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## Honeywell International Inc. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you, sir. The question and answer session will be conducted electronically. If you would like to ask a question, (Operator instructions). We will take our first question from Jeff Sprague with Citi Investment Research. Please go ahead.

#### Jeff Sprague – Citi Investment Research

Thank you. Good morning, everyone. No one is surprised you are taking a cautious stance on Q1, it is pretty grim out there, but to Dave Anderson's point, maybe the order trends don't quite get you to a Q1 that looks this tough just based on what you are seeing so far. But, maybe you could just give us a little more color on where the backlogs were as you exited 2009, I mean, exited 2008 relative to where they were in Q3, and a little more specificity on where the orders are okay versus where they are starting to falter a bit.

#### Dave Anderson

Why don't I just take a quick shot at that, Dave, and then you can add. As I said, Jeff, in general, the guidance that we have provided to you is consistent in terms of the assumptions that we used in December. The two notable exceptions really are in the Aerospace, where we have taken down the flight hour assumptions to the lower end of the range, and we have reflected that in terms of the kind of annualization of that in terms of a lower start to the year, We are actually at negative 4% for the first half of the year in terms of the global flight hour assumptions. That is a big one; that is an important one. At this point in time, we are actually seeing the numbers hold up pretty well from an order standpoint.

A second key change that we have made here is really in specialty materials with the assumption on electronic materials, where we have seen material softness in terms of order rates and activity, particularly driven by the semiconductor industry, Intel, et cetera. If you look at the backlogs and where we finished the year in terms of our – a few of our long cycle businesses, they actually held up very well. For example, in the solutions business, as I indicated, we actually saw growth in backlog at year-end. So the trends that we are seeing overall are consistent with guidance, with notable exceptions and where we have really reflected that in terms of particularly in this first quarter and what would be implied in terms of our first half guidance is really in the Aero business with the expectation, the anticipation that we will be at the low end annually on the global flying hours and that will really be manifested in the first half of the year and then the impact of electronic materials.

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