

Honeywell

Third 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.

- **Strong Earnings Growth Despite Macro Uncertainty**
 - Sales Of \$9.6B, Up 1% Organic; Up 3% Organic Ex-Defense & Space
 - Segment Profit Up 90 Bps To 16.7% – Favorable Mix, Intermec Timing, Productivity
 - EPS Of \$1.24 – Up 10% Normalized For Tax*
- **Ongoing Seed Planting Driving Performance**
 - Investing In New Products And Technologies, And HGRs To Enhance Organic Growth
 - Strong Sales Conversion Reflects Traction On Key Process Initiatives
 - High ROI Capex To Fund Future Growth
- **Confident In 2013 Outlook; Continued Growth In 2014**
 - Increasing Low End Of 2013 Guidance Range To \$4.90 - 4.95, Up 9 - 11%**
 - 2014 Macros: U.S./EU Stable, China/HGR Improvement
 - 2014 HON: Path To Strong Earnings Growth

* EPS, V% Adjusted To 2012 Actual and 2013 Expected Full Year Tax Rate of 26.5% Before Any Pension Mark-To-Market Adjustment

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

Continued Outperformance Across Portfolio

3Q 2013 Financial Summary

Honeywell

(\$M except per share amounts)

	<u>3Q12</u>	<u>3Q13</u>	
Sales	\$9,342	\$9,647	<ul style="list-style-type: none"> • 3% Increase <ul style="list-style-type: none"> ◆ 1% Organic ◆ 3% Organic Ex-D&S
Segment Profit	\$1,475	\$1,615	<ul style="list-style-type: none"> • 9% Increase <ul style="list-style-type: none"> ◆ 90 bps Increase
<i>Margin %</i>	<i>15.8%</i>	<i>16.7%</i>	
Net Income	\$950	\$990	<ul style="list-style-type: none"> • 4% Increase <ul style="list-style-type: none"> ◆ 11% Increase Adj For FY ETR 26.5%
<i>Attributable to Honeywell</i>			
EPS	\$1.20	\$1.24	<ul style="list-style-type: none"> • 3% Increase <ul style="list-style-type: none"> ◆ 27.2% ETR vs. 22.7% ETR In 3Q12
EPS (At 26.5% ETR) *	\$1.14	\$1.25	<ul style="list-style-type: none"> • 10% Increase
Free Cash Flow **	\$1,021	\$937	<ul style="list-style-type: none"> • 95% Conversion

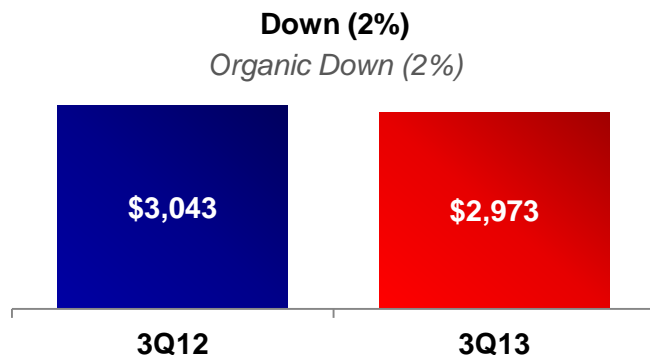
* EPS, V% Adjusted To 2012 and 2013 Expected Full Year Tax Rate of 26.5% Before Any Pension Mark-To-Market Adjustment

** FCF Shown Prior to Any NARCO Trust Establishment Payments and Cash Pension Contributions

Another Strong Quarter

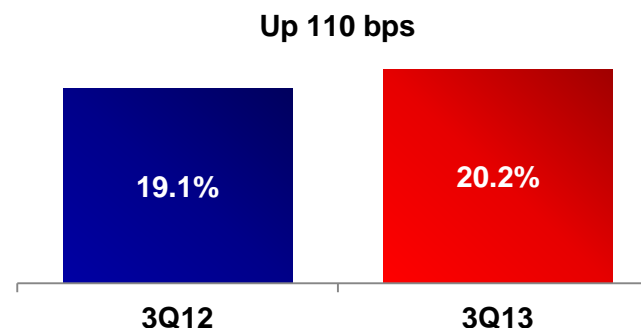
Sales

(\$M)



- **Commercial OE Up 3%**
 - Strong AT Build Rates; Tough Regional Comps
 - Well Positioned On BGA Growth Platforms
- **Commercial AM Up 5%**
 - Improved ATR Flight Hours
 - Continued Strong Uptake Of BGA RMUs
- **Defense & Space Down (11%)**
 - Shipment Delays 3Q, Ongoing DoD Challenges

