

Honeywell

Third Quarter 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 In Challenging Macro Environment**

- \$9.3B Sales, 2% Organic Sales Growth; EPS \$1.20, Up 9% YOY
- Strong Sales Conversion: 15.8% Segment Margin, Up +110 BPS

- **Performance Reflects Continued Seed Planting**

- Investing In New Products And Technologies To Enhance Organic Growth
- Key Process Initiatives Delivering Significant Benefits Across Portfolio

- **Confident In 2012; Planning For Continued Growth In 2013**

- 2012 Guidance Range Tightened To \$4.45 - 4.50, Up 11-12% Over 2011 Cont. Ops*
- 2013 Planning U.S. Stable, Europe Weak, China Short-Cycle Improves
- Conservatively Planning Costs, Staying Flexible, Ongoing Restructuring In Progress

* Proforma (Cont. Operations); Excludes Any Pension Mark to Market Adjustment; V% Also Excludes 3Q11 Repo and Other Actions Funded by Gain on Sale of CPG Business (in Disc. Ops)

Full Year Outlook On Track

3Q12 Financial Summary

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<i>(\$M except per share amounts)</i>	<u>3Q11</u>	<u>3Q12</u>	
Sales	\$9,298	\$9,342	<ul style="list-style-type: none"> • ~Flat ◆ 2% Organic
Segment Profit	\$1,367	\$1,475	<ul style="list-style-type: none"> • 8% Increase ◆ 110 Bps Margin Expansion
<i>Margin %</i>	14.7%	15.8%	
Net Income	\$862	\$950	<ul style="list-style-type: none"> • 10% Increase
<i>Attributable to Honeywell</i>			
EPS	\$1.10	\$1.20	<ul style="list-style-type: none"> • 9% Increase ◆ FY ETR 26.5%
<i>Tax Rate</i>	23.2%	22.7%	
Free Cash Flow*	\$922	\$1,021	<ul style="list-style-type: none"> • 107% Conversion

*FCF and FCF Conversion Shown Prior to Cash Pension Contributions

Another Strong Quarter

2012 YTD Financial Summary

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	3Q YTD <u>2011</u>	3Q YTD <u>2012</u>	
<i>(\$M except per share amounts)</i>			
Sales	\$27,056	\$28,084	• 4% Increase ◆ 4% Organic
Segment Profit	\$3,928	\$4,383	• 12% Increase ◆ 110 Bps Margin Expansion
<i>Margin %</i>	<i>14.5%</i>	<i>15.6%</i>	
Net Income	\$2,377	\$2,675	• 13% Increase
<i>Attributable to Honeywell</i>			
EPS	\$2.99	\$3.38	• 13% Increase ◆ 15% Increase*
<i>EPS From Cont. Ops*</i>	<i>\$2.95</i>	<i>\$3.38</i>	
Free Cash Flow**	\$2,363	\$2,361	• ~Flat YoY

* 2011 3Q YTD EPS From Cont. Ops Excludes 3Q11 Repo and Other Actions Funded by Gain on Sale of CPG Business (in Disc. Ops)

** FCF Shown Prior to Cash Pension Contributions

Terrific YTD Performance

(\$M)

	<u>3Q11</u>	<u>3Q12</u>	<u>V</u>
Sales	\$2,922	\$3,043	4%
Segment Profit	532	582	9%
<i>Margin</i>	<i>18.2%</i>	<i>19.1%</i>	<i>+90 bps</i>

Business Highlights

- + **Commercial OE Replacement Cycle**
- + **AM Growth Continues**
- + **Europe Stable**
- + **Commercial Excellence Driving Results**
- **Defense Program Ramp Downs**

Financial Highlights

- **Sales Up 4%**
 - ◆ Up 4% Organic
- **Commercial OE Up 14%, 12% Organic**
 - ◆ Air Transport, BGA Shipments Strong
- **Commercial Aftermarket Up 6%**
 - ◆ ATR Recoupling To Flight Hours
 - ◆ BGA Strength Continues, Growth Moderating
- **Defense and Space Down (1%)**
 - ◆ Down (2%) Organic
 - ◆ Modest Declines As Expected
- **Segment Profit Up 9%**
 - ◆ Margins Up 90 bps
 - + Volume and Commercial Excellence
 - + Productivity, Net of Inflation
 - Growth Investments

Commercial Growth More Than Offsetting Defense

Automation And Control Solutions

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(\$M)

