

Honeywell

First Quarter 2013

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 In Challenging Macro Environment**

- Sales Of \$9.3B, ~ Flat To Prior Year Despite Challenging Comparables
- EPS Up 16% To \$1.21; Up 12% To \$1.16* Normalized For Tax, Ahead Of Guidance
- Funded \$33M New Repositioning Projects – Incremental Savings 2014 Of ~\$55M

- **Ongoing Seed Planting Driving Performance**

- Strong Wins Support HGR Expansion; New Products Delivering Value
- Top Tier Sales Conversion → Segment Margin Up 100 bps To 16.2%
- Evolution Of Key Process Initiatives Delivering Significant Productivity

- **Confident In 2013 Outlook**

- Order Rates Mixed – U.S. And EU As Expected; China Slow Start, L-C Orders Growth
- Continued Margin Expansion Driven By HOS, VPD™, FT/OEF
- Raising Low End FY 2013 Guidance By \$0.05 To \$4.80 - 4.95, Up 7 - 11%**

* EPS, V% Adjusted to Expected Full Year 2013 Tax Rate of 26.5%

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

Strong Execution Across Portfolio

1Q 2013 Financial Summary

Honeywell

(\$M except per share amounts)

	<u>1Q12</u>	<u>1Q13</u>	
Sales	\$9,307	\$9,328	<ul style="list-style-type: none">• ~ Flat YoY<ul style="list-style-type: none">◆ (1%) Organic
Segment Profit	\$1,415	\$1,508	<ul style="list-style-type: none">• 7% Increase<ul style="list-style-type: none">◆ 100 bps Margin Expansion
<i>Margin %</i>	<i>15.2%</i>	<i>16.2%</i>	
Net Income	\$823	\$966	<ul style="list-style-type: none">• 17% Increase
<i>Attributable to Honeywell</i>			
EPS	\$1.04	\$1.21	<ul style="list-style-type: none">• 16% Increase<ul style="list-style-type: none">◆ 1Q13 EPS Of \$1.16 Ex Tax Benefit◆ Full Year ETR 26.5%
<i>Tax Rate</i>	<i>26.5%</i>	<i>23.1%</i>	
Free Cash Flow *	\$300	\$327	<ul style="list-style-type: none">• 9% Increase

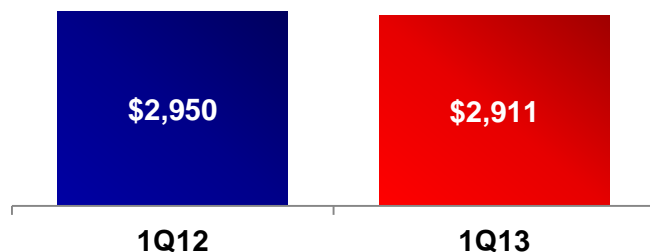
* FCF Shown Prior to Cash Pension Contributions

Delivering Above Expectations

Sales

(\$M)

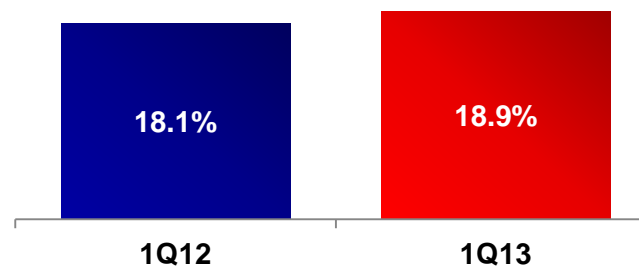
Down (1%)
Organic (1%)



- **Commercial OE Up 1%**
 - Well Positioned On Growth Platforms
 - BGA Tough Comps
- **Commercial AM Down (3%)**
 - Lapping Strong 2012 Performance
 - Lower BGA Engine Events
- **D&S Down (1%)**
 - Manageable Declines As Expected

Segment Margin

Up 80 bps



- **Segment Profit Up 3%**
- **Segment Margins Up 80 bps**
 - + Commercial Excellence
 - + Productivity Net Of Inflation
 - + HBC Receivables (PY Impact)
 - Volume

Strong Margin Expansion

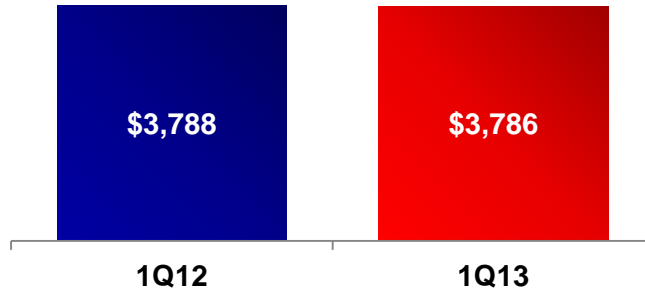
Automation and Control Solutions

Honeywell

Sales

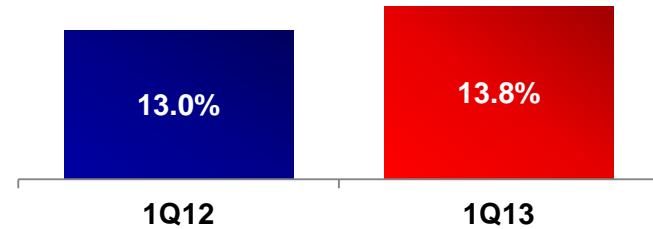
(\$M)