Segment Margin



- **Segment Profit Up 3%**
- **Segment Margins Up 110 bps**
 - + Productivity Net Of Inflation
 - + Commercial Excellence
 - D&S Volume

Strong Margin Expansion Despite D&S Challenges

Defense Update

2013

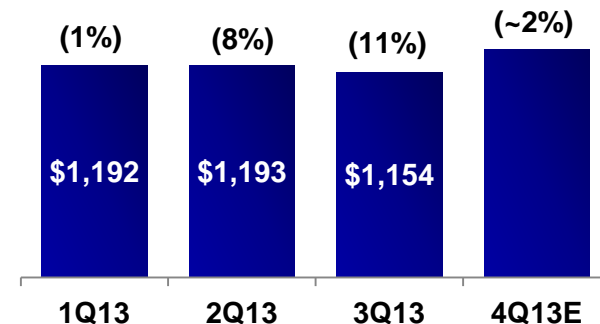
- **3Q Operational Challenges, 4Q Partial Recovery**

- 3Q13 Shipment Timing – Parts Availability, Execution
- Improvement Expected Next 3-9 Months

- **Ongoing DoD Challenges**

- Sequester, Services Headwinds
- Pricing Pressure / Program Award Delays

D&S Sales (\$M)



Expecting 2013 Sales Down (~6%)

2014 Planning

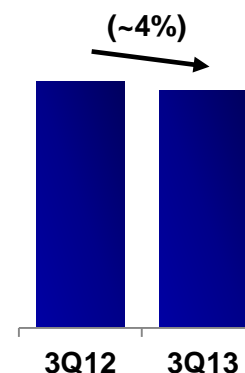
- **Expecting DoD Budget Declines In 2014**

- Full Sequester In Place, Assume Unlikely To Be Modified
- Largest Budget Declines In OCO War Spending

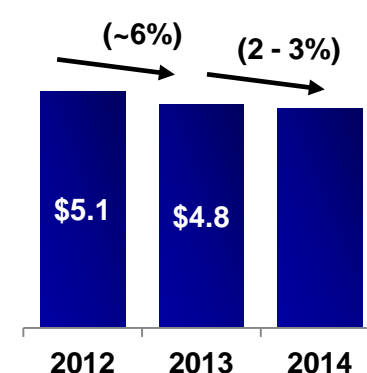
- **Moderating D&S Rate Of Decline In 2014**

- Optimizing Cost Base, Shared Support Model
- International Defense Budget Growth → 25% Of D&S

D&S Backlog



D&S Sales (\$B)



Backlog Supports Moderating Declines In 2014

Continued Near Term Challenges, 2014 On Track

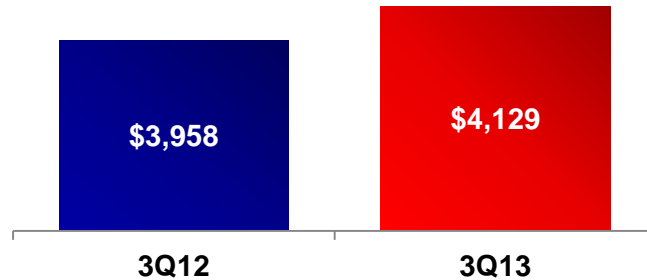
Automation and Control Solutions

Honeywell

Sales

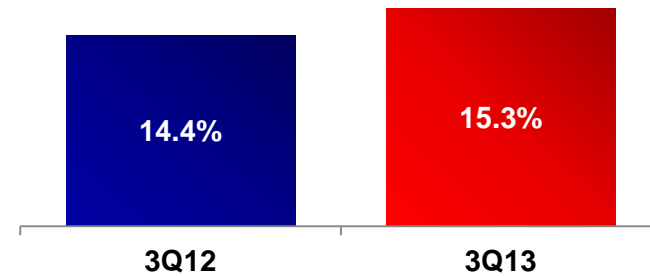
(\$M)

Up 4%
Organic 3%



Segment Margin

Up 90 bps



- **ESS Up 9% Reported, 5% Organic**
 - Good Growth In HSG, ECC, HLS
 - Residential End Markets Remain Strong
- **HPS ~Flat Organic**
 - Large Project Completions, Services Growth
 - Orders Up 7%, Higher Margin Backlog
- **BSD Up 1% Organic**
 - Americas Distribution Growth
 - U.S. Energy Orders Weak

- **Segment Profit Up 11%**
- **Segment Margins Up 90 bps**
 - + Commercial Excellence
 - + Productivity Net Of Inflation
 - + Repositioning Benefits
 - Growth Investments

