

Honeywell

Fourth Quarter / Full Year 2012

Earnings Release

Forward Looking Statements

This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements are based on management’s assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near- and long-term. We identify the principal risks and uncertainties that affect our performance in our Form 10-K and other filings with the Securities and Exchange Commission.

- **Honeywell Delivers Again In Challenging Macro Environment**

- 4Q: \$9.6B Sales, 1% Sales Growth; Proforma EPS \$1.10*, Up 9%** Adjusted YOY
- Strong Sales Conversion: 15.6% Segment Margin, Up +50 BPS

- **Confident In 2013 Outlook**

- Modest Macro Expectations: World GDP Growth ~2.5%, Continued Political Uncertainty
- Order Rates Mixed: Short Cycle Pockets Of Growth, Long Cycle Moderating
- Continued Margin Expansion Driven By HOS, VPD™, FT/OEF
- Conservatively Planning Costs, Staying Flexible, Ongoing Restructuring In Progress

- **Ongoing Seed Planting Driving Top Tier Performance**

- Impressive New Product Pipeline, Business Wins Setting Up 2014 Tailwinds
- Evolution Of Key Process Initiatives Delivering Significant Benefits Across Portfolio

* Proforma Excludes any 4Q Pension Mark-to-Market (MTM) Adjustment

** Proforma V% Adjusted to Prior Period Tax Rate of 27.5% Excluding 4Q Pension Mark-to-Market (MTM) Adjustment

HON Delivered In 2012 While Investing For Future

Fourth Quarter 2012 Results

Honeywell

(\$M except per share amounts)

	<u>4Q11</u>	<u>4Q12</u>	
Sales	\$9,473	\$9,581	<ul style="list-style-type: none"> • 1% Increase <ul style="list-style-type: none"> ◆ 1% Organic
Segment Profit	\$1,429	\$1,496	<ul style="list-style-type: none"> • 5% Increase <ul style="list-style-type: none"> ◆ 50 bps Margin Expansion
<i>Margin %</i>	<i>15.1%</i>	<i>15.6%</i>	
Net Income, Proforma ¹	\$827	\$873	<ul style="list-style-type: none"> • 6% Increase
<i>Attributable to Honeywell</i>			
EPS, Proforma ¹	\$1.05	\$1.10	<ul style="list-style-type: none"> • 5% Increase <ul style="list-style-type: none"> ◆ Up 9% Adjusted For Tax² ◆ (\$0.78) MTM Adjustment
<i>EPS, Reported</i>	<i>(\$0.40)</i>	<i>\$0.32</i>	
Free Cash Flow ³	\$1,417	\$1,311	<ul style="list-style-type: none"> • 150% Conversion

1) Proforma, V% Exclude Any Pension Mark-to-Market (MTM) Adjustment; 4Q12 Adjustment Calculated Using 796.4 Million Weighted Average Fully Diluted Shares

2) Proforma V% Adjusted to Prior Period Tax Rate of 27.5% Excluding 4Q Pension Mark-to-Market (MTM) Adjustment

3) FCF and FCF Conversion Shown Prior to Cash Pension Contributions

Delivering On Expectations

Full Year 2012 Results

Honeywell

(\$M except per share amounts)

	<u>FY11</u>	<u>FY12</u>	
Sales	\$36,529	\$37,665	<ul style="list-style-type: none"> • 3% Increase <ul style="list-style-type: none"> ◆ 3% Organic
Segment Profit	\$5,357	\$5,879	<ul style="list-style-type: none"> • 10% Increase <ul style="list-style-type: none"> ◆ 90 bps Margin Expansion
<i>Margin %</i>	<i>14.7%</i>	<i>15.6%</i>	
Net Income, Proforma ¹	\$3,204	\$3,548	<ul style="list-style-type: none"> • 11% Increase
<i>Attributable to Honeywell</i>			
EPS, Proforma ¹	\$4.05	\$4.48	<ul style="list-style-type: none"> • 11% Increase <ul style="list-style-type: none"> ◆ (\$0.79) MTM Adjustment
<i>EPS, Reported</i>	<i>\$2.61</i>	<i>\$3.69</i>	
Free Cash Flow ²	\$3,780	\$3,672	<ul style="list-style-type: none"> • 103% Conversion

