

Honeywell

Fourth Quarter / Full Year 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 Again In 2013

- 4Q: \$10.4B Sales, 8% Sales Growth, Up 5% Organic; Proforma EPS \$1.24, Up 13% YOY*
- Strong Sales Conversion: 16.1% Segment Margin, Up +50 BPS
- \$0.16 EPS BEAV Share Gain Funding Restructuring And Other Actions – Including Friction Sale

• Confident In 2014 Outlook

- 1Q14 ~\$0.10 EPS BEAV Gain Funds Further Repositioning, Benefits Next 5 Years
- Short Cycle Improvement, Long Cycle Order Momentum
- Continued Margin Expansion, On Track To Achieve Long Term Targets

• Ongoing Seed Planting Driving Top Tier Performance

- Pockets Of Recovery In Below Peak End Markets
- Impressive New Product Pipeline, Business Wins Setting Up 2014 Tailwinds And Beyond
- March 5th Investor Day Focused On Innovation, HGR Expansion, And New 5 Year Targets

* Proforma, V% Exclude Pension Mark-to-Market (MTM) Adjustment

Continuing To Deliver Above Expectations

4Q13 Results

Honeywell

(\$M except per share amounts)

	<u>4Q12</u>	<u>4Q13</u>	
Sales	\$9,581	\$10,387	<ul style="list-style-type: none">• 8% Increase<ul style="list-style-type: none">◆ 5% Organic
Segment Profit	\$1,496	\$1,669	<ul style="list-style-type: none">• 12% Increase<ul style="list-style-type: none">◆ 50 bps Margin Expansion◆ Up 70 bps ex-M&A
<i>Margin %</i>	<i>15.6%</i>	<i>16.1%</i>	
Net Income, Proforma ¹	\$873	\$985	<ul style="list-style-type: none">• 13% Increase
<i>Attributable to Honeywell</i>			
EPS, Proforma ¹	\$1.10	\$1.24	<ul style="list-style-type: none">• 13% Increase<ul style="list-style-type: none">◆ (\$0.05) International MTM Adjustment
<i>EPS, Reported</i>	<i>\$0.32</i>	<i>\$1.19</i>	
Free Cash Flow ²	\$1,311	\$1,402	<ul style="list-style-type: none">• 142% Conversion

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

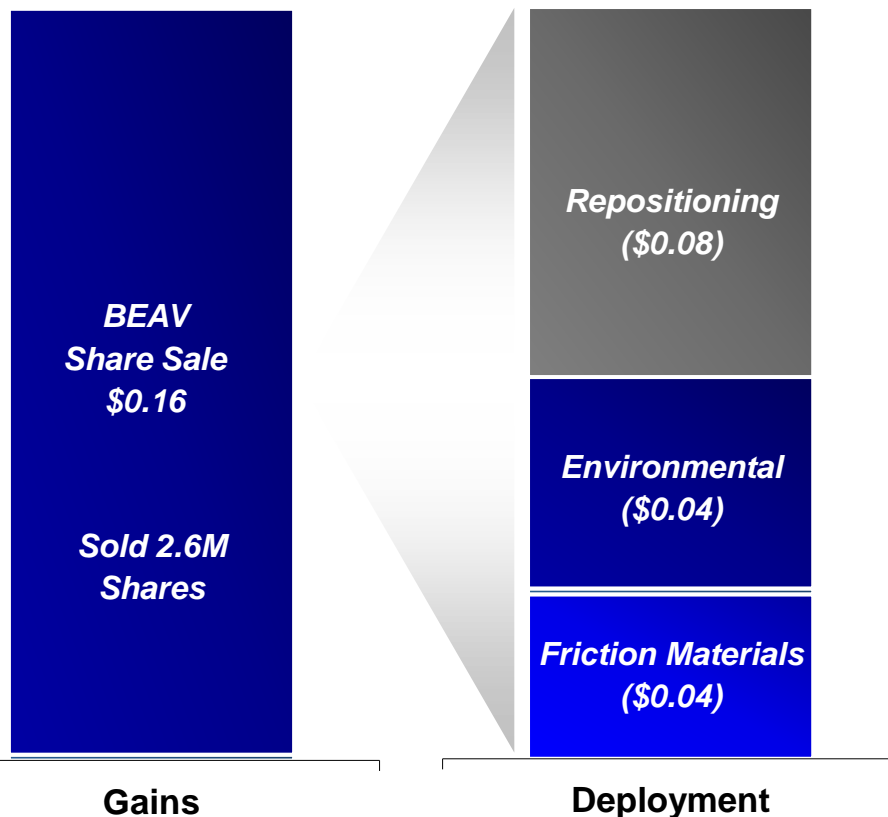
2) FCF and FCF Conversion Shown Prior to Any NARCO Trust Establishment Payments, Cash Pension Contributions, and Cash Taxes Relating to the Sale of Available for Sale Investments

