



# Vertical Research Partners Industrial Conference

Dave Anderson

Senior Vice President and CFO

**Honeywell**

# 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 First Half Results**
  - Good Organic Growth, Significant Margin Expansion
- **Planning For Continued Slow Growth Environment**
  - Balanced Set Of Risks / Opportunities, Focused On Execution Of Key Initiatives
- **Established Long-term Performance Track Record**
  - Consistency Of Strategy, Key Differentiators Drive Value
- **Compelling Investment Opportunity**
  - On Track To 2014 Sales, Margin And Cash Targets

*HON Continues To Execute And Outperform*

# 1H12 Financial Summary

Honeywell

<i>(\$M)</i>	<u>1H11</u>	<u>1H12</u>	
<b>Sales</b>	<b>\$17,758</b>	<b>\$18,742</b>	<b>• 6% Increase</b> ◆ 5% Organic
<b>Segment Profit</b>	<b>\$2,561</b>	<b>\$2,908</b>	<b>• 14% Increase</b> ◆ 110 Bps Margin Expansion
<i>Margin %</i>	<i>14.4%</i>	<i>15.5%</i>	
<b>Net Income</b>	<b>\$1,515</b>	<b>\$1,725</b>	<b>• 14% Increase</b>
<i>Attributable to Honeywell</i>			
<b>EPS</b>	<b>\$1.90</b>	<b>\$2.19</b>	<b>• 15% Increase</b> ◆ 18% Increase On Continuing Basis
<i>EPS From Cont. Ops</i>	<i>\$1.86</i>	<i>\$2.19</i>	
<b>Free Cash Flow*</b>	<b>\$1,441</b>	<b>\$1,340</b>	<b>• 78% Conversion</b>

\*FCF and FCF Conversion Shown Prior to Cash Pension Contributions

*Strong First Half Performance*

- **What We Are Seeing**

- Commercial Aero Strength – OE And AM; Airlines AM Recoupling to Flight Hours
- Modest D&S Declines, Less Than Initially Anticipated
- Significant Investment In Long Term Oil And Gas Opportunities
- Res / Non-Res Construction Still Soft; Emerging Regions Slower Growth
- Europe Short Cycle Macros Weak – Turbo, ESS, Adv. Mat.

- **What We Are Expecting**

- Commercial Aero OE Growth Outpaces Aftermarket Growth
- D&S Outlook – Down (4%)-(5%) In 2H12, Sales Stabilize In 2013
- UOP, HPS, BSD Multi-Year Outlook Robust; Long Cycle BTB >1
- Modest Short Cycle Improvement In ESS
- Europe Macro Headwinds Continue, Continued FX Pressure

*Managing For A Slower Growth Environment*

# HON Differentiators

Honeywell

## Key Areas

## What's To Like

### Aero Leverage

- *AM Outperformance Continues, Higher Margin OE*
- *Winning on Growing Platforms – Upside Potential*

### Long Cycle Backlog

- *Demand Drivers: Energy Infra., Generation, Efficiency*
- *Securing Major New Wins Across Portfolio*

### High Growth Region Momentum

- *Growth Outpacing Regional GDP*
- *Expanding E4E, E2W to Other High Growth Countries*