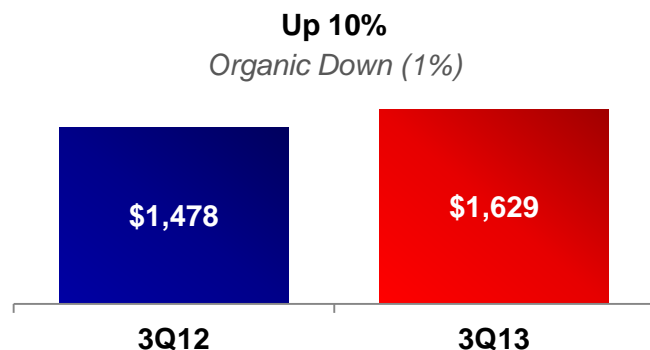
Strong Conversion, Short-Cycle Improvement

Performance Materials and Technologies

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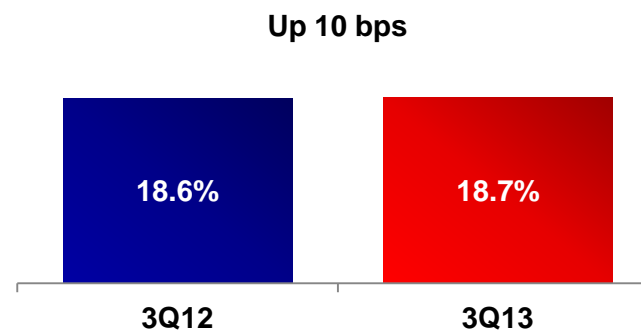
Sales

(\$M)



- **UOP Up 30% Reported, ~ Flat Organic**
 - Licensing, Gas Processing Growth
 - Catalyst Shipment Comps
 - Robust Backlog: \$2.9B, Up 18% Organic
- **Adv. Materials Down (1%)**
 - Challenging Global Markets
 - Higher Production Volumes In R&C, FP

Segment Margin



- **Segment Profit Up 11%**
- **Segment Margins Up 10 bps**
 - + Productivity
 - Inflation
 - Growth Investments

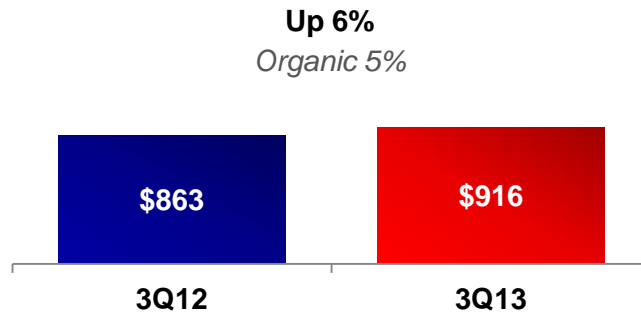
Advanced Materials Headwinds Moderating

Transportation Systems

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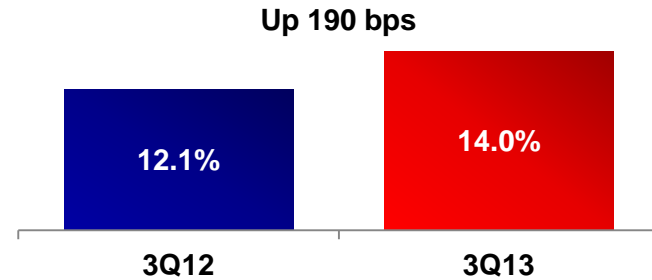
Sales

(\$M)



- **Impressive Win Rate Continues**
 - HON Gas And Diesel Launch Gains
 - Higher Turbo Penetration
- **U.S., China, EU Volume Growth**
 - EU LV Production Declines Moderating
 - Strong Gas Demand Globally