Delivered Above High End Of Guidance

4Q13 – One-Time Gains And Deployment

Track Record Of Smart Redeployment

(EPS)



- Footprint Reduction, Business Realignments, Functional Transformation
- 4Q Repo Projects Yield ~\$50M Benefit In 2015
- Proactive Environmental Remedies Support Next 5 Year Plan
- FM Divestiture – Expected 2H14 Close
- Additional ~\$0.10 Gain Expected 1Q14

Net After-Tax Impact = \$0

Positions HON Well For Future Earnings Growth

FY13 Results

Honeywell

(\$M except per share amounts)

	<u>FY12</u>	<u>FY13</u>	
Sales	\$37,665	\$39,055	<ul style="list-style-type: none"> • 4% Increase <ul style="list-style-type: none"> ◆ 2% Organic
Segment Profit	\$5,879	\$6,351	<ul style="list-style-type: none"> • 8% Increase <ul style="list-style-type: none"> ◆ 70 bps Margin Expansion
<i>Margin %</i>	<i>15.6%</i>	<i>16.3%</i>	
Net Income, Proforma ¹	\$3,548	\$3,962	<ul style="list-style-type: none"> • 12% Increase
<i>Attributable to Honeywell</i>			
EPS, Proforma ¹	\$4.48	\$4.97	<ul style="list-style-type: none"> • 11% Increase <ul style="list-style-type: none"> ◆ (\$0.05) International MTM Adjustment
<i>EPS, Reported</i>	<i>\$3.69</i>	<i>\$4.92</i>	
Free Cash Flow ²	\$3,672	\$3,808	<ul style="list-style-type: none"> • 96% Conversion

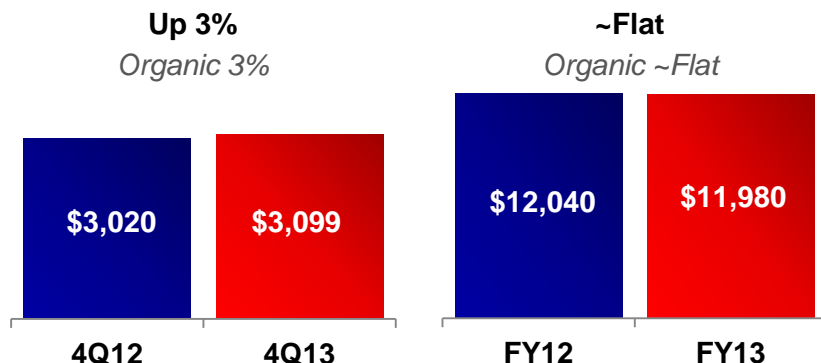
1) Proforma, V% Exclude Pension Mark-to-Market (MTM) Adjustment

2) FCF and FCF Conversion Shown Prior to Any NARCO Trust Establishment Payments, Cash Pension Contributions, and Cash Taxes Relating to the Sale of Available for Sale Investments

