

Honeywell

Second Quarter 2014

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.

- **Improving Top-Line And Double-Digit Earnings Growth**
 - Sales \$10.3B, Up 6%, +3% Organic; Segment Margin 16.7%, Up 70 bps ex-M&A
 - EPS \$1.38, Up 12% Normalized For Tax
 - Free Cash Flow \$1.1B, FCF Conversion 101%
- **Confident In 2014 Outlook, Modest Sales Acceleration 2H14**
 - Short-Cycle Steady Growth
 - Long-Cycle Acceleration Supported By Orders/Backlog
 - Increasing Low End Of 2014 EPS Guidance Range To \$5.45-\$5.55, Up 10 - 12%
- **Updated 2018 Long Term Targets**
 - No Change To Total HON Targets – Org Sales CAGR 4 - 6%, Segment Margin 18.5 - 20.0%
 - Portfolio Well Positioned For Continued Growth
 - Significant Runway Past 2018 – Portfolio, Processes, Culture

Important Notes:

- Normalized EPS V% Adjusted to Expected Full Year 2014 Tax Rate of 26.5% Before Any Pension Mark-to-Market Adjustment
- FCF = Cash Flow from Operations Less Capital Expenditures
- FY EPS Proforma, V% Exclude Any Pension Mark-to-Market Adjustment

Continuation Of Double Digit EPS Growth

2Q 2014 Financial Summary

Honeywell

(\$M except per share amounts)

	<u>2Q13</u>	<u>2Q14</u>	
Sales	\$9,693	\$10,253	<ul style="list-style-type: none">• 6% Increase<ul style="list-style-type: none">◆ <i>Up 3% Organic</i>
Segment Profit	\$1,559	\$1,709	<ul style="list-style-type: none">• 10% Increase<ul style="list-style-type: none">◆ <i>60 bps Margin Expansion</i>◆ <i>70 bps Margin Expansion Ex-M&A</i>
<i>Margin %</i>	<i>16.1%</i>	<i>16.7%</i>	
Net Income	\$1,021	\$1,099	<ul style="list-style-type: none">• 8% Increase<ul style="list-style-type: none">◆ <i>Up 12% Normalized For Tax**</i>
<i>Attributable to Honeywell</i>			
EPS	\$1.28	\$1.38	<ul style="list-style-type: none">• 8% Increase<ul style="list-style-type: none">◆ <i>Up 12% Normalized For Tax**</i>
<i>Tax Rate</i>	<i>23.1%</i>	<i>26.1%</i>	
Free Cash Flow *	\$1,060	\$1,112	<ul style="list-style-type: none">• 101% Conversion

* Cash Flow from Operations Less Capital Expenditures

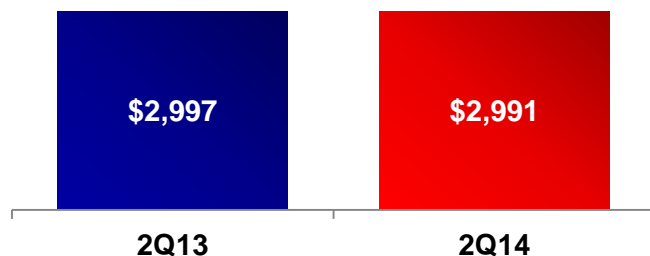
** V% Adjusted to Expected Full Year 2014 Tax Rate of 26.5% Before Any Pension Mark-to-Market Adjustment

Another Strong Quarter

Sales

(\$M)

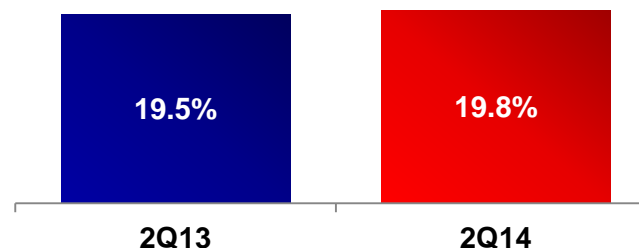
~Flat
Organic ~Flat



- **Commercial OE ~Flat**
 - Strong Air Transport Shipments
 - Engine Shipment Timing, BGA OEM Payments
- **Commercial AM Up 1%**
 - Spares Strength +7%, Moderating RMU Growth
 - Fewer Engine Events
- **D&S Down (1%)**
 - Moderating DoD AM And Gov't Services Declines
 - International Growth 9%

Segment Margin

Up 30 bps



- **Segment Profit Up 2%**
- **Segment Margin Up 30 bps**
 - + Commercial Excellence
 - + Productivity Net Of Inflation
 - BGA OEM Payments
 - Higher OE Mix
 - Growth Investments