~ Flat
Organic ~Flat



Segment Margin

Up 80 bps



- **ESS Up 2%, Up 1% Organic**
 - Good Growth ECC, HSG
 - EU Stable; U.S., China Mixed Performance
- **HPS Down (2%), Down (1%) Organic**
 - Large Project Ramp-Downs
 - Service And Software Solutions Growth
- **BSD Down (2%), Down (1%) Organic**
 - U.S. Energy Weak
 - Americas Distribution Growth

- **Segment Profit Up 7%**
- **Segment Margins Up 80 bps**
 - + Commercial Excellence
 - + Productivity Net Of Inflation
 - Growth Investments

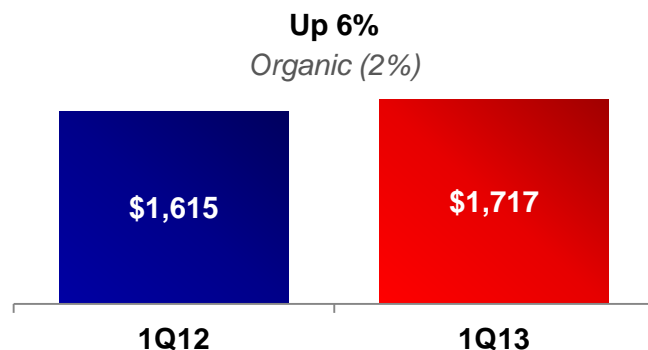
Great Execution In Slow Growth Environment

Performance Materials and Technologies

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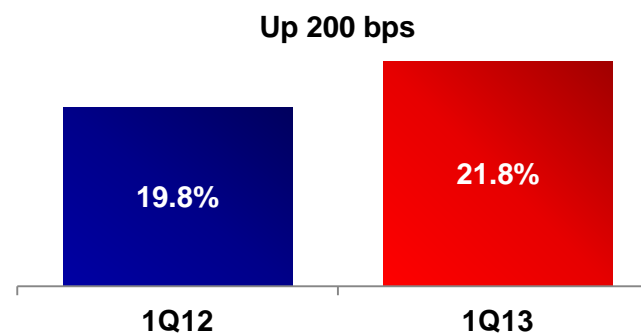
Sales

(\$M)



- **UOP Up 34% Reported, 10% Organic**
 - Strong Catalysts, Equipment
 - Record Backlog: \$2.9B, Up 27% Organic
- **Adv. Materials Down (9%) Rptd / Org**
 - Planned Plant Outages – R&C, FP (~6% Impact)
 - Winning New Orders To Support Future Growth

Segment Margin



- **Segment Profit Up 17%**
- **Segment Margins Up 200 bps**
 - + Higher UOP Sales
 - + Price Net Of Inflation
 - Adv. Materials Volume
 - Growth Investments

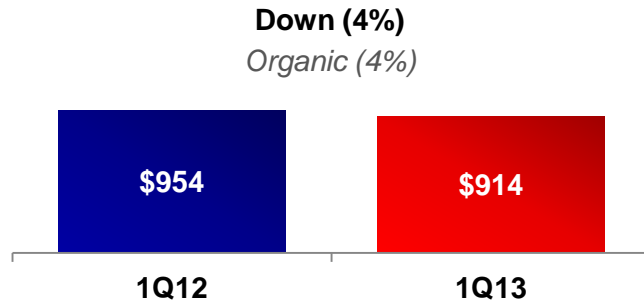
Strong Quarter, Building Backlog

Transportation Systems

Honeywell

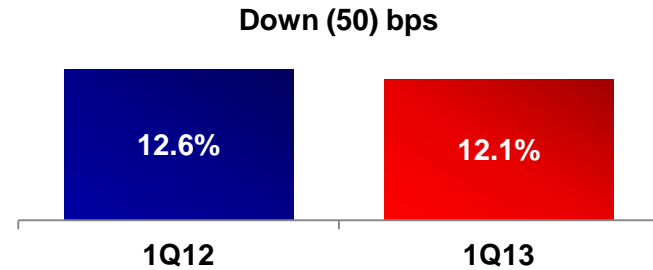
Sales

(\$M)