Another Record Year For HON

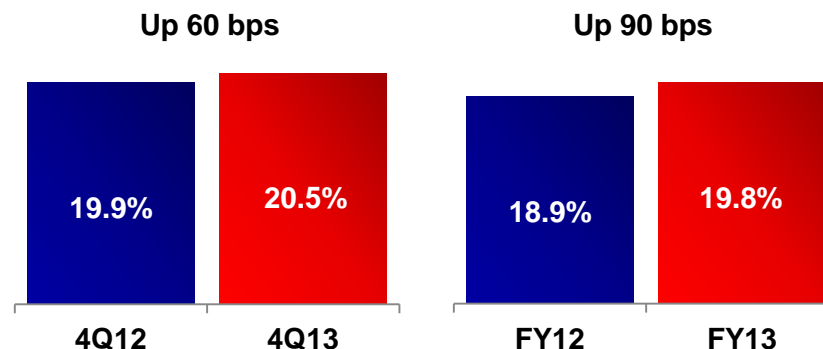
Sales

(\$M)



- **Commercial OE: 4Q ~Flat, FY +3%**
 - Strong ATR Build Rates
 - Well Positioned On BGA Growth Platforms
 - Higher BGA OEM Payments
- **Commercial AM: 4Q +5%, FY +2%**
 - ATR Spares Improvement
 - BGA RMU Strength Continues
- **D&S: 4Q Up 2%, FY Down (5%)**
 - Improved Execution
 - Higher Royalties

Segment Margin



- **Segment Profit: 4Q Up 6%, FY Up 4%**
 - Royalty Gain Offsets BGA OEM Payments
- **Segment Margins: 4Q 60 bps, FY 90 bps**
 - + Productivity Net Of Inflation
 - + Commercial Excellence
 - Growth Investments

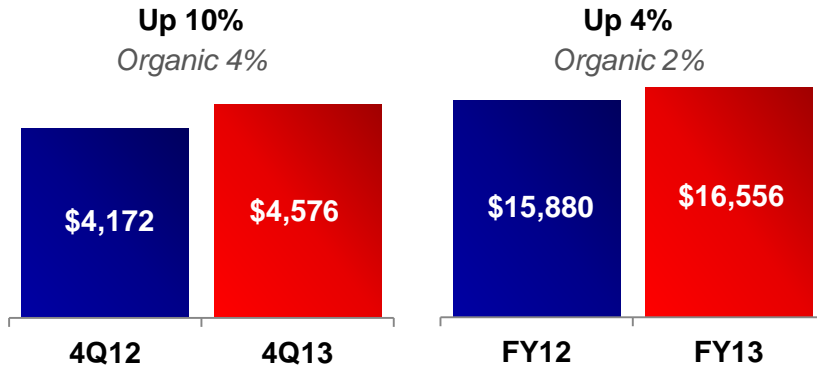
Commercial Offsets Defense Headwinds

Automation and Control Solutions

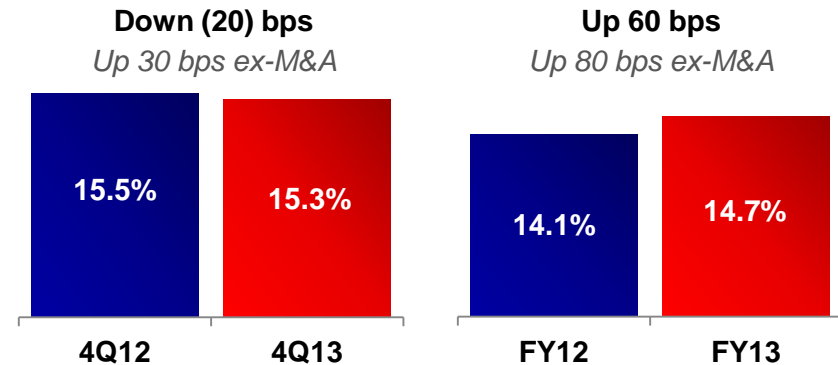
Honeywell

Sales

(\$M)