Segment Margin

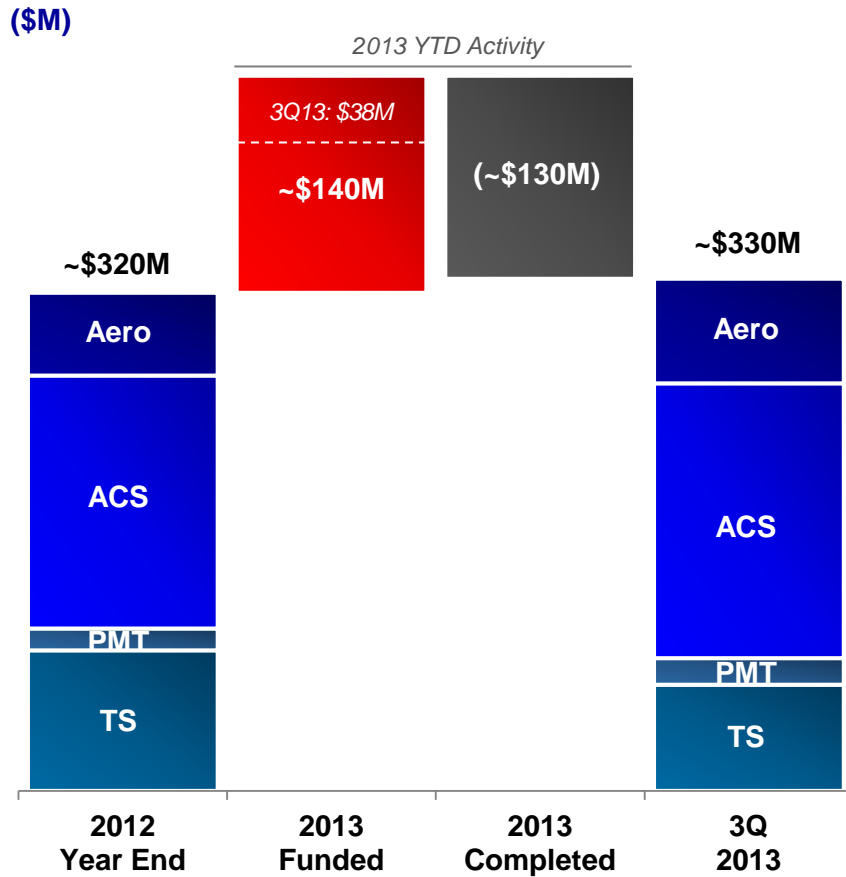


- **Segment Profit Up 23%**
- **Segment Margins Up 190 bps**
 - + Material Productivity
 - + Volume Leverage
 - + Friction Operational Improvement
 - Price