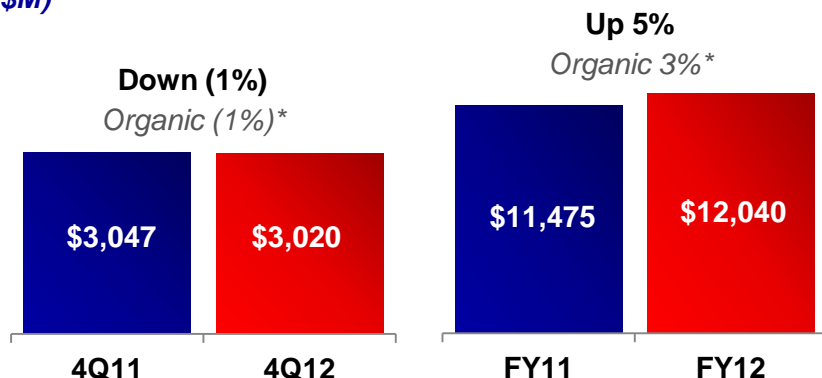
1) Proforma, V% Exclude Any Pension Mark-to-Market (MTM) Adjustment; 2012 Adjustment Calculated Using 791.9 Million Weighted Average Fully Diluted Shares

2) FCF and FCF Conversion Shown Prior to Cash Pension Contributions

Another Record Year For HON

Sales

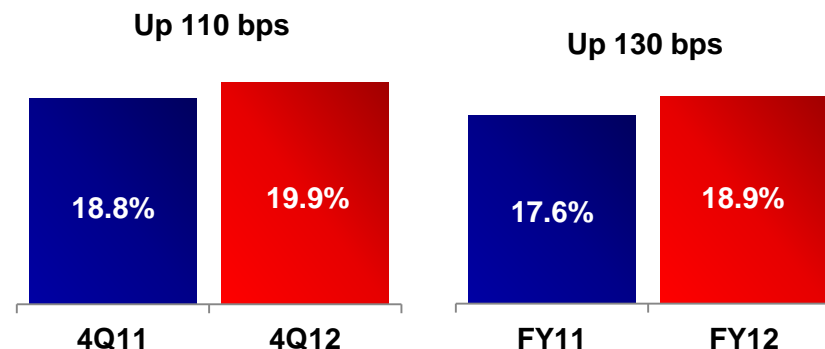
(\$M)



- **Comm'l OE: 4Q +5%, FY +19% (+12% Org*)**
 - Replacement Cycle Driving Increased Deliveries
 - Well Positioned On Growth Platforms
- **Commercial AM: 4Q +3%, FY +8%**
 - ATR Recoupled To Flight Hours, Tough Comps
 - BGA Strength Continues, Growth Rate Moderates
- **D&S: 4Q Down (6%), FY Down (3%)**
 - Manageable Declines As Expected

* Organic V% Excludes Acquisitions And BGA OE Payments

Segment Margin



- **Segment Profit: 4Q Up 5%, FY Up 13%**
- **Segment Margins: 4Q 110 bps, FY 130 bps**
 - + Commercial Excellence
 - + Productivity Net Of Inflation
 - + Lower BGA OE Payments
 - Growth Investments