Segment Margin



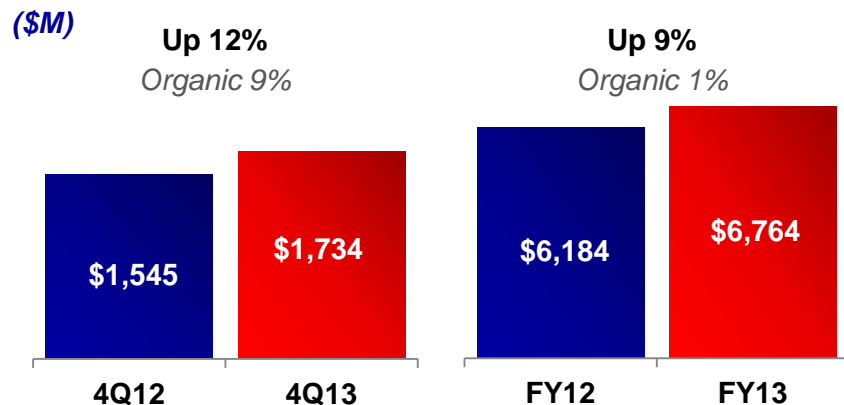
- **ESS: 4Q Up 18%, FY Up 8%**
 - Organic: 4Q Up 5%, FY Up 3%
 - Good Growth In HSG, HLS, ECC
- **HPS: 4Q Down (1%), FY ~Flat**
 - Organic: 4Q Up 1%, FY Up 1%
 - Strong Orders, Higher Margin Backlog
- **BSD: 4Q Up 3%, FY Up 1%**
 - Organic: 4Q Up 4%, FY Up 1%
 - U.S. Energy Pipeline Improvement
- **Segment Profit: 4Q Up 8%, FY Up 9%**
- **Segment Margins: 4Q (20) bps, FY 60 bps**
 - + Productivity Net Of Inflation
 - + Commercial Excellence
 - + Repositioning Benefits
 - Acquisitions
 - Growth Investments

Strong Orders And Short Cycle Acceleration

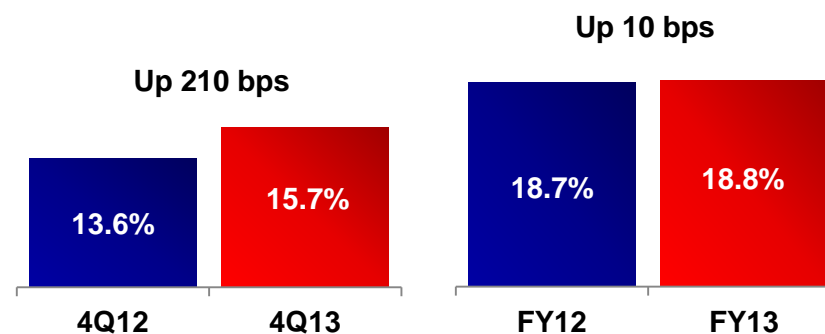
Performance Materials and Technologies

Honeywell

Sales



Segment Margin



- **UOP: 4Q Up 24%, FY Up 31%**

- Organic: 4Q Up 17%, FY Up 9%
- Robust Backlog: \$2.7B

- **Adv. Materials: 4Q Up 4%, FY Down (3%)**

- Organic: 4Q Up 4%, FY Down (3%)
- Improved Production Volumes

- **Segment Profit: 4Q Up 30%, FY Up 10%**

- **Segment Margins: 4Q 210 bps, FY 10 bps**

- + Volume
- + Productivity
- Growth Investments

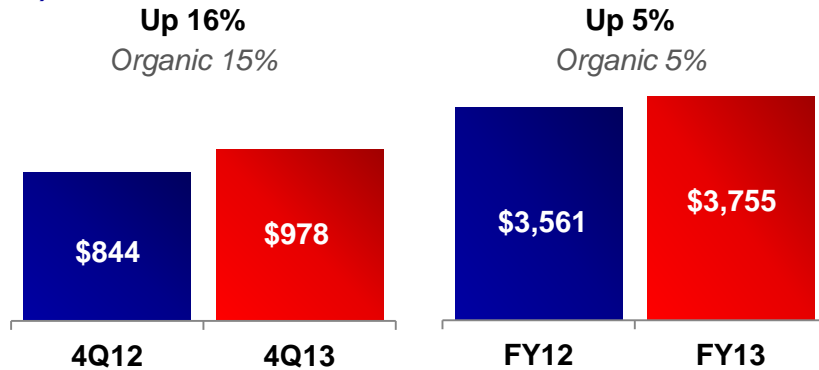
Strong UOP Performance, Adv Mat Transition Year