### Restructuring Tailwind

- *2013 Incremental Savings +\$125M*
- *High IRR Projects, Long-Term Benefits*

### HOS Acceleration

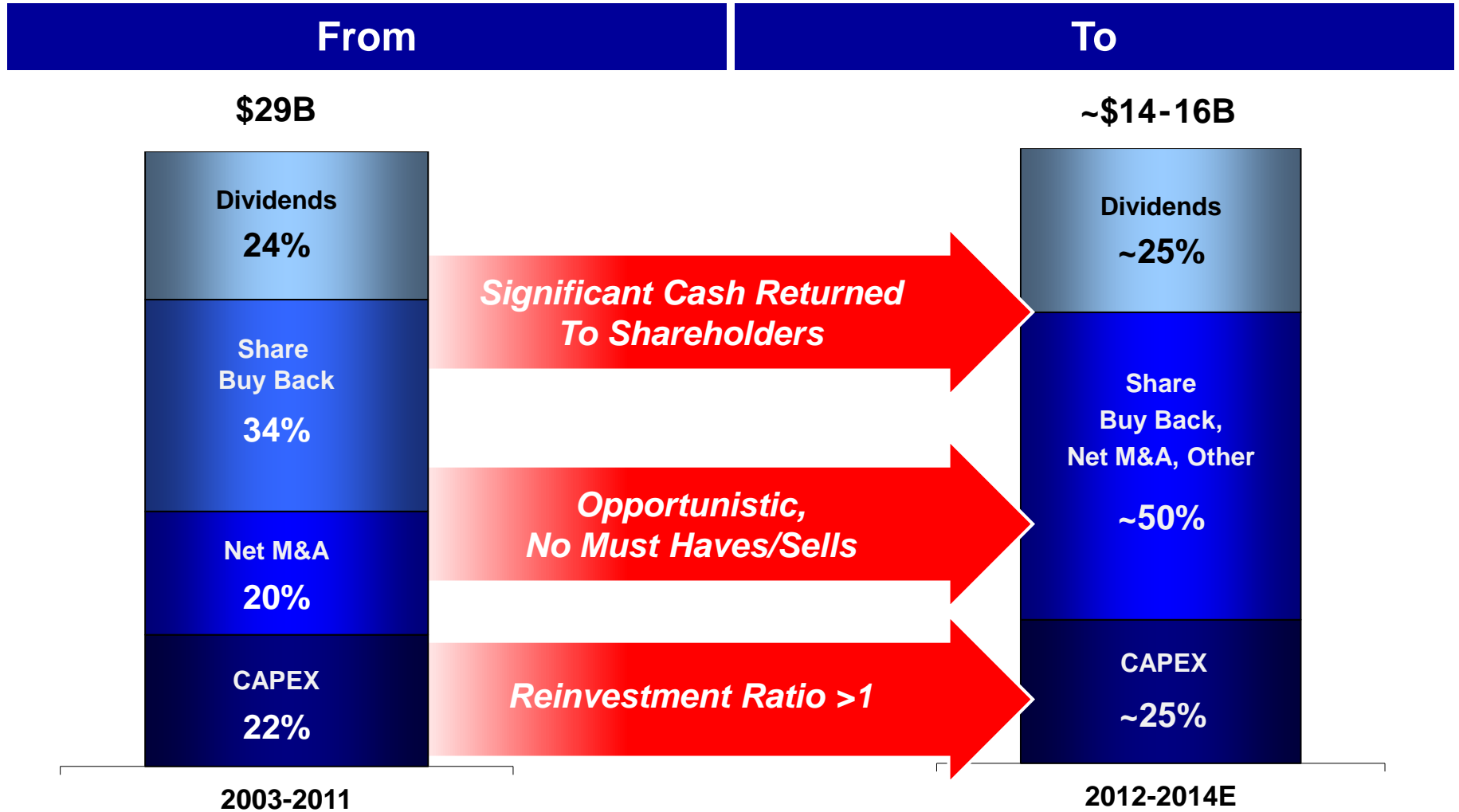
- *Bronze+ Site Deployment to Grow 50% in 2012*
- *20-30% Average Conversion Cost Productivity*

### Acquisition Upside

- *Disciplined Process, Portfolio Transformation Evident*
- *More Integration Savings and Sales Upside*

*Path To Industry Leading Performance*

# Cash: Deployment



Note: Deployment percentages based on cash flow from operations net of other cash flow activities, primarily change in debt

