Liners: The current Business Aviation Outlook does not explicitly include aircraft in the Business Liner class (typically well over 100,000 pounds takeoff weight and based on transport airframes). However, purchase expectations are recorded for these models in the survey. Forecast deliveries of aircraft in this class total around 240 through 2019 and should average

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roughly 20 aircraft per year in the forecast period. Aircraft represented in this segment include the Boeing BBJ series, the Airbus Elite A318 and Airbus Corporate Jetliner as well as the Lineage 1000 from Embraer, plus corporate versions of twin aisle aircraft and potential corporate versions of new regional jets. This segment comprises an additional \$17 billion of business aircraft sales.

Methodology

The Honeywell Aerospace Business Aviation Outlook and the purchase expectations it summarizes are a snapshot of expected business aircraft sales at a point in time and reflect fleet operators' views of current events, such as political and economic conditions, fuel costs and changes in regulations, taxes and user fees that would affect expected sales in the near term.

Honeywell Aerospace's Business Aviation Outlook does not reflect the impact of unforeseen events such as a war, major economic shock, fuel crisis or new regulatory restrictions. The outlook is based in part on Global Insight's baseline economic forecast assumptions that call for world economic declines at annual rates in the 2.5- to 3-percent range for during 2009 and returning to world growth rates above 3 percent by 2011.

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