Transportation Systems

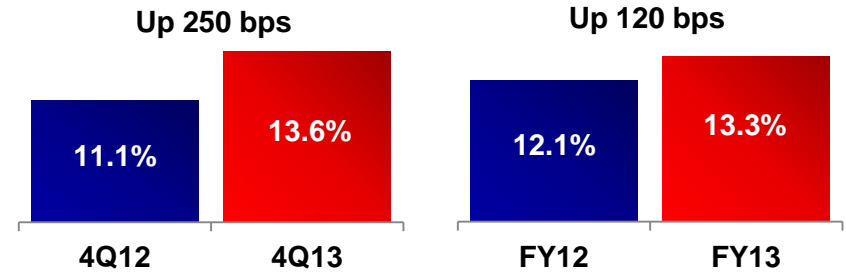
Honeywell

Sales

(\$M)



Segment Margin



- **Impressive Win Rate Continues**
 - HON Gas And Diesel Launch Gains
- **Improving Industry Macros, 4Q Comps**
 - EU LV Production Up ~3% In 4Q
 - Increased U.S. Turbo Gas Penetration
 - China CV Demand – Euro3 Pre-Buy
- **Announced Friction Materials Divestiture**

- **Segment Profit: 4Q Up 41%, FY Up 15%**
- **Segment Margins: 4Q 250 bps, FY 120 bps**
 - + Material Productivity
 - + Volume Leverage
 - + Friction Operational Improvement

Outpacing Improving Markets

2014 Financial Guidance Summary

Honeywell

(\$B except per share amounts)

	<u>2013</u>	<u>2014E</u>	<u>V%</u>	<u>Comments</u>
Sales	\$39.1	\$40.3 - 40.7	3 - 4%	• Organic Up ~3%
Segment Profit	\$6.4	\$6.7 - 6.9	5 - 9%	
<i>Segment Margin</i>	16.3%	16.6 - 16.9%	30 - 60 bps	• Up 50 - 80 bps ex-M&A
Net Income, Proforma ¹	\$4.0	\$4.2 - 4.4	8 - 12%	
<i>Attributable to Honeywell</i>				
EPS, Proforma ¹	\$4.97	\$5.35 - 5.55	8 - 12%	
Free Cash Flow ²	\$3.8	\$3.8 - 4.0	~Flat - 5%	• PMT Capex Investment

1) Proforma, V% Exclude Pension Mark-to-Market Adjustment, Assumes 26.5% ETR In 2014

2) Free Cash Flow (Cash Flow from Operations Less Capital Expenditures) Prior to Any NARCO Trust Establishment Payments, Cash Pension Contributions, and Cash Taxes Relating to the Sale of Available for Sale Investments

Planning Assumptions

- **1Q14 Margin Expansion Impacted By M&A, Lower UOP Parex CAS Shipments**
- **Restructuring And Other Actions To Offset Incremental 1Q14 Gains ~\$0.10**
- **Friction Materials Remains In Full Year Guidance → Update Upon Close**
- **FY EPS Growth Linearity In-Line With Prior Years**

Confident In Reaffirmed Outlook

1Q14 Preview

Honeywell

	<u>Sales Change</u>	<u>Margin Change</u>	<u>Comments</u>
Aerospace	(2) - 0%	Down Slightly	<ul style="list-style-type: none">• Lower Regional OE Sales• D&S Headwinds
ACS	6 - 8% <i>2 - 4% Organic</i>	~Flat <i>Up ~50 bps Ex-M&A</i>	<ul style="list-style-type: none">• ESS Momentum• Acquisition Integration
PMT	4 - 6%	Down ~(150) bps	<ul style="list-style-type: none">• Unfavorable Pricing• Record 1Q13 Parex CAS
Transportation	5 - 7%	Up ~250 bps	<ul style="list-style-type: none">• EU LV Prod Up ~3%• F/X Headwind (~2%)
Honeywell	3 - 5% <i>2 - 4% Organic</i>	~Flat <i>Up 20-40 bps Ex-M&A</i>	<ul style="list-style-type: none">• Sales Of \$9.6-\$9.8B