Strong Performance Despite Challenging EU Macros

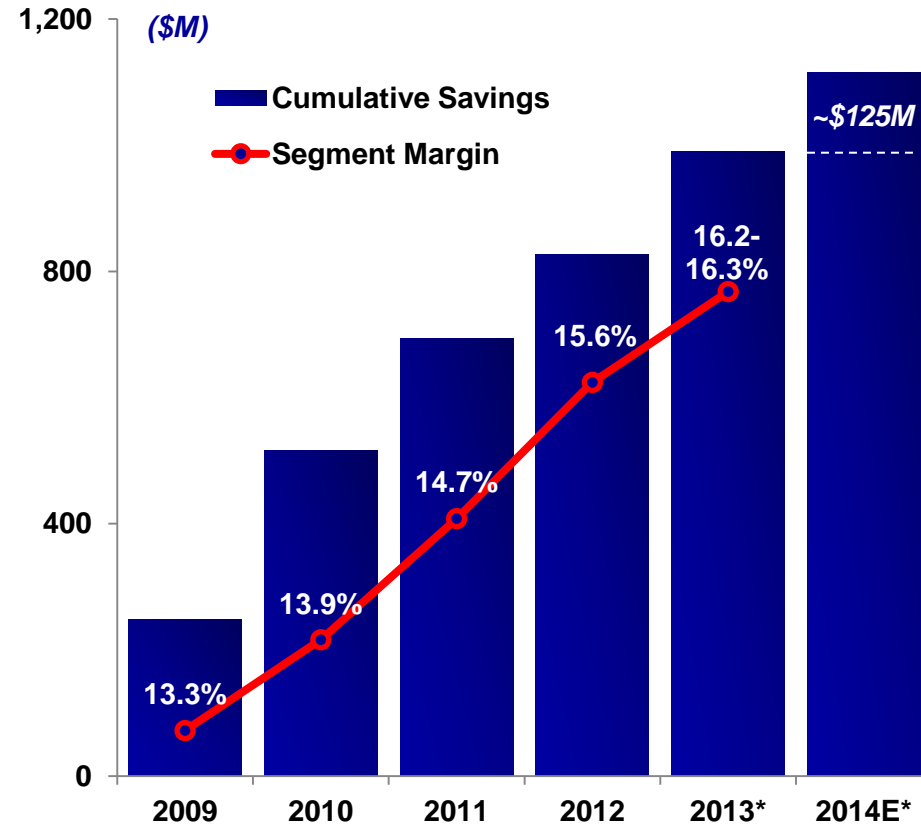
Restructuring Update

Projects In Process



Strong Backlog Of Previously Funded Projects

Track Record



Track Record Of Proactive Funding To Support Future Margin Expansion

* Based On Projects Funded Through 3Q13

Restructuring Pipeline Supports 2014 Growth Outlook

2H 2013 Guidance Framework Update

Honeywell

	<u>Low End</u>	<u>Mid Point</u>	<u>High End</u>
• Comm AM	<i>ATR/BGA < Utilization</i>	<i>Easier YoY Comps</i>	<i>ATR/BGA > Utilization</i>
• Defense	<i>Sequestration / Execution Challenges</i>	<i>Slight Improvement Vs. 1H</i>	<i>Low Single Digit Decline</i>
• ESS Organic	<i>Growth In Line With 1H</i>	<i>Low Single Digit</i>	<i>Mid Single Digit</i>
• UOP CAS Sales	<i>Customer Shipment Delays</i>	<i>Shipment Timing As Expected</i>	<i>Customer Shipments Accelerated</i>
• Adv Mat	<i>FP / R&C Pricing Declines Ramp-Up Challenges</i>	<i>FP / R&C Pricing Stable, Production Ramp-Ups</i>	<i>FP / R&C Pricing Improves Production Ramp-Ups</i>
• Turbo Volume	<i>EU LV Prod (4%)</i>	<i>EU LV Prod (2%) YoY</i>	<i>EU LV Prod ~ Flat</i>
• Euro	\$1.25	\$1.30	\$1.35

*Full Year 2013 Range: \$4.90 - \$4.95**

	<u>Sales Change</u>	<u>Comments</u>
Aerospace	2 - 3%	<ul style="list-style-type: none">• Commercial OE/AM Up Mid Single Digit• Defense & Space Low Single Digit Decline
ACS	6 - 8%	<ul style="list-style-type: none">• Organic Up 2 - 4%; M&A ~6%• M&A Margin Headwind (~100) Bps
PMT	8 - 10%	<ul style="list-style-type: none">• UOP Gas Processing Growth (Organic, M&A)• Advanced Materials Improvement
Transportation	7 - 10%	<ul style="list-style-type: none">• New Launches + Improved Macros• Ongoing Friction Operational Improvement
Honeywell	5 - 7%	<ul style="list-style-type: none">• Total ~\$10.1 - \$10.3B, Up 3-5% Organic

EPS \$1.17 – \$1.22, Up 9 – 14% Normalized For Tax*

2013 Financial Guidance Summary

Honeywell

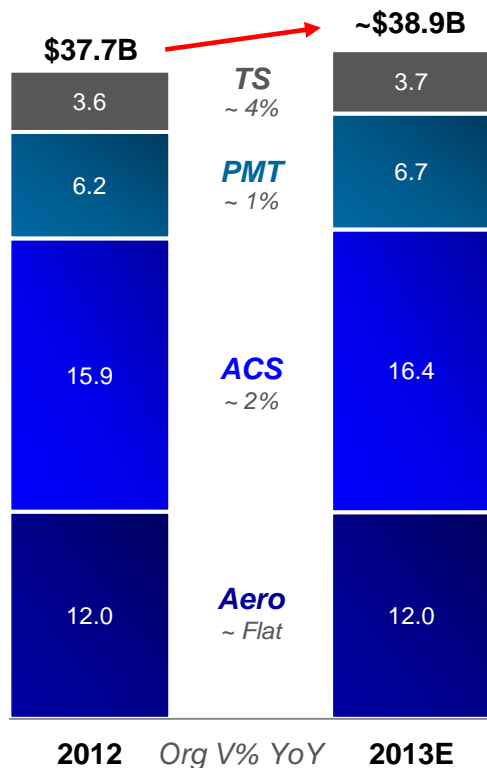
Sales	Segment Margin	EPS
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(\$B, Mid Pt Of Guidance)

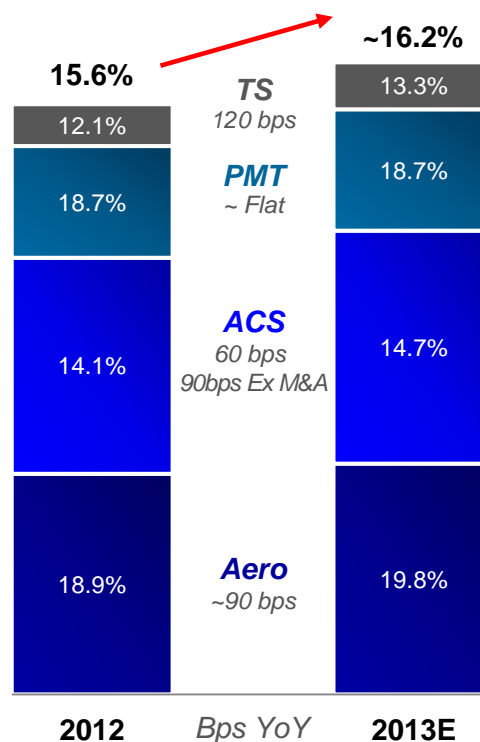
(Segment Margin, Mid Pt Of Guidance)