*Cash Providing Flexibility To Generate Excess Returns*

# Long-Term Outlook – At The Halfway Point

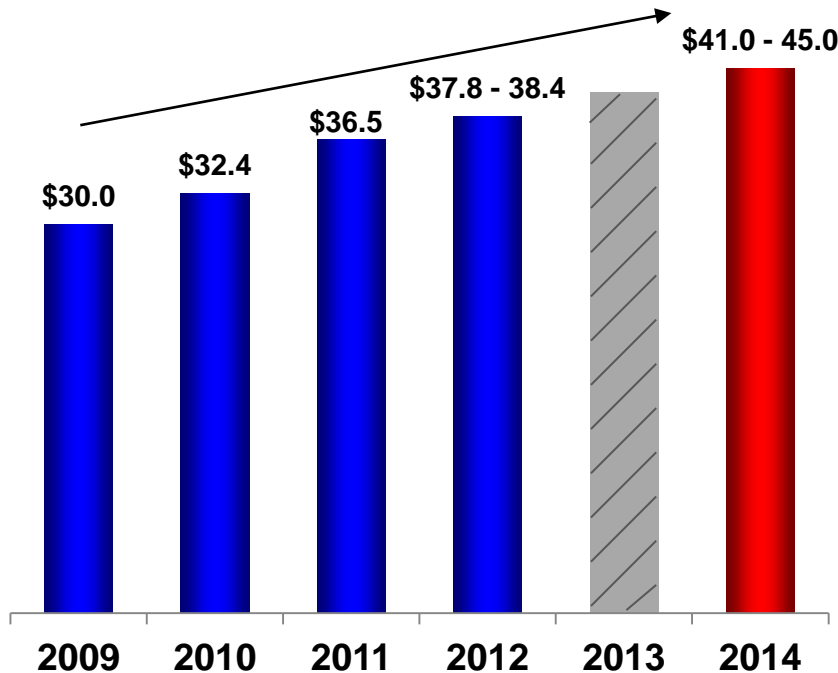
Honeywell

(\$B)