*EPS \$1.23 - \$1.27, Up 6 - 10% Normalized For Tax**

- **2013 Another Year Of Outperformance**
 - Set High Expectations And Delivered
 - Achieved Record Margins While Investing For Growth
- **Confident In 2014 Outlook**
 - 2013 Exit Rates – Signs Of Stability / Improving Trends Overall, Macro Uncertainty Remains
 - HON Playbook – Operating Disciplines Provide Tailwinds
- **Multi-Year Tailwinds**
 - Seed Planting Benefits From Growth Investments, VPD™, HOS, HGR, High ROI Capex
 - Approved Pipeline Restructuring Yields Savings In 2014 And Beyond
- **March 5th Investor Conference**
 - Achieving 2014 Targets, Issuing New 5 Year Targets
 - More Innovation And Execution

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 Margins

Honeywell

(\$M)	4Q12	4Q13
Aerospace	\$601	\$636
Automation and Control Solutions	645	698
Performance Materials and Technologies	210	272
Transportation Systems	94	133
Corporate	(54)	(70)
Segment Profit	\$1,496	\$1,669
Stock Based Compensation ⁽¹⁾	(39)	(41)
Repositioning and Other ^(1, 2)	(96)	(249)
Pension Ongoing (Expense) Income ⁽¹⁾	(7)	22
Pension Mark-to-Market Adjustment ⁽¹⁾	(957)	(51)
OPEB (Expense) Income ⁽¹⁾	(20)	(13)
Operating Income	\$377	\$1,337
Pension Mark-to-Market Adjustment ⁽¹⁾	(957)	(51)
Operating Income Excluding Pension Mark-to-Market Adjustment	\$1,334	\$1,388
Segment Profit	\$1,496	\$1,669
÷ Sales	\$9,581	\$10,387
Segment Profit Margin %	15.6%	16.1%
Segment Profit Excluding Mergers and Acquisitions	\$1,496	\$1,642
÷ Sales Excluding Mergers and Acquisitions	\$9,581	\$10,068
Segment Profit Margin % Excluding Mergers and Acquisitions	15.6%	16.3%
Operating Income	\$377	\$1,337
÷ Sales	\$9,581	\$10,387
Operating Income Margin %	3.9%	12.9%
Operating Income Excluding Pension Mark-to-Market Adjustment	\$1,334	\$1,388
÷ Sales	\$9,581	\$10,387
Operating Income Margin Excluding Pension Mark-to-Market Adjustment	13.9%	13.4%

(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>2013</u>
Aerospace	\$2,279	\$2,372
Automation and Control Solutions	2,232	2,437
Performance Materials and Technologies	1,154	1,271
Transportation Systems	432	498
Corporate	(218)	(227)
Segment Profit	\$5,879	\$6,351
Stock Based Compensation ⁽¹⁾	(170)	(170)
Repositioning and Other ^(1, 2)	(488)	(699)
Pension Ongoing (Expense) Income ⁽¹⁾	(36)	90
Pension Mark-to-Market Adjustment ⁽¹⁾	(957)	(51)
OPEB Expense ⁽¹⁾	(72)	(20)
Operating Income	\$4,156	\$5,501
Pension Mark-to-Market Adjustment ⁽¹⁾	(957)	(51)
Operating Income Excluding Pension Mark-to-Market Adjustment	\$5,113	\$5,552
Segment Profit	\$5,879	\$6,351
÷ Sales	37,665	39,055
Segment Profit Margin %	15.6%	16.3%
Operating Income	\$4,156	\$5,501
÷ Sales	\$37,665	\$39,055
Operating Income Margin %	11.0%	14.1%
Operating Income Excluding Pension Mark-to-Market Adjustment	\$5,113	\$5,552
÷ Sales	\$37,665	\$39,055
Operating Income Margin Excluding Pension Mark-to-Market Adjustment	13.6%	14.2%