(EPS, V% YoY)

Up 3 - 4% Reported
Up 1 -2% Organic

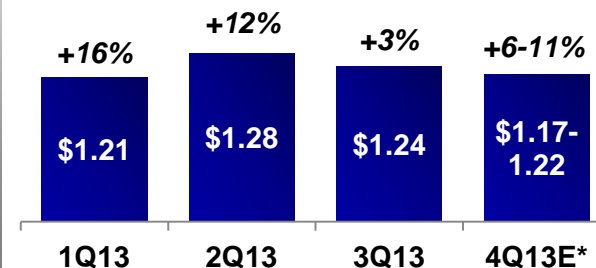


Up ~60 Bps Reported
Up ~80 Bps Ex M&A



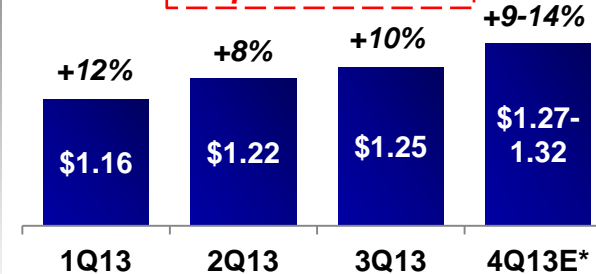
EPS As Reported

2013 Guidance: \$4.90 - 4.95*
Up 9 - 11% YoY*



EPS At 26.5% Tax Rate**

2013 Guidance: \$4.90 - 4.95*
Up 9 - 11% YoY*



* Proforma, Exclude Any Pension Mark-To-Market Adjustment

** EPS, V% Adjusted To 2012 Actual and 2013 Expected Full Year Tax Rate of 26.5% Before Any Pension Mark-To-Market Adjustment

Increasing Low End Of Full Year EPS Guidance By \$0.05

2014 Planning Framework

Headwind

Uncertain

Tailwind



- Sluggish Global Economy

- D&S Pressures

- Building Solutions Backlog

- Advanced Materials Markets

- Capex / Depreciation

- Non-Residential Recovery

- China Fundamentals

- F/X Translation

- More Restructuring / Gains

- Other HGR Growth

- Industrial Growth

- UOP Backlog

- NPI / HOS Momentum

- Turbo Volume; FM Improves

- Repo Benefits; Pension Income

Anticipating Continued Slow Growth Environment

2014 Key Assumptions By Business

Aero

- Comm Aftermarket Growth In Line With Utilization
- Comm OE Lapping Strong Comps, Growth At Slower Pace
- Continued U.S. Defense Declines Partially Offset By Intl Growth

ACS

- Short-Cycle Growth Led By NPI, Resi Strength, Non-Res Pick Up
- Global Industrial Improvement To Benefit HPS, S&C And Products
- Completed M&A Boosts Growth By ~3-4%; Continued HGR Penetration

PMT

- Strong Backlog Supports UOP And Advanced Materials Volume Growth
- Increased Volume, New Product Introductions, Continued Productivity
- Elevated Capex Continues On High ROI Projects

TS

- Modest EU LV Production Growth Off All-Time Lows
- Increased Turbo Penetration In U.S. And China; New Product Launches
- Volume Leverage, Friction Operational Improvement Offset Pricing Headwinds

Outlook Call December 17, 2013

- **HON – Setting And Meeting High Expectations**
 - Diverse Portfolio Of Opportunities, Favorable Macros, Innovation Culture
 - Increasing EPS Guidance While Continuing To Invest For Productivity
- **Remaining Flexible, Focused On Growth And Productivity**
 - Seed Planting Benefits From VPD™, HOS, HGR, High ROI Capex
 - Strong Cost Discipline Continues In Uncertain Macro Environment
- **Foundation In Place For Strong 2014 Performance**
 - End-Market Inventories And Capex Support Short Cycle Acceleration
 - Acquisition Integration, Restructuring Benefits Support Productivity