- **Challenging European Industry Macros**
 - EU LV Production Down (~10%) YoY In 1Q
- **Partially Offset By U.S. And China**
 - Higher U.S. And China Turbo Gas Penetration
 - Modest Uptick in China CV
- **Impressive Win Rate Continues**

Segment Margin



- **Segment Profit Down (8%)**
- **Segment Margins (50) bps**
 - + Productivity Net Of Inflation
 - Volume/Price
 - Friction Transformation → 2014 Tailwind

Good Performance Despite Challenging EU Macros

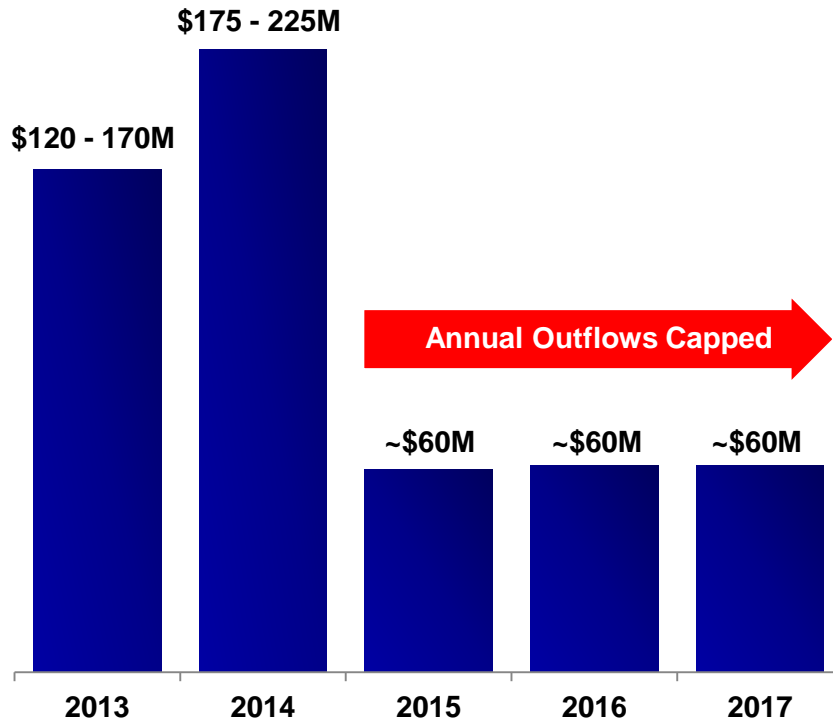
	<u>Sales Change</u>	<u>Comments</u>
Aerospace	(1) - 1%	<ul style="list-style-type: none">• Commercial Growth Despite Tough Comps• Defense & Space Mid Single Digit Decline
ACS	0 - 2%	<ul style="list-style-type: none">• ESS Modest Growth; Intermec Timing• Long Cycle ~ Flat
PMT	12 - 15%	<ul style="list-style-type: none">• UOP Acq Tailwind, Lower Licensing YoY• Advanced Materials ~Flat
Transportation	(2) - 0%	<ul style="list-style-type: none">• EU Light Vehicle Production Down ~(4%)• Turbo Vol. Flat to Up Slightly Sequentially
Honeywell	1 - 3%	<ul style="list-style-type: none">• Total ~\$9.5 - \$9.7B, Up 0-2% Organic

*EPS \$1.18 - \$1.23, Up 4 - 9% Normalized For Tax**

* Prior Year Tax rate normalized to full year rate of 26.5%

NARCO Funding

(Estimated Cash Outflows, After Tax And Insurance Receipts)



No Impact On FY13 Cash / Earnings Guidance

Key Messages

- **Trust Formation Likely Effective In 2Q13**
 - \$45M Payment Upon Trust Formation
- **Smart Trust Execution**
 - HON Engagement In Claims Processing
- **Cash Impact Contained**
 - Ongoing Cap Going Forward ~\$60M Net
- **Current \$1.1B Reserve Adequate**
 - Claims Activity To Develop Over Several Years

Active HON Engagement / Oversight

Trust Funding Manageable And As Expected

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	\$38.8 - 39.3	3 - 4%	• <i>Organic Up 1 - 2%</i>
Segment Profit	\$5.9	\$6.2 - 6.4	5 - 8%	
<i>Segment Margin</i>	15.6%	15.9 - 16.2%	30 - 60 bps	• <i>Up 50 - 80 bps Ex-Acquisitions</i>
Net Income¹	\$3.5	\$3.8 - 4.0	8 - 12%	
<i>Attributable to Honeywell</i>				
EPS¹	\$4.48	\$4.80 - 4.95	7 - 11%	
Free Cash Flow²	\$3.7	~\$3.7	~ Flat	• <i>Capex Investment</i>