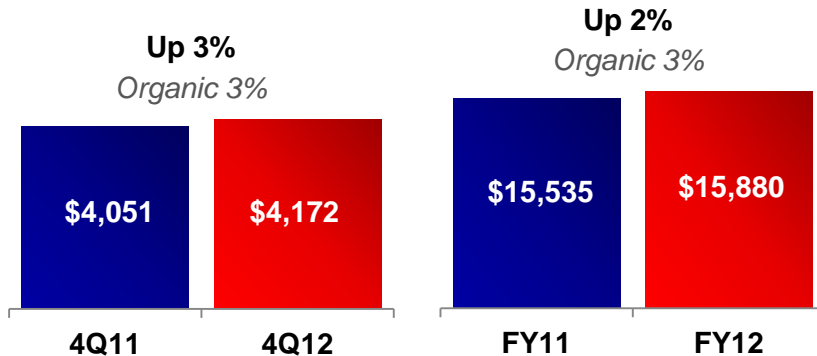
Terrific Year For Aerospace

Automation and Control Solutions

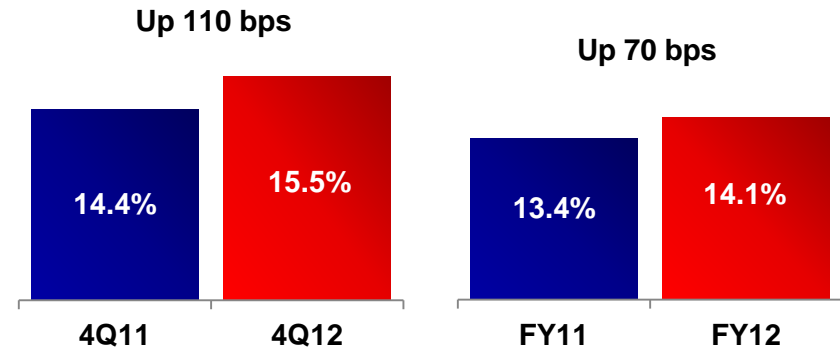
Honeywell

Sales

(\$M)



Segment Margin



- **ESS: 4Q Up 4%, FY Up 2%**
 - Organic: 4Q Up 4%, FY Up 1%
 - ECC Acceleration; Security, HSM Strength
- **HPS: 4Q Up 2%, FY Up 3%**
 - Organic: 4Q Up 3%, FY Up 6%
 - Focused On Profitable Growth
- **BSD: 4Q Up 1%, FY Up 3%**
 - Organic: 4Q Up 1%, FY Up 4%
 - Energy Retrofit Slowing

- **Segment Profit: 4Q Up 10%, FY Up 7%**
- **Segment Margins: 4Q 110 bps, FY 70 bps**
 - + Productivity
 - + Commercial Excellence
 - Inflation
 - Growth Investments

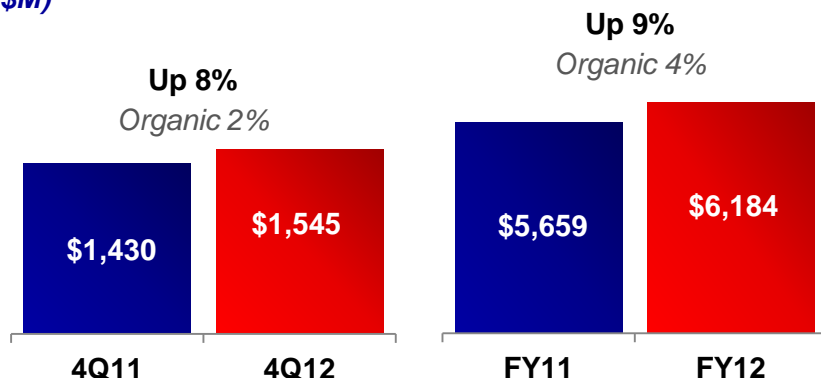
Strong Margin Expansion Despite Slower Growth

Performance Materials and Technologies

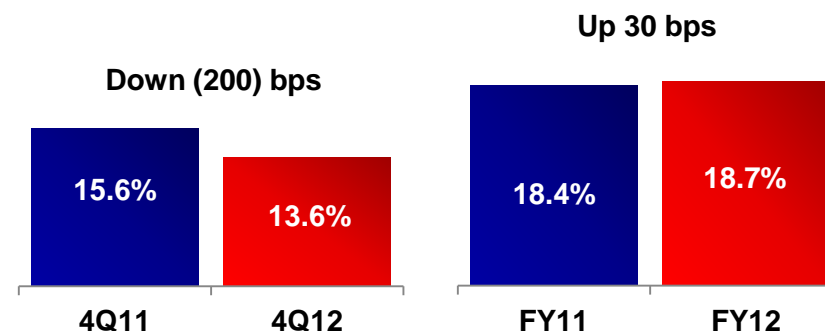
Honeywell

Sales

(\$M)



Segment Margin



- **UOP: 4Q Up 13%, FY Up 17%**
 - Organic: 4Q Down (4%), FY Up 12%
 - Record Backlog: \$2.8B Up 49% (Up 18% Organic)
- **Adv. Materials: 4Q Up 5%, FY Up 5%**
 - Organic: 4Q Up 5%, FY ~Flat
 - New Products/Applications Offsetting Weak Macros