(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>4Q12</u>	<u>4Q13</u>	<u>2012</u>	<u>2013</u>
Cash Provided by Operating Activities	\$1,349	\$1,668	\$3,517	\$4,335
Expenditures for Property, Plant and Equipment	(298)	(400)	(884)	(947)
	<u>\$1,051</u>	<u>\$1,268</u>	<u>\$2,633</u>	<u>\$3,388</u>
Cash Pension Contributions	260	5	1,039	156
NARCO Trust Establishment Payments	-	29	-	164
Cash Taxes Relating to the Sale of Available for Sale Investments	-	100	-	100
Free Cash Flow	<u>\$1,311</u>	<u>\$1,402</u>	<u>\$3,672</u>	<u>\$3,808</u>
Net Income Attributable to Honeywell	\$251	\$947	\$2,926	\$3,924
Pension Mark-to-Market Adjustment, Net of Tax ⁽¹⁾	622	38	622	38
Net Income Attributable to Honeywell Excluding Pension Mark-to-Market Adjustment	<u>\$873</u>	<u>\$985</u>	<u>\$3,548</u>	<u>\$3,962</u>
Cash Provided by Operating Activities	\$1,349	\$1,668	\$3,517	\$4,335
÷ Net Income Attributable to Honeywell	<u>251</u>	<u>947</u>	<u>2,926</u>	<u>3,924</u>
Operating Cash Flow Conversion %	<u>537%</u>	<u>176%</u>	<u>120%</u>	<u>110%</u>
Free Cash Flow	\$1,311	\$1,402	\$3,672	\$3,808
÷ Net Income Attributable to Honeywell Excluding Pension Mark-to-Market Adjustment	<u>873</u>	<u>985</u>	<u>3,548</u>	<u>3,962</u>
Free Cash Flow Conversion %	<u>150%</u>	<u>142%</u>	<u>103%</u>	<u>96%</u>

(1) Mark-to-market uses a blended tax rate of 35.0% and 25.5%, in 2012 and 2013, respectively.

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

	<u>4Q12</u> ⁽¹⁾	<u>4Q13</u> ⁽²⁾	<u>2012</u> ⁽³⁾	<u>2013</u> ⁽⁴⁾
EPS	\$0.32	\$1.19	\$3.69	\$4.92
Pension Mark-to-Market Adjustment	0.78	0.05	0.79	0.05
EPS, Excluding Pension Mark-to-Market Adjustment	<u>\$1.10</u>	<u>\$1.24</u>	<u>\$4.48</u>	<u>\$4.97</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 797.0 million. Mark-to-market uses a blended tax rate of 25.5%.

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

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

EPS Impact Of Gain On Sale Of Available For Sale Investments

(\$M, except per share amounts)

	4Q13
Gain on Sale of Available for Sale Investments	\$195
Taxes at 34.9%	\$68
After Tax Gain on Sale of Available for Sale Investments	\$127
EPS Impact of Gain on Sale of Available for Sale Investments ⁽¹⁾	\$0.16

(1) Utilizes weighted average shares of 797.0 million.

Calculation Of EPS At Tax Rate Of 26.5%

Honeywell

(\$M except per share amounts)

	<u>1Q13</u>
Income Before Taxes	\$1,260
Taxes at 26.5%	<u>\$334</u>
Net Income at 26.5% Tax Rate	\$926
Less: Net Income Attributable to the Noncontrolling Interest	<u>\$3</u>
Net Income Attributable to Honeywell at 26.5% Tax Rate	<u>\$923</u>
Weighted Average Number of Shares Outstanding - Assuming Dilution	797.1
EPS at 26.5% Tax Rate	\$1.16