D&S Improvement; Margin Expansion Continues

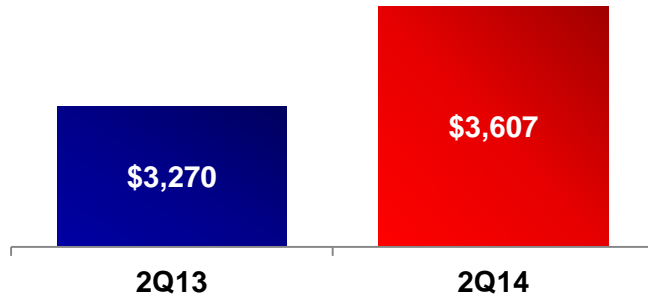
Automation and Control Solutions

Honeywell

Sales

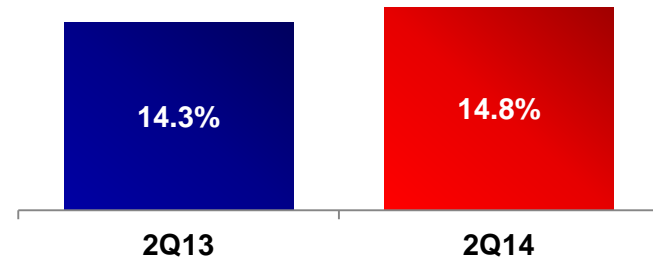
(\$M)

Up 10%
Organic 3%



Segment Margin

Up 50 bps
Up 80 bps ex-M&A



- **ESS Up 15%, Up 4% Organic**
 - Continued Strong Growth In ECC
 - HSM New Wins And Integration
 - Fire And Gas Steady Global Growth
- **BSD Up 2%, Up 2% Organic**
 - Americas Distribution Strength
 - Building Solutions Improves 2H (Backlog)

- **Segment Profit Up 14%**
- **Segment Margin Up 50 bps**
 - + Volume
 - + Productivity Net Of Inflation
 - + Commercial Excellence
 - Acquisitions
 - Growth Investments

Short Cycle Improvement, Strong Conversion

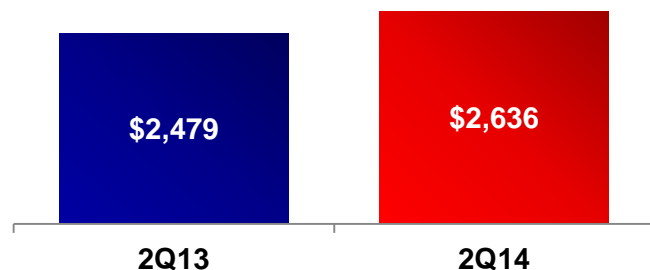
Performance Materials and Technologies

Honeywell

Sales

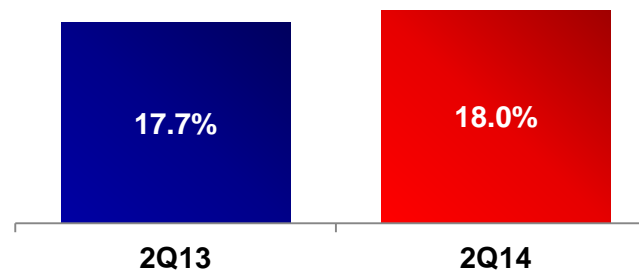
(\$M)

Up 6%
Organic 6%



Segment Margin

Up 30 bps



- **UOP Up 17%**
 - Strong Catalysts, Gas Processing Growth
 - Record Orders And Backlog
- **HPS Down (1%), ~Flat Organic**
 - Large Project Completions
 - Orders And Backlog Growth Continues
- **Advanced Materials Up 5%**
 - FP Strong Growth, Solstice Ramp Up
 - R&C Volume Increase, Unfavorable Price/Raws

- **Segment Profit Up 8%**
- **Segment Margin Up 30 bps**
 - + Volume
 - + Productivity Net Of Inflation
 - R&C Price/Raws
 - UOP Catalyst Mix
 - Growth Investments

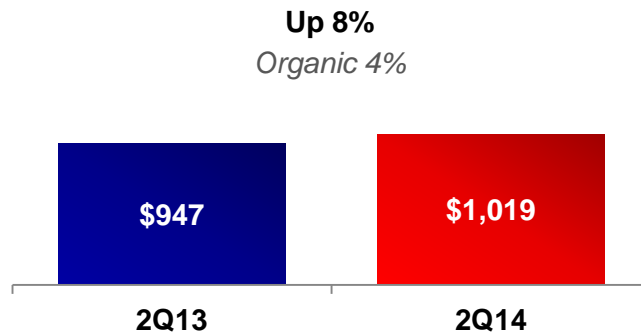
UOP Record Backlog; Adv Mat Return To Growth

