

Honeywell

Second 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.

- **2Q Strong Despite Challenging Macro Environment**
 - \$9.4B Sales, 4% Organic Sales Growth; EPS Above Guidance - \$1.14, Up 12% YOY
 - Strong Sales Conversion: 15.8% Segment Margin, Up +150 BPS
- **Strong Execution Continues**
 - Driving Segment Margin Expansion Despite Slowing Sales Growth
 - High Growth Regions Increase As Expected → China, ME, Other Asia
- **Confident In 2012 Outlook**
 - Regional Outlook Mixed: U.S. Strength, Europe Weakness, China Short Cycle Better
 - Raising Low End Of FY Guidance +\$0.05; \$4.40 – 4.55, Up 10-14% Over 2011 Cont. Ops*
- **Positioning For Challenging 2013 Macro Environment**
 - Conservatively Planning Costs, Staying Flexible, Restructuring In Progress
 - Long Cycle Backlog Supports Growth Outlook

* 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)

Strong Quarterly Results, Confident In FY Outlook

Financial Summary

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<i>(\$M)</i>	<u>2Q11</u>	<u>2Q12</u>	
Sales	\$9,086	\$9,435	<ul style="list-style-type: none"> • 4% Increase ◆ <i>4% Organic</i>
Segment Profit	\$1,301	\$1,493	<ul style="list-style-type: none"> • 15% Increase ◆ <i>150 Bps Margin Expansion</i>
<i>Margin %</i>	<i>14.3%</i>	<i>15.8%</i>	
Net Income	\$810	\$902	<ul style="list-style-type: none"> • 11% Increase
<i>Attributable to Honeywell</i>			
EPS	\$1.02	\$1.14	<ul style="list-style-type: none"> • 12% Increase ◆ <i>14% Increase On Continuing Basis</i>
<i>EPS From Cont. Ops</i>	<i>\$1.00</i>	<i>\$1.14</i>	
Free Cash Flow*	\$995	\$1,040	<ul style="list-style-type: none"> • 115% Conversion

*FCF and FCF Conversion Shown Prior to Cash Pension Contributions

Another Terrific Quarter

(\$M)

	<u>2Q11</u>	<u>2Q12</u>	<u>V</u>
Sales	\$2,810	\$3,027	8%
Segment Profit	451	562	25%
<i>Margin</i>	<i>16.0%</i>	<i>18.6%</i>	<i>+260 bps</i>

Business Highlights

- + Commercial OE Replacement Cycle
- + Commercial AM Strength
- + Europe Stable
- Defense Program Ramp Downs
- ATR Flight Hour Growth Slowing

Financial Highlights

- **Sales Up 8%**
 - ◆ Up 7% Organic, 4% Organic ex OE Payments
- **Commercial OE Up 38%**
 - ◆ Up 16% Organic ex OE Payments
 - ◆ BGA Strong, Incl. Tailwind From OE Payments
- **Commercial Aftermarket Up 9%**
 - ◆ Spares Up 9%, Record BGA Events
 - ◆ R&O Up 9%, Above Utilization Rates
- **Defense and Space Down (4%)**
 - ◆ Down (5%) Organic
 - ◆ D&S Orders Modestly Better Than Expected
- **Segment Profit Up 25%**
 - ◆ Margins Up 260 bps
 - + Volume and Commercial Excellence
 - + Productivity, Net of Inflation
 - + OE Payments (210 bps)
 - RD&E (50 bps)

Commercial Strength Driving Growth

Automation And Control Solutions

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(\$M)

	<u>2Q11</u>	<u>2Q12</u>	<u>Δ</u>
Sales	\$3,880	\$3,962	2%
Segment Profit	496	525	6%
Margin	12.8%	13.3%	+50 bps

Business Highlights

- + Robust Americas Growth
- + Strong Conversion of Projects Backlog
- + Acquisition Integration Benefits
- + Long Cycle Orders Growth
- Europe Short Cycle Weak

Financial Highlights

- Sales Up 2%
 - ◆ Up 4% Organic
 - ◆ F/X (4%)
 - ◆ M&A +2%
- ESS Up 2%, 1% Organic
 - ◆ Modest Europe Declines (S&C, ECC, HLS, HSM)
 - ◆ Security, Scanning & Mobility Strength Continues
- HPS Up 2%, 8% Organic
 - ◆ Orders and Backlog Conversion Support Growth
- BSD Up 2%, 6% Organic
 - ◆ Strong Execution Despite Challenging Macros
- Segment Profit Up 6%
 - ◆ Margins Up 50 bps
 - + Productivity
 - Inflation

Margin Expansion In Slow Growth Environment

Performance Materials And Technologies

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(\$M)