## Sales

**Long Term Goal: 6 - 8% CAGR**

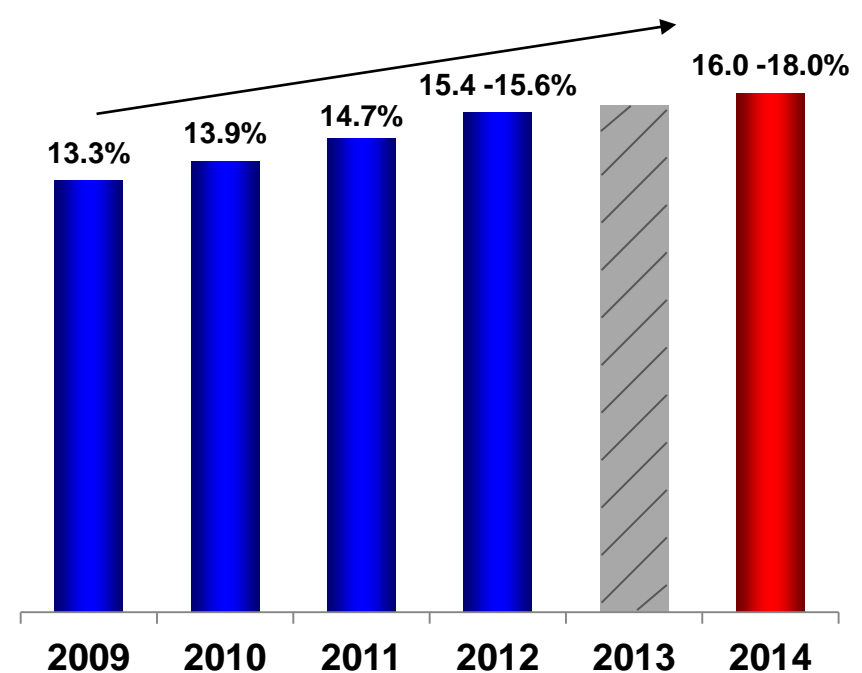
'09 - '12: 8 - 9% CAGR



## Segment Margin

**Long Term Goal: 300 - 500 bps**

'09 - '12: 210 - 230 bps



*On Track To Achieve Long-Term Targets*



---

---

*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

**Honeywell**

(\$B)	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012E</u>
Segment Profit	\$4.0	\$4.5	\$5.4	\$5.8 - 6.0
Stock Based Compensation <sup>(1)</sup>	(0.1)	(0.2)	(0.2)	~(0.2)
Repositioning and Other <sup>(1, 2)</sup>	(0.5)	(0.6)	(0.8)	~(0.4)
Pension Expense-ongoing <sup>(1)</sup>	(0.3)	(0.2)	(0.1)	~(0.1)
Pension Expense-mark to market <sup>(1)</sup>	(0.7)	(0.5)	(1.8)	TBD
OPEB Income (Expense) <sup>(1)</sup>	0.0	(0.0)	0.1	~(0.1)
Operating Income	<u>\$2.4</u>	<u>\$3.0</u>	<u>\$2.6</u>	<u>\$5.0 - 5.2</u>
Segment Profit	\$4.0	\$4.5	\$5.4	\$5.8 - 6.0
÷ Sales	<u>\$30.0</u>	<u>\$32.4</u>	<u>\$36.5</u>	<u>\$37.8 - 38.4</u>
Segment Profit Margin %	<u>13.3%</u>	<u>13.9%</u>	<u>14.7%</u>	<u>15.4 - 15.6%</u>
Operating Income	\$2.4	\$3.0	\$2.6	\$5.0 - 5.2
÷ Sales	<u>\$30.0</u>	<u>\$32.4</u>	<u>\$36.5</u>	<u>\$37.8 - 38.4</u>
Operating Income Margin %	<u>7.9%</u>	<u>9.3%</u>	<u>7.0%</u>	<u>13.4 - 13.6%</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 (beginning 1/1/2008).

# Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin

**Honeywell**

(\$B)	<u>1H11</u>	<u>1H12</u>
<b>Segment Profit</b>	<b>\$2.6</b>	<b>\$2.9</b>
<b>Stock Based Compensation <sup>(1)</sup></b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Repositioning and Other <sup>(1, 2)</sup></b>	<b>(0.2)</b>	<b>(0.3)</b>
<b>Pension Expense-ongoing <sup>(1)</sup></b>	<b>(0.1)</b>	<b>(0.0)</b>
<b>Pension Expense-mark to market <sup>(1)</sup></b>	<b>0.0</b>	<b>0.0</b>
<b>OPEB Income (Expense) <sup>(1)</sup></b>	<b>0.0</b>	<b>(0.0)</b>
<b>Operating Income</b>	<b><u>\$2.2</u></b>	<b><u>\$2.5</u></b>
<b>Segment Profit</b>	<b>\$2.6</b>	<b>\$2.9</b>
<b>÷ Sales</b>	<b><u>\$17.8</u></b>	<b><u>\$18.7</u></b>
<b>Segment Profit Margin %</b>	<b><u>14.4%</u></b>	<b><u>15.5%</u></b>
<b>Operating Income</b>	<b>\$2.2</b>	<b>\$2.5</b>
<b>÷ Sales</b>	<b><u>\$17.8</u></b>	<b><u>\$18.7</u></b>
<b>Operating Income Margin %</b>	<b><u>12.3%</u></b>	<b><u>13.2%</u></b>

(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 (beginning 1/1/2008).

# Reconciliation of Cash Provided by Operating Activities to Free Cash Flow, Prior to Cash Pension Contributions and Calculation of Cash Flow Conversion

**Honeywell**

<i>(\$M)</i>	<u>1H11</u>	<u>1H12</u>
Cash Provided by Operating Activities	\$695	\$1,169
Expenditures for Property, Plant and Equipment	<u>(289)</u>	<u>(352)</u>
Free Cash Flow	\$406	\$817
Cash Pension Contributions	<u>1,035</u>	<u>523</u>
Free Cash Flow, prior to Cash Pension Contributions	\$1,441	\$1,340
Cash Provided by Operating Activities	\$406	\$1,169
÷ Net Income Attributable to Honeywell	<u>1,515</u>	<u>1,725</u>
Operating Cash Flow Conversion %	<u>27%</u>	<u>68%</u>
Free Cash Flow, prior to Cash Pension Contributions	\$1,441	\$1,340
÷ Net Income Attributable to Honeywell	<u>1,515</u>	<u>1,725</u>
Free Cash Flow Conversion % (Proforma)	<u>95%</u>	<u>78%</u>

## Discontinued Operations Reconciliation

**Honeywell**

<b>(\$B)</b>	<b>2009</b>	<b>2010</b>
<b>Sales - Total Honeywell</b>	<b>\$30.9</b>	<b>\$33.4</b>
<b>Sales - CPG</b>	<b>\$1.0</b>	<b>\$1.0</b>
<b>Sales - Continuing Operations</b>	<b>\$30.0</b>	<b>\$32.4</b>