Transportation Systems

Honeywell

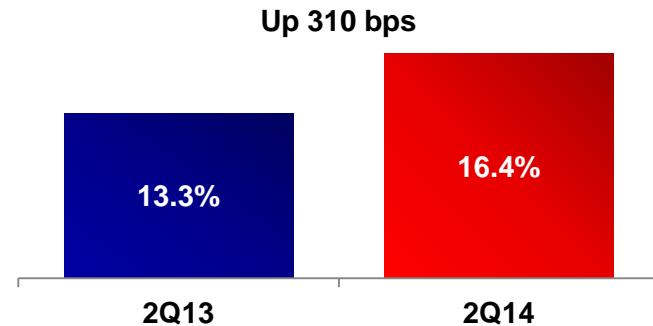
Sales

(\$M)



- **Continued Strong Win Rate**
 - HON Gas And Diesel Launch Gains
 - Growth > Production Globally
- **Broad Based Regional Growth**
 - Strong Volume Gains U.S., China
 - Strong Gas Demand Globally
- **FM Divestiture Closed July 2014**

Segment Margin



- **Segment Profit Up 33%**
- **Segment Margin Up 310 bps**
 - + Volume
 - + Productivity
 - + Operational Improvements

Strong Growth And Execution

3Q14 Preview

Honeywell

	<u>Sales Change</u>	<u>Margin Change</u>	<u>Comments</u>
Aero w/ TS	(2%) - Flat <i>2 - 3% Organic</i>	Up ~150 bps	<ul style="list-style-type: none">• Comm'l OE ~Flat (ATR+ BGA-)• Comm'l AM Modest Acceleration• D&S Up Low-Mid Single Digit• TS FM Divest; Steady Org Growth
ACS	8 - 10% <i>3 - 4% Organic</i>	Up ~20 bps <i>Up ~40 bps Ex-M&A</i>	<ul style="list-style-type: none">• ESS Up Mid Single Digit Org• BSD Up Low Single Digit• Growth Investments Ramp
PMT	4 - 6%	Up Slightly	<ul style="list-style-type: none">• UOP Up Mid Single Digit• HPS Modest Acceleration• Adv Mat Strong Growth
Honeywell	3 - 5% <i>3 - 4% Organic</i>	Up ~50 bps	<ul style="list-style-type: none">• Sales Of \$9.9-\$10.1B

EPS \$1.37 - \$1.42, Up 10 - 15% YoY

2014 Segment Guidance

Honeywell

Prior Outlook

Current Outlook

(Mid Pt Of Guidance)

Sales

Margin

Sales

Margin

	<u>Sales</u>	<u>Margin</u>		<u>Sales</u>	<u>Margin</u>
Aero	~\$12.0B Up ~1%	~20%+ Up 40 bps +	w/ TS	~\$15.7B ~Flat Up ~1% Organic	~19.5% Up ~130 bps
ACS	~\$14.4B Up ~7%	~15%+ Up 30 bps +		~\$14.4B Up ~7% Up ~3% Organic	~15% Up ~30 bps Up ~50 bps ex-M&A
PMT	~\$10.2B Up ~4%	~18%+ Up 50 bps +		~\$10.2B Up ~4%	~18% Up ~50 bps
TS	~\$3.9B Up ~4%	~15%+ Up 170 bps +			
HON	~\$40.5B Up ~4%	~16.8% Up ~50 bps		~\$40.3B Up ~3% Up ~3% Organic	~16.9% Up ~60 bps

Updated For FM Divestiture And Segment Realignment

2014 Financial Guidance Summary

Honeywell

(\$B, except per share amounts;
V%, BPS vs. prior year)

		<u>3Q14E</u>	<u>4Q14E</u>	<u>2014E</u>	<u>Comments</u>
Sales	Sales	\$9.9 - 10.1	\$10.3 - 10.4	\$40.2 - 40.4	<ul style="list-style-type: none"> • Modest Acceleration
	<i>Reported V%</i>	3 - 5%	~Flat	3 - 4%	<ul style="list-style-type: none"> - FM Divestiture
	<i>Organic V%</i>	3 - 4%	~3%	~3%	<ul style="list-style-type: none"> - 4Q Tougher Comps
Segment Margin	Segment Margin	~17.2%	17.2 - 17.4%	16.8 - 17.0%	<ul style="list-style-type: none"> • Strong Margin Expansion
	<i>Bps Change</i>	~50 Bps	110 - 130 Bps	50 - 70 Bps	<ul style="list-style-type: none"> - FY ~ At Mid-Point Of 2014 Targets - Restructuring Benefits
EPS*	EPS	\$1.37 - 1.42	\$1.42 - 1.47	\$5.45 - 5.55	<ul style="list-style-type: none"> • Raised Full Year Outlook
	<i>Proforma V%</i>	10 - 15%	15 - 19%	10 - 12%	<ul style="list-style-type: none"> - 4Q Tax Benefit: ~12 Cents - Linearity In-Line With Prior Years