- **Segment Profit: 4Q Down (6%), FY Up 11%**
- **4Q Segment Margins Down (200) bps**
 - + Productivity Net Of Growth Investments
 - Unfavorable Price/Raws
- **Full Year Segment Margins Up 30 bps**
 - + Higher UOP Licensing, Catalyst, And Equipment
 - + Productivity Net Of Growth Investments
 - Challenging End Market Conditions

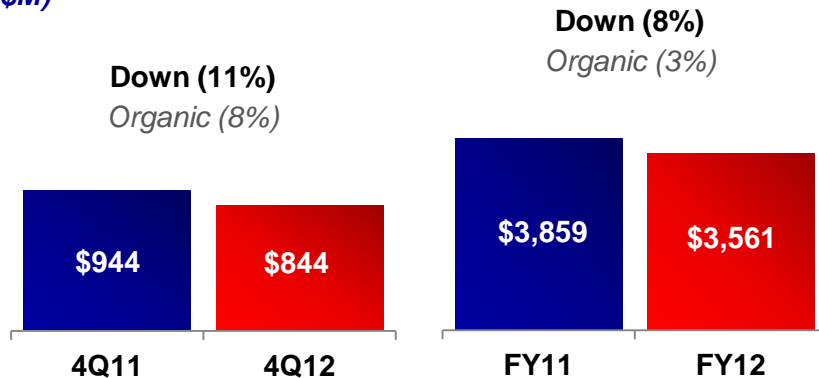
Top Tier Performance While Investing

Transportation Systems

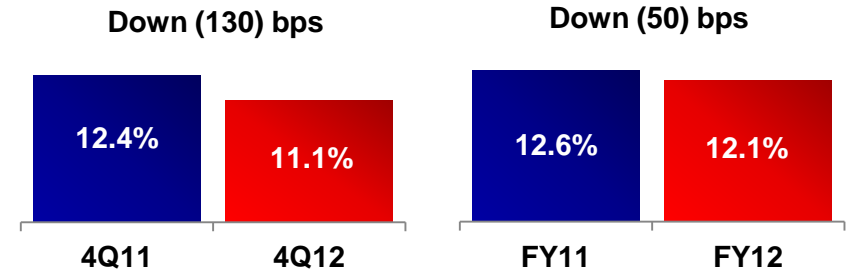
Honeywell

Sales

(\$M)



Segment Margin



- Sales F/X Headwinds: 4Q (3%), FY (5%)

- **Challenging Industry Macros Overall**

- EU LV Production Down (~10%) In 4Q
- New Product Launches Helping Offset
- Higher U.S. Turbo Gas Penetration

- **Signs Of Stabilization**

- Modest Uptick In China: 4Q Up 6%

- **Impressive 2012 Win Rate**

- **Seg Profit: 4Q Down (20%), FY Down (11%)**

- **Segment Margins: 4Q (130) bps, FY (50) bps**

- + Productivity

- Volume/Price

- Friction Transformation → 2014 Tailwind

Well Positioned For Market Improvement

2013 Financial Guidance Summary

Honeywell

(\$B except per share amounts)

	<u>2012</u>	<u>2013E</u>	<u>V%</u>	<u>Comments</u>
Sales	\$37.7	\$39.0 - 39.5	4 - 5%	• Organic Up 1 - 3%
Segment Profit	\$5.9	\$6.2 - 6.4	5 - 9%	
Segment Margin	15.6%	15.8 - 16.1%	20 - 50 bps	• Up 40 - 60 bps Ex-Acquisitions
Net Income, Proforma ¹	\$3.5	\$3.8 - 4.0	7 - 12%	
Attributable to Honeywell				
EPS ¹	\$4.48	\$4.75 - 4.95	6 - 11%	• Shares ~Flat To 4Q 2012
Free Cash Flow ²	\$3.7	~\$3.7	~ Flat	• Capex Investment

1) Proforma, V% Exclude Any Pension Mark-to-Market Adjustment

2) Free Cash Flow (Cash Flow from Operations Less Capital Expenditures) Prior to Any NARCO Related Payments and Cash Pension Contributions

Low End

- Lower Global GDP Growth
- High Growth Regions Moderate Further
- Unfavorable Mix – Commercial OE, Adv Mat
- Inflation / Productivity Worse
- Stronger Dollar – EUR < \$1.25

High End

- + Stronger Global GDP Growth
- + High Growth Regions Overdrive
- + Favorable Mix – ACS-ESS, UOP
- + Inflation / Productivity Better
- + Weaker Dollar – EUR > \$1.25