	<u>3Q11</u>	<u>3Q12</u>	<u>V</u>
Sales	\$3,948	\$3,958	~flat
Segment Profit	544	571	5%
Margin	13.8%	14.4%	+60 bps

Business Highlights

- + Organic Growth Despite Tough Macros
- + Productivity Yielding Strong Sales Conversion
- + Solutions Margin Expansion
- + Continued Investments For Growth
- Europe, U.S. Short-Cycle Weak
- Project Timing Impacts Orders In Solutions

Financial Highlights

- Sales ~Flat
 - ◆ Up 2% Organic
 - ◆ F/X (4%)
 - ◆ M&A +2%
- ESS Down (1%), ~Flat Organic
 - ◆ Softness in Sensing, Life Safety and ECC
 - ◆ Security, Scanning & Mobility Strength Continues
- HPS ~Flat, Up 5% Organic
 - ◆ Strong Service Bank Expansion
- BSD Up 2%, 5% Organic
 - ◆ Energy Retrofit Slowing
- Segment Profit Up 5%
 - ◆ Margins Up 60 bps
 - + Productivity and Comm'l Excellence
 - Inflation and Growth Investments

Good Conversion In More Challenging Environment

Performance Materials And Technologies

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(\$M)

	<u>3Q11</u>	<u>3Q12</u>	<u>V</u>
Sales	\$1,468	\$1,478	1%
Segment Profit	254	275	8%
Margin	17.3%	18.6%	+130 bps

Business Highlights

- + UOP Order Flow, Record Backlog
- + Plant Reliability
- + Gas Processing / NGL Acquisition
- + Continued Investments For Growth
- R&C Sales Below Expectations

Financial Highlights

- Sales Up 1%, Up 1% Organic
 - UOP Up 7%
 - ◆ Higher Licensing and Equipment Sales
 - ◆ Lower Services (Petrobras)
 - ◆ Backlog Up 25%
 - Adv. Materials Down (3%)
 - ◆ Fluorines – Weak Refrigerant Sales
 - ◆ Growth in Specialty Products, Electronic Materials
- Segment Profit Up 8%
 - ◆ Margins Up 130 bps
 - + Volume
 - + Productivity, Net of Price/Raws
 - Growth Investments

Significant Margin Expansion

Transportation Systems

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(\$M)

	<u>3Q11</u>	<u>3Q12</u>	<u>V</u>
Sales	\$960	\$863	(10%)
Segment Profit	121	104	(14%)
<i>Margin</i>	12.6%	12.1%	(50) bps

Business Highlights

- + New Product Launches
- + Global Turbo Penetration
- + Material and HOS Productivity
- Impact of Ongoing FM Transformation
- EU LV Production Outlook

Financial Highlights

- **Sales Down (10%)**
 - ◆ Down (2%) Organic
 - ◆ F/X (8%)
- **Challenging Industry Macros Overall**
 - ◆ EU LV Production Down (6%)
 - ◆ China CV Remains Weak
 - ◆ Higher U.S. Turbo Gas Penetration
 - ◆ New Product Launches Helping Offset
- **Segment Profit Down (14%)**
 - ◆ Margins Down (50) bps
 - + Productivity
 - Volume/Price
 - FM Transformation

New Launches Mitigate Challenging EU Environment

4Q12 Preview

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	<u>Sales Change</u>	<u>Comments</u>
Aerospace	0 - (2)%	<ul style="list-style-type: none">• Commercial AM Recouples To Utilization• Defense Program Ramp Downs
ACS	1 - 3%	<ul style="list-style-type: none">• ESS YoY Comps Improve• Slowing Growth In Solutions Businesses
PMT	4 - 6%	<ul style="list-style-type: none">• UOP Timing, Acquisition Impact ~5%• Adv Mat NPI Offset Weak Macros
Transportation	(8) - (12)%	<ul style="list-style-type: none">• EU Light Vehicle Production Down ~(9%)• Launches Help Offset F/X Headwind ~(5%)
Honeywell	0 - 1%	<ul style="list-style-type: none">• Total ~\$9.4 - \$9.6B<ul style="list-style-type: none">◆ Sales Up 1-2% Excluding F/X

- *4Q12 EPS* \$1.07 - \$1.12, Up 2-7%,*
- *4Q12 Adjusted EPS** \$1.13 - \$1.18, Up 6-10%*

* Proforma, EPS From Cont. Ops and V% Excludes any 4Q Pension Mark to Market Adjustment, 4Q12 EPS Range Assumes ~30.5% Effective Tax Rate