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

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

2018 Long Term Targets

Honeywell

March 5th Outlook

Current Outlook

(Vs. 2013)

Sales

Margin

Sales

Margin

Aero

\$13.5 - 15.0B
3 - 5% CAGR

22.0 - 23.0%
Up 220 - 320 bps

w/ TS

\$17.8 - 19.7B
3 - 5% CAGR

21.2 - 22.1%
Up 300 - 390 bps

ACS

\$20.0 - 21.7B
4 - 6% CAGR

16.7 - 18.2%
Up 200 - 350 bps

w/o HPS

\$16.2 - 17.5B
4 - 5% CAGR

16.6 - 18.3%
Up 190 - 360 bps

PMT

\$8.5 - 9.1B
5 - 6% CAGR

21.0 - 22.5%
Up 220 - 370 bps

w/ HPS

\$12.3 - 13.3B
5 - 6% CAGR

19.8 - 21.1%
Up 230 - 360 bps

TS

\$4.9 - 5.4B
5 - 8% CAGR

16.0 - 17.0%
Up 270 - 370 bps

HON

Organic

\$46 - 51B
4 - 6% CAGR

18.5 - 20.0%
Up 220 - 370 bps

Organic

\$46 - 51B
4 - 6% CAGR

18.5 - 20.0%
Up 220 - 370 bps

No Change To Total HON Targets

- **2Q Results Exceed Guidance On Sales, Margins, EPS**
 - Improving Top-Line And Double Digit Earnings Growth
 - Continued Margin Expansion While Investing
- **Compelling Growth Tailwinds**
 - Favorable Macros, Global Expansion, Innovation Culture
 - Strong Portfolio Aligned To Macro Trends
- **Confident In 2014 Outlook, Raised Low End Of FY Guidance**
 - Short And Long Cycle Order Trends Improving
 - Acquisition Integration, Restructuring Benefits Support Productivity

Continuing 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>2Q13</u>	<u>2Q14</u>
Aerospace	\$583	\$592
Automation and Control Solutions	467	533
Performance Materials and Technologies	438	475
Transportation Systems	126	167
Corporate	(55)	(58)
Segment Profit	<u>\$1,559</u>	<u>\$1,709</u>
Stock Based Compensation ⁽¹⁾	(37)	(50)
Repositioning and Other ^(1, 2)	(182)	(128)
Pension Ongoing Income ⁽¹⁾	25	64
OPEB Income (Expense) ⁽¹⁾	20	(13)
Operating Income	<u><u>\$1,385</u></u>	<u><u>\$1,582</u></u>
Segment Profit	<u>\$1,559</u>	<u>\$1,709</u>
÷ Sales	<u>\$9,693</u>	<u>\$10,253</u>
Segment Profit Margin %	<u>16.1%</u>	<u>16.7%</u>
Segment Profit Excluding Mergers and Acquisitions		<u>\$1,685</u>
÷ Sales Excluding Mergers and Acquisitions		<u>\$10,016</u>
Segment Profit Margin % Excluding Mergers and Acquisitions		<u>16.8%</u>
Operating Income	<u>\$1,385</u>	<u>\$1,582</u>
÷ Sales	<u>\$9,693</u>	<u>\$10,253</u>
Operating Income Margin %	<u>14.3%</u>	<u>15.4%</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