	<u>2Q11</u>	<u>2Q12</u>	<u>V</u>
Sales	\$1,406	\$1,546	10%
Segment Profit	281	350	25%
Margin	20.0%	22.6%	+260 bps

Business Highlights

- + Record Profit and Margin Quarter
- + UOP Order Flow, Strong Backlog
- + Strong Execution Resins & Chemicals
- + Plant Reliability
- Challenging Global Demand

Financial Highlights

- Sales Up 10%, 4% Organic
 - UOP Up 10%
 - ◆ Higher Licensing Events
 - ◆ Executing on Strong Order Book
 - Adv. Materials Up 10%, Flat Organic
 - ◆ Resins & Chemicals – Operational Excellence
 - ◆ Europe Softness Continues
 - ◆ Fluorines – Refrigerant Demand Moderating
- Segment Profit Up 25%
 - ◆ Margins Up 260 bps
 - + UOP Licensing
 - + R&C Volume
 - + Productivity
 - Phenol Plant Acquisition (60 bps)

UOP And R&C Drive Record Quarter

Transportation Systems

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(\$M)

	<u>2Q11</u>	<u>2Q12</u>	<u>V</u>
Sales	\$990	\$900	(9%)
Segment Profit	129	114	(12%)
Margin	13.0%	12.7%	(30) bps

Excludes sales and segment profit from discontinued operations (CPG)

Business Highlights

- + Impressive New OE Wins
- + Global Turbo Penetration
- + Material and HOS Productivity
- Impact of Ongoing FM Transformation
- EU LV Production Outlook
- Continued China CV Softness

Financial Highlights

- **Sales Down (9%)**
 - ◆ Down (1%) Organic
 - ◆ F/X (8%)
- **Challenging Industry Macros**
 - ◆ EU LV Production Down (10%)
 - ◆ W. EU LV Diesel Penetration ~ Flat
 - ◆ EU Aftermarket, China Softness
- **Segment Profit Down (12%)**
 - ◆ Margins Down (30) bps
 - + Productivity, Net of Inflation
 - FM Transformation

Good Performance Despite Europe Challenges

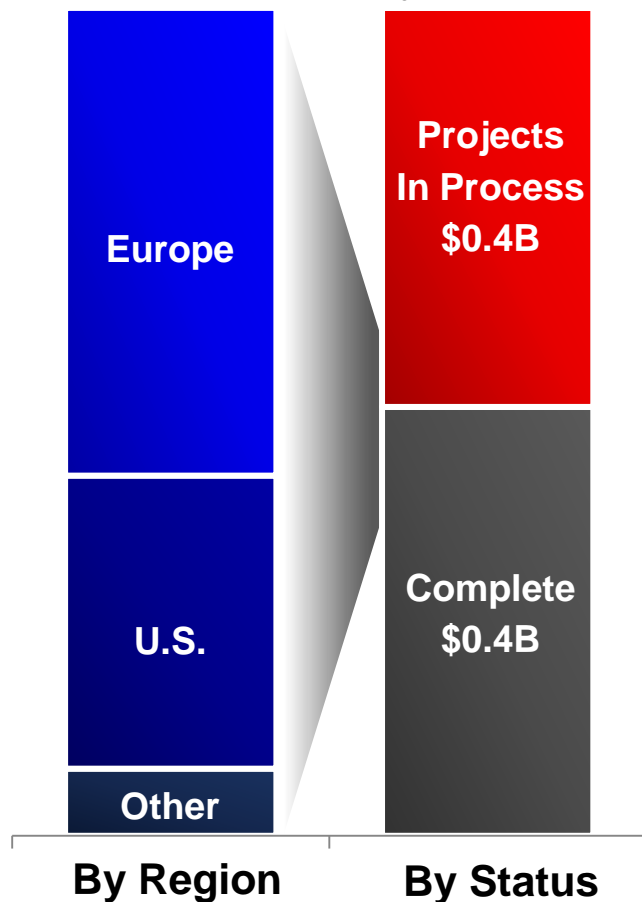
Restructuring Update

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\$0.8B Funded Restructuring Since 2009

2009 – Today

Gross Funding



- **Proactive Restructuring**
 - 1H12 Funding ~\$80M (Gross)
- **Europe ~55% Of Restructuring Spend**
 - Executing High Value Projects
- **Large Number Of Ongoing Projects**
 - Executing Large ACS and TS Projects in Europe
- **~\$150M Restructuring Benefit In 2012**
 - \$125M+ Incremental Benefits Expected 2013E