** Proforma, EPS From Cont. Ops and V% Excludes any 4Q Pension Mark to Market Adjustment, EPS at Normalized 26.5% Effective Tax Rate in Both Years

2H12 Guidance Framework

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<u>Low End</u>	<u>Mid Point</u>	<u>High End</u>
Commercial AM Lower <i>ATR/BGA < Utilization</i>	Commercial AM <i>ATR/BGA Recoupling To Utilization</i> <i>ATR Recoupling to Flight Hours;</i> <i>BGA Moderating</i>	Commercial AM Better <i>ATR > Flight Hours, BGA At 1H Pace</i>
ESS Growth Up ~2% <i>Better Comps</i> <i>2H12 Up 1-2% Organic</i>	ESS Growth Up ~3% <i>Improved 2H Outlook</i>	ESS Growth Up ~4% <i>Improved Global Macros</i>
UOP Down Slightly YoY <i>Project Delays</i>	UOP ~Flat YoY <i>Difficult Comps To 2H11</i> <i>2H12 Up 1-3% Organic</i>	UOP Up 8%+ <i>Higher Catalysts + Licensing</i>
R&C Pricing Worse <i>Weak End Market Conditions</i>	R&C Pricing Headwinds	R&C Pricing Better
EU LV Production ~(5%) <i>2H12 (8%), Launches Helping Offset</i>	EU LV Production ~(2%)	EU LV Production ~Flat
Implement Contingency Actions	Disciplined Cost Actions/Controls	Cost Actions And Better Sales Conversion <i>Strong Performance Every Business</i>
Euro 1.20	Euro At 1.25 <i>3Q12 ~\$1.25, Current ~\$1.31</i>	Euro 1.30

2012 EPS Range: \$4.45 To \$4.50, Up 11-12%*
Record Margin Expansion While Seed Planting

Preliminary 2013 Outlook

2012 Baseline

2013 Key Assumptions

(Sales, Segment Margin At Mid Point Of Guidance)

Aero	<p>~\$12.0B 18.8% (+120 bps)</p>	<ul style="list-style-type: none"> • Commercial Aftermarket Growth Recouples To Flight Hours • Commercial OE Supported By Increased Deliveries • Scenario Planning For Defense, Expect Modest Declines
ACS	<p>~\$15.8B 14.0% (+60 bps)</p>	<ul style="list-style-type: none"> • Better Short-Cycle Comps, Some Easing Of Macro Headwinds • Slower Solutions Growth Supported By Backlogs • HOS, OEF, FT, And ERP Initiatives Drive Productivity
PMT	<p>~\$6.2B 18.7% (+30 bps)</p>	<ul style="list-style-type: none"> • UOP + Thomas Russell Acquisition = Double Digit Growth • New Products / Applications Help Drive Advanced Materials • Increased Capex To Support Growth And Productivity
TS	<p>~\$3.6B 12.4% (-20 bps)</p>	<ul style="list-style-type: none"> • Easier Comps, EU LV Production Flat To Down Slightly • Increased Turbo Penetration In U.S. And China • New Product Launches Driving Growth

Well Positioned In Tough Macro Environment

- **Strong 2012 Performance In More Challenging Environment**
 - HON Playbook Working – Process Initiatives Driving Margin Expansion
 - Diversified Portfolio Of Opportunities
- **Setting Stage For 2013 Outperformance**
 - Planning For Strong Margin Expansion In Slow Growth Environment
 - Seed Planting Investments Provide Growth And Productivity Benefits
 - Europe/China Macros, F/X Neutrality → Better Comps
- **Remaining Flexible Given Uncertain Outlook**
 - Funded Significant Restructuring Projects, Execution Underway
 - Tight Cost Discipline While Continuing To Invest In Future Growth