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

Planning Assumptions

- **Aero** - Commercial AM Improvement Expected In 2H; D&S Down (3)-(4)%
- **ACS** - Modest Growth In ESS; HPS/BSD Slow Growth In 2H
- **PMT** - Adv. Materials Improvement In 2H; UOP Mix Impact 2H
- **TS** - Weak Europe; New Launches Ramping And Easier Comps 2H
- **HON** - Continued Strong Sales Conversion / Productivity / Seed Planting

Tightening Full Year 2013 Guidance Range

- **1Q Results Continue Trend Of Strong Execution**
 - Continued To Set High Expectations And Delivered
 - Better Than Expected Margins And Earnings Despite Slow Growth Environment
- **Confident In 2013 Outlook**
 - Mixed Order Trends By Business And Region
 - Executing Sustainable Productivity Actions → Additional Restructuring Benefits
- **Compelling Growth Tailwinds**
 - Favorable Macros, Global Expansion, Innovation Culture
 - Strong Portfolio Aligned To Enduring Mega-Trends

HON Outperforming In Difficult Macro Environment

Appendix

*Reconciliation of non-GAAP Measures
to GAAP Measures*

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

Honeywell

<i>(\$M)</i>	<u>1Q12</u>	<u>1Q13</u>
Aerospace	\$534	\$551
Automation and Control Solutions	491	523
Performance Materials and Technologies	319	374
Transportation Systems	120	111
Corporate	(49)	(51)
Segment Profit	\$1,415	\$1,508
Stock Based Compensation ⁽¹⁾	(51)	(54)
Repositioning and Other ^(1, 2)	(132)	(137)
Pension Ongoing (Expense) Income ⁽¹⁾	(13)	21
OPEB Expense ⁽¹⁾	(23)	(22)
Operating Income	\$1,196	\$1,316
Segment Profit	\$1,415	\$1,508
÷ Sales	\$9,307	\$9,328
Segment Profit Margin %	15.2%	16.2%
Operating Income	\$1,196	\$1,316
÷ Sales	\$9,307	\$9,328
Operating Income Margin %	12.9%	14.1%

(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 Segment Profit To Operating Income And Calculation Of Segment Profit And Operating Income Margins

Honeywell

(\$M)	<u>2012</u>	<u>2013E</u>
Segment Profit	\$5,879	\$6,200 - 6,400
Stock Based Compensation ⁽¹⁾	(170)	~(200)
Repositioning and Other ^(1, 2)	(488)	(450) - (500)
Pension Ongoing (Expense) Income ⁽¹⁾	(36)	~75
Pension Mark-to-Market Adjustment ⁽¹⁾	(957)	TBD
OPEB Expense ⁽¹⁾	(72)	~(80)
Operating Income	<u>\$4,156</u>	<u>\$5,545 - 5,695</u>
Pension Mark-to-Market Adjustment ⁽¹⁾	(957)	TBD
Operating Income Excluding Pension Mark-to-Market Adjustment	<u>\$5,113</u>	<u>\$5,545 - 5,695</u>
Segment Profit	\$5,879	\$6,200 - 6,400
÷ Sales	<u>\$37,665</u>	<u>\$38,800 - 39,300</u>
Segment Profit Margin %	<u>15.6%</u>	<u>15.9 - 16.2%</u>
Operating Income	\$4,156	\$5,545 - 5,695
÷ Sales	<u>\$37,665</u>	<u>\$38,800 - 39,300</u>
Operating Income Margin %	<u>11.0%</u>	<u>14.3 - 14.6%</u>
Operating Income Excluding Pension Mark-to-Market Adjustment	\$5,113	\$5,545 - 5,695
÷ Sales	<u>\$37,665</u>	<u>\$38,800 - 39,300</u>
Operating Income Margin Excluding Pension Mark-to-Market Adjustment	<u>13.6%</u>	<u>14.3 - 14.6%</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

Honeywell

<i>(\$M)</i>	<u>1Q12</u>	<u>1Q13</u>	<u>2012</u>
Cash Provided by Operating Activities	\$196	\$341	\$3,517
Expenditures for Property, Plant and Equipment	(152)	(148)	(884)
Free Cash Flow	\$44	\$193	\$2,633
Cash Pension Contributions	256	134	1,039
Free Cash Flow, prior to Cash Pension Contributions	<u>\$300</u>	<u>\$327</u>	<u>\$3,672</u>
Net Income Attributable to Honeywell	\$823	\$966	\$2,926
Pension Mark-to-Market Adjustment, Net of Tax ⁽¹⁾	-	-	622
Net Income Attributable to Honeywell Excluding Pension Mark-to-Market Adjustment	<u>\$823</u>	<u>\$966</u>	<u>\$3,548</u>

(1) Mark-to-market uses a blended tax rate of 35.0% for 2012.

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

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

(1) Utilizes weighted average shares of 791.9 million. Mark-to-market uses a blended tax rate of 35.0%