Balanced Outlook For 2013

	<u>Sales Change</u>	<u>Comments</u>
Aerospace	(2) - 0%	<ul style="list-style-type: none">• Continued Modest Defense Ramp Downs• Moderating Aftermarket, Tougher Comps
ACS	0 - 2%	<ul style="list-style-type: none">• ESS End Markets Stable• Moderating Growth HPS, BSD
PMT	7 - 9%	<ul style="list-style-type: none">• UOP Shipment Timing, Acquisition Tailwind• Adv. Mat. Volume Headwinds
Transportation	(5) - (7%)	<ul style="list-style-type: none">• EU Light Vehicle Production Down ~(10%)• Challenging 1H 2013 Comps
Honeywell	0 - 2%	<ul style="list-style-type: none">• Total ~\$9.3 – \$9.5B

EPS \$1.10 - \$1.15, Up 6 - 11%

- **2012 Another Year Of Outperformance**
 - Set High Expectations And Delivered
 - Achieved Record Margins While Investing For Growth
- **Confident In 2013 Outlook**
 - 2012 Exit Rates – Signs Of Stability / Improving Trends Overall
 - HON Playbook – Operating Disciplines Provide Tailwinds
- **2014 Targets In Focus**
 - Planning Framework Suggests Continued Momentum Across Portfolio
 - Tailwinds → UOP, Commercial Aero, Turbo, ESS, Repo And Integration Savings, HOS...
- **March 6th Investor Conference**
 - “The Thinking Company”...From Innovation To Execution
 - Delivering 2014 And Beyond

Multi-Year Positive Outlook

Appendix

*Reconciliation of non-GAAP Measures
to GAAP Measures*

Reconciliation Of Segment Profit To Operating Income And Calculation Of Segment Profit And Operating Income Margin

Honeywell

(\$M)	<u>4Q11</u>	<u>4Q12</u>	<u>2011</u>	<u>2012</u>
Aerospace	\$573	\$601	\$2,023	\$2,279
Automation and Control Solutions	\$584	\$645	\$2,083	\$2,232
Performance Materials and Technologies	\$223	\$210	\$1,042	\$1,154
Transportation Systems	\$117	\$94	\$485	\$432
Corporate	(\$68)	(\$54)	(\$276)	(\$218)
Segment Profit	\$1,429	\$1,496	\$5,357	\$5,879
Stock Based Compensation ⁽¹⁾	(39)	(39)	(168)	(170)
Repositioning and Other ^(1, 2)	(121)	(96)	(794)	(488)
Pension Ongoing Expense ⁽¹⁾	(22)	(7)	(105)	(36)
Pension Mark-to-Market Adjustment ⁽¹⁾	(1,802)	(957)	(1,802)	(957)
OPEB Income (Expense) ⁽¹⁾	(23)	(20)	86	(72)
Operating Income	(\$578)	\$377	\$2,574	\$4,156
Pension Mark-to-Market Adjustment ⁽¹⁾	(1,802)	(957)	(1,802)	(957)
Operating Income Excluding Pension Mark-to-Market Adjustment	\$1,224	\$1,334	\$4,376	\$5,113
Segment Profit	\$1,429	\$1,496	\$5,357	\$5,879
÷ Sales	<u>\$9,473</u>	<u>\$9,581</u>	<u>\$36,529</u>	<u>\$37,665</u>
Segment Profit Margin %	<u>15.1%</u>	<u>15.6%</u>	<u>14.7%</u>	<u>15.6%</u>
Operating Income (Loss)	(\$578)	\$377	\$2,574	\$4,156
÷ Sales	<u>\$9,473</u>	<u>\$9,581</u>	<u>\$36,529</u>	<u>\$37,665</u>
Operating Income (Loss) Margin %	<u>(6.1%)</u>	<u>3.9%</u>	<u>7.0%</u>	<u>11.0%</u>
Operating Income Excluding Pension Mark-to-Market Adjustment	\$1,224	\$1,334	\$4,376	\$5,113
÷ Sales	<u>\$9,473</u>	<u>\$9,581</u>	<u>\$36,529</u>	<u>\$37,665</u>
Operating Income Margin Excluding Pension Mark-to-Market Adjustment	<u>12.9%</u>	<u>13.9%</u>	<u>12.0%</u>	<u>13.6%</u>