Will Continue To Outperform

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

(\$M)	<u>3Q12</u>	<u>3Q13</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Aerospace	\$582	\$602	\$2,279	\$2,023	\$1,835	\$1,893
Automation and Control Solutions	571	631	2,232	2,083	1,770	1,588
Performance Materials and Technologies	275	305	1,154	1,042	749	605
Transportation Systems	104	128	432	485	353	61
Corporate	(57)	(51)	(218)	(276)	(222)	(156)
Segment Profit	<u>\$1,475</u>	<u>\$1,615</u>	<u>\$5,879</u>	<u>\$5,357</u>	<u>\$4,485</u>	<u>\$3,991</u>
Stock Based Compensation ⁽¹⁾	(40)	(38)	(170)	(168)	(163)	(117)
Repositioning and Other ^(1, 2)	(112)	(131)	(488)	(794)	(626)	(493)
Pension Ongoing (Expense) Income ⁽¹⁾	(7)	22	(36)	(105)	(185)	(287)
Pension Mark-to-Market Adjustment ⁽¹⁾	-	-	(957)	(1802)	(471)	(741)
OPEB (Expense) Income ⁽¹⁾	(20)	(5)	(72)	86	(29)	15
Operating Income	<u>\$1,296</u>	<u>\$1,463</u>	<u>\$4,156</u>	<u>\$2,574</u>	<u>\$3,011</u>	<u>\$2,368</u>
Pension Mark-to-Market Adjustment ⁽¹⁾	-	-	(957)	(1,802)	(471)	(741)
Operating Income Excluding Pension Mark-to-Market Adjustment	<u>\$1,296</u>	<u>\$1,463</u>	<u>\$5,113</u>	<u>\$4,376</u>	<u>\$3,482</u>	<u>\$3,109</u>
Segment Profit	<u>\$1,475</u>	<u>\$1,615</u>	<u>\$5,879</u>	<u>\$5,357</u>	<u>\$4,485</u>	<u>\$3,991</u>
÷ Sales	<u>\$9,342</u>	<u>\$9,647</u>	<u>\$37,665</u>	<u>36,529</u>	<u>32,350</u>	<u>29,951</u>
Segment Profit Margin %	<u>15.8%</u>	<u>16.7%</u>	<u>15.6%</u>	<u>14.7%</u>	<u>13.9%</u>	<u>13.3%</u>
Operating Income	<u>\$1,296</u>	<u>\$1,463</u>	<u>\$4,156</u>	<u>\$2,574</u>	<u>\$3,011</u>	<u>\$2,368</u>
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Operating Income Margin %	<u>13.9%</u>	<u>15.2%</u>	<u>11.0%</u>	<u>7.0%</u>	<u>9.3%</u>	<u>7.9%</u>
Operating Income Excluding Pension Mark-to-Market Adjustment			<u>\$5,113</u>	<u>\$4,376</u>	<u>\$3,482</u>	<u>\$3,109</u>
÷ Sales			<u>\$37,665</u>	<u>\$36,529</u>	<u>\$32,350</u>	<u>\$29,951</u>
Operating Income Margin Excluding Pension Mark-to-Market Adjustment			<u>13.6%</u>	<u>12.0%</u>	<u>10.8%</u>	<u>10.4%</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 Segment Profit To Operating Income And Calculation Of Segment Profit And Operating Income Margins

Honeywell

(\$B)	2013E
Segment Profit	~\$6.3
Stock Based Compensation ⁽¹⁾	~(0.2)
Repositioning and Other ^(1, 2)	~(0.5)
Pension Ongoing (Expense) Income ⁽¹⁾	~0.1
Pension Mark-to-Market Adjustment ⁽¹⁾	TBD
OPEB Expense ⁽¹⁾	~(0.0)
Operating Income	~\$5.7
Pension Mark-to-Market Adjustment ⁽¹⁾	TBD
Operating Income Excluding Pension Mark-to-Market Adjustment	~\$5.7
Segment Profit	~\$6.3
÷ Sales	\$38.8 - 39.0
Segment Profit Margin %	16.2 - 16.3%
Segment Profit Excluding Mergers and Acquisitions	\$6.2 - 6.3
÷ Sales Excluding Mergers and Acquisitions	\$37.9 - \$38.1
Segment Profit Margin % Excluding Mergers and Acquisitions	~16.4%
Operating Income	~\$5.7
÷ Sales	\$38.8 - 39.0
Operating Income Margin %	14.7 - 14.8%

(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 And Calculation Of Cash Flow Conversion %