Proactive Restructuring Given Challenging Macros

3Q12 Preview

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	<u>Sales Change</u>	<u>Comments</u>
Aerospace	3 - 5%	<ul style="list-style-type: none">• Commercial Growth Moderates• Low Single Digit Declines In Defense
ACS	1 - 3%	<ul style="list-style-type: none">• Modest Uptick In ESS, Better Comps• Backlog Supports HPS, BSD Growth
PMT	5 - 7%	<ul style="list-style-type: none">• Tougher UOP Project/Catalyst Comps• 3-4% Org., Short Cycle Growth Continues
Transportation	(8) - (11)%	<ul style="list-style-type: none">• F/X Headwind ~(9%)• EU Light Vehicle Production Down ~(5%)
Honeywell	1 - 3%	<ul style="list-style-type: none">• Total ~\$9.4 - \$9.6B<ul style="list-style-type: none">◆ Sales Up 4-6% Excluding F/X

3Q12 Sales \$9.4-9.6B, Up 1-3%

3Q11 / 3Q12 Comparison

3Q11

	<u>Reported</u>	<u>Gains & Deployment¹</u>	<u>Operating Performance</u>	
Segment Profit	1,367	30	1,397	• Deployment: HSA Funding
Margin %	14.7%	30 bps	15.0%	
Below The Line				
Pension, OPEB	56	(106)	(50)	• Gain: OPEB Curtailment
Repositioning	(298)	298	-	• Deployment: Proactive Repo
Other ²	(232)	20	(212)	• Deployment: Environmental
Income From:				
- Continuing Ops @ 26.5%	655	177	832	• Tax Benefit, Offset 4Q11 • Gain: Sale of CPG
Tax Benefit @ 23.2%	30	(30)	-	
- Discontinued Ops	177	(177)	-	
Net Income	862	(30)	832	
EPS	\$1.10	(\$0.04)	\$1.06	
3Q12 Guidance		\$1.10 - \$1.15		• F/X Headwind (\$0.03)
EPS V%	+0-5%		+4-8%	

*\$M, Except for Per Share Amounts

1. After Tax Impact of Gain and Gain Deployment Nets to Zero on An EPS Basis in 2011 2. Other Includes Environmental, Asbestos, Stock Comp and Other Income

Operating Earnings To Drive Growth

2012 Financial Guidance Summary

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Consolidated (\$B except per share amounts)	2012 Financial Outlook	Growth 2012E vs. 2011
Sales	\$ 37.8 - 38.4	3% - 5%
Segment Profit	\$ 5.8 - 6.0	8% - 11%
<i>Segment Margin</i>	15.4% - 15.6%	70 bps - 90 bps
<i>EPS from Cont. Ops</i> ⁽¹⁾	\$ 4.40 - \$ 4.55	10% - 14%
<i>EPS from Disc. Ops</i>	-	
EPS ⁽²⁾	\$ 4.40 - \$ 4.55	9% - 12%
Free Cash Flow ⁽³⁾	~\$ 3.5	~100% Conversion

1) *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)*

2) *Proforma, V% Excludes Any Pension Mark to Market Adjustment*

3) *Free Cash Flow (Cash Flow from Operations Less Capital Expenditures) Prior to Any NARCO Related Payments and Cash Pension Contributions*

2H Planning Assumptions

- **Aero** - Commercial AM Moderates, D&S Down ~(4)-(5)% In 2H
- **ACS** - ESS Sales Stronger 2H vs. 1H, New Products And Geographies
- **PMT** - Stronger 1H Catalyst Shipments, Tougher 2H Comps UOP
- **TS** - Weaker Europe LV / China CV Production, New Launches Offset
- **HON** - Strong Sales Conversion / Productivity / Seed Planting

Confident In Raised Outlook

2H12 Guidance Framework

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Low End

Commercial AM Lower
ATR/BGA < Utilization

ESS Growth Up ~2%
Better Comps

UOP Down Slightly YoY
Project Delays

R&C Pricing Worse

EU LV Production ~(5%)

**Implement Contingency
Actions**

Euro 1.20

Mid Point

Commercial AM
ATR/BGA Recoupling To Utilization

ESS Growth Up ~3%
Improved 2H Outlook

UOP ~Flat YoY
Difficult Comps To 2H11

R&C Pricing Headwinds

EU LV Production ~(2%)