⁽¹⁾ Included in cost of products and services sold and selling, general and administrative expenses

⁽²⁾ Includes repositioning, asbestos, environmental expenses and equity income adjustment

Reconciliation Of Cash Provided By Operating Activities To Free Cash Flow, Prior To Cash Pension Contributions And Calculation Of Cash Flow Conversion % Honeywell

(\$M)	<u>4Q11</u>	<u>4Q12</u>	<u>2011</u>	<u>2012</u>
Cash Provided by Operating Activities	\$1,477	\$1,349	\$2,833	\$3,517
Expenditures for Property, Plant and Equipment	(332)	(298)	(798)	(884)
Free Cash Flow	\$1,145	\$1,051	\$2,035	\$2,633
Cash Pension Contributions	272	260	1,745	1,039
Free Cash Flow, prior to Cash Pension Contributions	\$1,417	\$1,311	\$3,780	\$3,672
Net Income Attributable to Honeywell	(\$310)	\$251	\$2,067	\$2,926
Mark-to-Market Pension Adjustment, Net of Tax ⁽¹⁾	1,137	622	1,137	622
Net Income Attributable to Honeywell Excluding Mark-to-Market Pension Adjustment	\$827	\$873	\$3,204	\$3,548
Cash Provided by Operating Activities	\$1,477	\$1,349	\$2,833	\$3,517
÷ Net Income Attributable to Honeywell	(310)	251	2,067	2,926
Operating Cash Flow Conversion %	N/A	537%	137%	120%
Free Cash Flow, prior to Cash Pension Contributions	\$1,417	\$1,311	\$3,780	\$3,672
÷ Net Income Attributable to Honeywell Excluding Mark-to-Market Pension Adjustment	827	873	3,204	3,548
Free Cash Flow Conversion %, prior to Cash Pension Contributions	171%	150%	118%	103%

(1) Mark-to-market uses a blended tax rate of 36.9% and 35.0% for 2011 and 2012, respectively.

Reconciliation Of EPS To EPS, Excluding Pension Mark-to-Market Adjustment **Honeywell**

	2011 ⁽¹⁾	2012 ⁽¹⁾
EPS	\$2.61	\$3.69
Pension Mark-to-Market Adjustment	1.44	0.79
EPS, Excluding Pension Mark-to-Market Adjustment	\$4.05	\$4.48

(1) Utilizes weighted average shares of 791.6 and 791.9 million for 2011 and 2012, respectively. Mark-to-market uses a blended tax rate of 36.9% and 35.0% for 2011 and 2012, respectively.

Reconciliation Of EPS To EPS, Excluding Pension Mark-to-Market Adjustment **Honeywell**

	<u>4Q11 ⁽¹⁾</u>	<u>4Q12 ⁽¹⁾</u>
EPS	(\$0.40)	\$0.32
Pension Mark-to-Market Adjustment	1.45	0.78
EPS, Excluding Pension Mark-to-Market Adjustment	<u>\$1.05</u>	<u>\$1.10</u>

(1) Utilizes weighted average shares of 784.3 and 796.4 million for 2011 and 2012, respectively. Mark-to-market uses a blended tax rate of 36.9% and 35.0% for 2011 and 2012, respectively.

Reconciliation Of Income From Continuing Operations Before Taxes To EPS From Continuing Operations, Excluding Pension Market-to-Market Adjustment At Prior Year Tax Rate Of ~27.5%

Honeywell

(\$M except per share amounts)

	<u>4Q12 ⁽¹⁾</u>
Income from Continuing Operations Before Taxes	\$306
Pension Mark-to-Market Adjustment, Before Taxes	<u>(957)</u>
Income from Continuing Operations Excluding Pension Mark-to-Market Adjustment, Before Taxes	1,263
Tax Expense at Tax Rate of ~27.5%	<u>348</u>
Net Income	915
Net Income Attributable to the Noncontrolling Interest	<u>4</u>
Net Income Attributable to Honeywell, Excluding Pension Mark-to-Market Adjustment, at Tax Rate of ~27.5%	<u>\$911</u>
EPS, Continuing Operations Excluding Pension Mark-to-Market Adjustment at Tax Rate of ~27.5%	<u><u>\$1.14</u></u>

(1) Utilizes weighted average shares outstanding of 796.4 million.