Honeywell

<i>(\$M)</i>	<u>3Q12</u>	<u>3Q13</u>
Cash Provided by Operating Activities	\$999	\$1,070
Expenditures for Property, Plant and Equipment	<u>(234)</u>	<u>(203)</u>
	\$765	\$867
Cash Pension Contributions	256	8
NARCO Trust Establishment Payments	<u>-</u>	<u>62</u>
Free Cash Flow	<u>\$1,021</u>	<u>\$937</u>
Cash Provided by Operating Activities	\$999	\$1,070
÷ Net Income Attributable to Honeywell	<u>950</u>	<u>990</u>
Operating Cash Flow Conversion %	<u>105%</u>	<u>108%</u>
Free Cash Flow	\$1,021	\$937
÷ Net Income Attributable to Honeywell	<u>950</u>	<u>990</u>
Free Cash Flow Conversion %	<u>107%</u>	<u>95%</u>

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

	<u>4Q12 ⁽¹⁾</u>	<u>2012 ⁽²⁾</u>
EPS	\$0.32	\$3.69
Pension Mark-to-Market Adjustment	0.78	0.79
EPS, Excluding Pension Mark-to-Market Adjustment	<u>\$1.10</u>	<u>\$4.48</u>

(1) Utilizes weighted average shares of 796.4 million. Mark-to-market uses a blended tax rate of 35.0%.

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

Calculation Of EPS At Tax Rate Of 26.5%

Honeywell

<i>(\$M except per share amounts)</i>	<u>1Q13 ⁽¹⁾</u>	<u>2Q13 ⁽²⁾</u>	<u>3Q13 ⁽³⁾</u>
Income Before Taxes	\$1,260	\$1,329	\$1,384
Pension Mark-to-Market Adjustment	-	-	-
Income Before Taxes Excluding Pension Mark-to-Market Adjustment	<u>\$1,260</u>	<u>\$1,329</u>	<u>\$1,384</u>
Taxes at 26.5%	<u>334</u>	<u>352</u>	<u>367</u>
Net Income at 26.5% tax rate	<u>\$926</u>	<u>\$977</u>	<u>\$1,017</u>
Less: Net income attributable to the noncontrolling interest	<u>3</u>	<u>1</u>	<u>17</u>
Net Income Attributable to Honeywell at 26.5% tax rate	<u><u>\$923</u></u>	<u><u>\$976</u></u>	<u><u>\$1,000</u></u>
 EPS at 26.5% tax rate	 \$1.16	 \$1.22	 \$1.25

(1) Utilizes weighted average shares of 797.1 million.

(2) Utilizes weighted average shares of 798.1 million.

(3) Utilizes weighted average shares of 797.1 million.

Calculation Of EPS At Tax Rate Of 26.5%

Honeywell

<i>(\$M except per share amounts)</i>	<u>1Q12 ⁽¹⁾</u>	<u>2Q12 ⁽²⁾</u>	<u>3Q12 ⁽³⁾</u>	<u>4Q12 ⁽⁴⁾</u>
Income Before Taxes	\$1,122	\$1,223	\$1,224	\$306
Pension Mark-to-Market Adjustment	-	-	-	957
Income Before Taxes Excluding Pension Mark-to-Market Adjustment	<u>\$1,122</u>	<u>\$1,223</u>	<u>\$1,224</u>	<u>\$1,263</u>
Taxes at 26.5%	297	324	324	335
Net Income at 26.5% tax rate	<u>\$825</u>	<u>\$899</u>	<u>\$900</u>	<u>\$928</u>
Less: Net income attributable to the noncontrolling interest	2	3	(4)	4
Net Income Attributable to Honeywell at 26.5% tax rate	<u><u>\$823</u></u>	<u><u>\$896</u></u>	<u><u>\$904</u></u>	<u><u>\$924</u></u>
EPS at 26.5% tax rate	\$1.04	\$1.13	\$1.14	\$1.16

(1) Utilizes weighted average shares of 788.1 million.

(2) Utilizes weighted average shares of 790.5 million.

(3) Utilizes weighted average shares of 792.5 million.

(4) Utilizes weighted average shares of 796.4 million.

Calculation Of EPS At Tax Rate Of 26.5%

Honeywell

	<u>4Q13E</u> ⁽¹⁾
<i>(\$B except per share amounts)</i>	
Income Before Taxes	\$1.4 - 1.5
Pension Mark-to-Market Adjustment	<u>TBD</u>
Income Before Taxes Excluding Pension Mark-to-Market Adjustment	\$1.4 - 1.5
Taxes at 26.5%	<u>~0.4</u>
Net Income at 26.5% tax rate	\$1.0 - 1.1
Less: Net income attributable to the noncontrolling interest	<u>~0.0</u>
Net Income Attributable to Honeywell at 26.5% tax rate	<u><u>\$1.0 - 1.1</u></u>
EPS at 26.5% tax rate	\$1.27 - 1.32

(1) Utilizes weighted average shares of 798.0 million.