**Disciplined Cost
Actions/Controls**

Euro At 1.25

High End

Commercial AM Better
ATR > GFHs, BGA At 1H Pace

ESS Growth Up ~4%
Improved Global Macros

UOP Up 8%+
Higher Catalysts + Licensing

R&C Pricing Better

EU LV Production ~Flat

**Cost Actions And
Better Sales Conversion**

Euro 1.30

\$4.40, Up 9%

FY 2012

\$4.55, Up 12%

- **Strong 2Q Performance In Challenging Environment**
 - HON Playbook Working – Key Enablers Driving Margin Expansion
 - Diversified Portfolio Of Opportunities
- **Remaining Flexible Given Uncertain Outlook**
 - Funded Significant Restructuring Projects, Execution Underway
 - Tight Cost Discipline While Continuing To Invest In Future Growth
- **HON Continues To Deliver**
 - Confident In Raised 2012 Outlook
 - Setting Stage For 2013 Outperformance

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)	<u>2Q11</u>	<u>2Q12</u>	<u>3Q11</u>
Segment Profit	\$1,301	\$1,493	\$1,367
Stock Based Compensation ⁽¹⁾	(42)	(40)	(38)
Repositioning and Other ^(1, 2)	(108)	(148)	(423)
Pension Ongoing Expense ⁽¹⁾	(22)	(9)	(26)
OPEB Income (Expense) ⁽¹⁾	45	(9)	82
Operating Income	<u><u>\$1,174</u></u>	<u><u>\$1,287</u></u>	<u><u>\$962</u></u>
Segment Profit	\$1,301	\$1,493	\$1,367
÷ Sales	<u>\$9,086</u>	<u>\$9,435</u>	<u>\$9,298</u>
Segment Profit Margin %	<u><u>14.3%</u></u>	<u><u>15.8%</u></u>	<u><u>14.7%</u></u>
Operating Income	\$1,174	\$1,287	\$962
÷ Sales	<u>\$9,086</u>	<u>\$9,435</u>	<u>\$9,298</u>
Operating Income Margin %	<u><u>12.9%</u></u>	<u><u>13.6%</u></u>	<u><u>10.3%</u></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 Margin

Honeywell

(\$B)	<u>2011</u>	<u>2012E</u>
Segment Profit	\$5.4	\$5.8 - 6.0
Stock Based Compensation ⁽¹⁾	(0.2)	~(0.2)
Repositioning and Other ^(1, 2)	(0.8)	~(0.4)
Pension Ongoing Expense ⁽¹⁾	(0.1)	~(0.1)
Pension Mark to Market Adjustment ⁽¹⁾	(1.8)	TBD
OPEB Income (Expense) ⁽¹⁾	0.1	~(0.1)
Operating Income	<u>\$2.6</u>	<u>\$5.0 - 5.2</u>
Segment Profit	\$5.4	\$5.8 - 6.0
÷ Sales	<u>\$36.5</u>	<u>\$37.8 - 38.4</u>
Segment Profit Margin %	<u>14.7%</u>	<u>15.4 - 15.6%</u>
Operating Income	\$2.6	\$5.0 - 5.2
÷ Sales	<u>\$36.5</u>	<u>\$37.8 - 38.4</u>
Operating Income Margin %	<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

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>2Q11</u>	<u>2Q12</u>
Cash Provided by Operating Activities	\$1,138	\$973
Expenditures for Property, Plant and Equipment	<u>(165)</u>	<u>(200)</u>
Free Cash Flow	\$973	\$773
Cash Pension Contributions	<u>22</u>	<u>267</u>
Free Cash Flow, prior to Cash Pension Contributions	\$995	\$1,040
Cash Provided by Operating Activities	\$1,138	\$973
÷ Net Income Attributable to Honeywell	<u>810</u>	<u>902</u>
Operating Cash Flow Conversion %	<u>140%</u>	<u>108%</u>
Free Cash Flow, prior to Cash Pension Contributions	\$995	\$1,040
÷ Net Income Attributable to Honeywell	810	902
Free Cash Flow Conversion %, prior to Cash Pension Contributions	<u>123%</u>	<u>115%</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)

Honeywell

2011 ⁽¹⁾

EPS - Continuing Operations Assuming Dilution	\$2.35
Pension Mark to Market Adjustment	\$1.44
EPS - Continuing Operations Assuming Dilution, Excluding Pension Mark to Market Adjustment	\$3.79
3Q11 Repositioning and Other Actions Funded by CPG Gain	\$0.22
EPS - Continuing Operations Assuming Dilution, Excluding Pension Mark-to-Market Adjustment and 3Q11 Repositioning and Other Actions Funded by CPG Gain	<u>\$4.01</u>

2011 ⁽¹⁾

EPS - Total Honeywell Assuming Dilution	\$2.61
Pension Mark to Market Adjustment	1.44
EPS - Total Honeywell Assuming Dilution, Excluding Pension Mark to Market Adjustment	<u>\$4.05</u>

(1) Utilizes weighted average shares outstanding of 79.16 million and the effective tax rate for the period. Mark-to-market uses a tax rate of 36.9% for 2011.