Honeywell Continuing To Deliver Strong Results

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

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(\$M)	3Q11	3Q12	3Q11YTD	3Q12YTD
Segment Profit	\$1,367	\$1,475	\$3,928	\$4,383
Stock Based Compensation ⁽¹⁾	(38)	(40)	(129)	(131)
Repositioning and Other ^(1, 2)	(423)	(112)	(673)	(392)
Pension Ongoing Expense ⁽¹⁾	(26)	(7)	(83)	(29)
OPEB Income (Expense) ⁽¹⁾	82	(20)	109	(52)
Operating Income	<u>\$962</u>	<u>\$1,296</u>	<u>\$3,152</u>	<u>\$3,779</u>
Segment Profit	\$1,367	\$1,475	\$3,928	\$4,383
÷ Sales	<u>\$9,298</u>	<u>\$9,342</u>	<u>\$27,056</u>	<u>\$28,084</u>
Segment Profit Margin %	<u>14.7%</u>	<u>15.8%</u>	<u>14.5%</u>	<u>15.6%</u>
Operating Income	\$962	\$1,296	\$3,152	\$3,779
÷ Sales	<u>\$9,298</u>	<u>\$9,342</u>	<u>\$27,056</u>	<u>\$28,084</u>
Operating Income Margin %	<u>10.3%</u>	<u>13.9%</u>	<u>11.6%</u>	<u>13.5%</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>3Q11</u>	<u>3Q12</u>	<u>3Q11YTD</u>	<u>3Q12YTD</u>
Cash Provided by Operating Activities	\$661	\$999	\$1,356	\$2,168
Expenditures for Property, Plant and Equipment	(177)	(234)	(466)	(586)
Free Cash Flow	\$484	\$765	\$890	\$1,582
Cash Pension Contributions	438	256	1,473	779
Free Cash Flow, prior to Cash Pension Contributions	\$922	\$1,021	\$2,363	\$2,361
Cash Provided by Operating Activities	\$661	\$999	\$1,356	\$2,168
÷ Net Income Attributable to Honeywell	862	950	2,377	2,675
Operating Cash Flow Conversion %	<u>77%</u>	<u>105%</u>	<u>57%</u>	<u>81%</u>
Free Cash Flow, prior to Cash Pension Contributions	\$922	\$1,021	\$2,363	\$2,361
÷ Net Income Attributable to Honeywell	862	950	2,377	2,675
Free Cash Flow Conversion %, prior to Cash Pension Contributions	<u>107%</u>	<u>107%</u>	<u>99%</u>	<u>88%</u>

Reconciliation of EPS to EPS, Excluding Pension Mark to Market Adjustment and 3Q11 Repositioning and Other Actions Funded By Gain on Sale of CPG Business (CPG Gain)

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	<u>2011</u> ⁽¹⁾	<u>3Q11YTD</u> ⁽²⁾
EPS - Continuing Operations	\$2.35	\$2.73
Pension Mark to Market Adjustment	1.44	0.00
EPS - Continuing Operations excluding Pension Mark to Market Adjustment	<u>3.79</u>	<u>2.73</u>
3Q11 Repositioning and Other Actions Funded by CPG Gain	<u>0.22</u>	<u>0.22</u>
EPS - Continuing Operations excluding Pension Mark to Market Adjustment and 3Q11 Repositioning and Other Actions Funded by CPG Gain	<u><u>\$4.01</u></u>	<u><u>\$2.95</u></u>

(1) Utilizes weighted average shares outstanding of 791.6 million and the effective tax rate for the period. Mark to market uses a blended tax rate of 36.9%.

(2) Utilizes weighted average shares outstanding of 794.0 million and the effective tax rate for the period.

Reconciliation of EPS to EPS, Excluding Pension Mark to Market Adjustment

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	<u>4Q11 ⁽¹⁾</u>
EPS - Continuing Operations	(\$0.40)
Pension Mark to Market Adjustment	<u>1.45</u>
EPS - Continuing Operations excluding Pension Mark to Market Adjustment	<u><u>\$1.05</u></u>

(1) Utilizes weighted average shares outstanding of 784.3 million and the effective tax rate for the period. Mark to market uses a blended tax rate of 36.9%.

Reconciliation of EPS from Continuing Operations Before Taxes to EPS from Continuing Operations, Excluding Pension Mark to Market Adjustment at Normalized Tax Rate of 26.5%

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(\$M except per share amount)

	4Q11 ⁽¹⁾
Income from continuing operations before taxes	(\$657)
Pension Mark to Market Adjustment, before taxes	<u>1,802</u>
Income from continuing operations excluding Pension Mark to Market Adjustment, before taxes	1,145
Tax Expense at Normalized Tax Rate of 26.5%	<u>303</u>
Net income attributable to Honeywell at Normalized Tax Rate of 26.5%	<u><u>\$842</u></u>
EPS, Continuing Operations excluding Pension Mark to Market Adjustment at Normalized Tax Rate of 26.5%	<u><u>\$1.07</u></u>

(1) Utilizes weighted average shares outstanding of 784.3 million.