(\$M)	<u>3Q13</u>	<u>4Q13</u>	<u>2013</u>
Aerospace	\$602	\$636	\$2,372
Automation and Control Solutions	523	570	1,983
Performance Materials and Technologies	413	400	1,725
Transportation Systems	128	133	498
Corporate	(51)	(70)	(227)
Segment Profit	<u>\$1,615</u>	<u>\$1,669</u>	<u>\$6,351</u>
Stock Based Compensation ⁽¹⁾	(38)	(41)	(170)
Repositioning and Other ^(1, 2)	(131)	(249)	(699)
Pension Ongoing Income ⁽¹⁾	22	22	90
Pension Mark-to-Market Adjustment ⁽¹⁾	-	(51)	(51)
OPEB Expense ⁽¹⁾	(5)	(13)	(20)
Operating Income	<u><u>\$1,463</u></u>	<u><u>\$1,337</u></u>	<u><u>\$5,501</u></u>
Segment Profit	<u>\$1,615</u>	<u>\$1,669</u>	<u>\$6,351</u>
÷ Sales	<u>\$9,647</u>	<u>\$10,387</u>	<u>\$39,055</u>
Segment Profit Margin %	<u>16.7%</u>	<u>16.1%</u>	<u>16.3%</u>
Operating Income	<u>\$1,463</u>	<u>\$1,337</u>	<u>\$5,501</u>
÷ Sales	<u>\$9,647</u>	<u>\$10,387</u>	<u>\$39,055</u>
Operating Income Margin %	<u>15.2%</u>	<u>12.9%</u>	<u>14.1%</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

(\$B)	<u>3Q14E</u>	<u>4Q14E</u>	<u>2014E</u>
Segment Profit	\$1.7 - 1.8	\$1.7 - 1.8	\$6.7 - 6.9
Stock Based Compensation ^(1,3)	~(0.0)	~(0.0)	~(0.2)
Repositioning and Other ^(1,2,3)	~(0.1)	~(0.1)	~(0.6)
Pension Ongoing Income ^(1,3)	~0.1	~0.1	~0.2
Pension Mark-to-Market Adjustment ⁽¹⁾	N/A	TBD	TBD
OPEB Expense ^(1,3)	~(0.0)	~(0.0)	~(0.1)
Operating Income	<u>\$1.6 - 1.7</u>	<u>\$1.6 - 1.7</u>	<u>\$6.1 - 6.3</u>
Segment Profit	\$1.7 - 1.8	\$1.7 - 1.8	\$6.7 - 6.9
÷ Sales	<u>\$9.9 - 10.1</u>	<u>\$10.3 - 10.4</u>	<u>\$40.2 - 40.4</u>
Segment Profit Margin %	<u>~17.2%</u>	<u>17.2% - 17.4%</u>	<u>16.8% - 17.0%</u>
Operating Income	\$1.6 - 1.7	\$1.6 - 1.7	\$6.1 - 6.3
÷ Sales	<u>\$9.9 - 10.1</u>	<u>\$10.3 - 10.4</u>	<u>\$40.2 - 40.4</u>
Operating Income Margin %	<u>~16.0%</u>	<u>16.2% - 16.4%</u>	<u>15.4% - 15.6%</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.

(3) Amounts less than \$50M are rounded down to zero.

Calculation Of EPS At Tax Rate Of 26.5%

Honeywell

(\$M except per share amounts)

	2Q13	2Q14
Income Before Taxes	<u>\$1,329</u>	<u>\$1,523</u>
Taxes at 26.5%	<u>352</u>	<u>404</u>
Net Income at 26.5% Tax Rate	<u>\$977</u>	<u>\$1,119</u>
Less: Net Income Attributable to the Noncontrolling Interest	<u>1</u>	<u>27</u>
Net Income Attributable to Honeywell at 26.5% Tax Rate	<u>\$976</u>	<u>\$1,092</u>
Weighted Average Number of Shares Outstanding - Assuming Dilution	<u>798.1</u>	<u>795.4</u>
EPS at 26.5% Tax Rate	<u>\$1.22</u>	<u>\$1.37</u>

Reconciliation Of Cash Provided By Operating Activities To Free Cash Flow

Honeywell

<i>(\$M)</i>	<u>2Q13</u>	<u>2Q14</u>
Cash Provided by Operating Activities	\$1,256	\$1,341
Expenditures for Property, Plant and Equipment	(196)	(229)
Free Cash Flow	<u>\$1,060</u>	<u>\$1,112</u>
Cash Provided by Operating Activities	\$1,256	\$1,341
÷ Net Income Attributable to Honeywell	1,021	1,099
Operating Cash Flow Conversion %	<u>123%</u>	<u>122%</u>
Free Cash Flow	\$1,060	\$1,112
÷ Net Income Attributable to Honeywell	\$1,021	\$1,099
Free Cash Flow Conversion %	<u>104%</u>	<u>101%</u>

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

	2013 ⁽¹⁾
EPS	\$4.92
Pension Mark-to-Market Adjustment	0.05
EPS, Excluding Pension Mark-to-Market Adjustment	\$4.97

(1) Utilizes weighted average shares of 797.3 million. Mark-to-market uses a blended tax rate of 25.5%.