

Honeywell

Fourth Quarter / Full Year 2011

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.

- **Strong Finish To 2011**
 - 4Q Highlights: \$9.5B Sales, \$1.05 EPS*, \$1.4B FCF** – 169% FCF Conversion*
 - Segment Margin Expanded 90 bps to 15.1%
 - Strong Organic Growth – Turbo, Comm'l Aero AM and UOP Robust
- **Benefits Of Seed Planting Reflected In Growth & Productivity**
 - New Products And Technologies Supporting Organic Growth
 - Impressive Wins: LA Wastewater (HPS), London Smart Grid (BSD), UOP Wins
 - Emerging Markets Continue Strong → China, ME, India Up ~20%
- **Confident In 2012 Outlook**
 - Order Rates Mixed: U.S./EM Strong, EU Weak; Robust Aero AM; L-C BTB ~1.2
 - Segment Margin Improvement, Sales Conversion Accelerates Over 2012
 - Setting Up For Another Growth Year Despite More Challenging Environment

**Proforma, Excludes 4Q MTM Pension Adjustments*

***4Q 2011 FCF and FCF Conversion Shown Prior to \$250 Million Cash Pension Contribution*

On Path To Achieve 2014 Targets

Fourth Quarter 2011 Results

Honeywell

<i>(\$M except per share amounts)</i>	<u>4Q10</u>	<u>4Q11</u>	
Sales	\$8,749	\$9,473	<ul style="list-style-type: none"> • 8% Increase <ul style="list-style-type: none"> ◆ <i>7% Organic</i>
Segment Profit	\$1,241	\$1,429	<ul style="list-style-type: none"> • 15% Increase <ul style="list-style-type: none"> ◆ <i>Margin Expansion All Businesses</i>
<i>Margin %</i>	<i>14.2%</i>	<i>15.1%</i>	
Net Income, Proforma*	\$688	\$827	<ul style="list-style-type: none"> • 20% Increase
<i>Attributable to Honeywell</i>			
EPS, Proforma*	\$0.87	\$1.05	<ul style="list-style-type: none"> • 21% Increase <ul style="list-style-type: none"> ◆ <i>(\$1.45) MTM Adjustment</i>
<i>EPS, Reported</i>	<i>\$0.47</i>	<i>(\$0.40)</i>	
Free Cash Flow**	\$1,345	\$1,395	<ul style="list-style-type: none"> • 169% Conversion*

*Proforma, Excludes 4Q MTM Pension Adjustments; 4Q11 Adjustment Calculated Using 784.3 Million Weighted Average Fully Diluted Shares

**4Q 2011 FCF and FCF Conversion Shown Prior to \$250 Million Cash Pension Contribution; 4Q 2010 Prior to \$600 Million Cash Pension Contribution

Strong Finish To The Year

Full Year 2011 Results

Honeywell

<i>(\$M except per share amounts)</i>	<u>FY10</u>	<u>FY11</u>	
Sales	\$32,350	\$36,529	<ul style="list-style-type: none"> • 13% Increase <ul style="list-style-type: none"> ◆ 8% Organic
Segment Profit	\$4,485	\$5,357	<ul style="list-style-type: none"> • 19% Increase <ul style="list-style-type: none"> ◆ 80 bps Expansion
<i>Margin %</i>	13.9%	14.7%	
Net Income, Proforma*	\$2,341	\$3,204	<ul style="list-style-type: none"> • 37% Increase
<i>Attributable to Honeywell</i>			
EPS, Proforma*	\$3.00	\$4.05	<ul style="list-style-type: none"> • 35% Increase <ul style="list-style-type: none"> ◆ (\$1.44) MTM Adjustment
<i>EPS, Reported</i>	\$2.59	\$2.61	
Free Cash Flow**	\$4,152	\$3,685	<ul style="list-style-type: none"> • 115% Conversion*

*Proforma, Excludes 4Q MTM Pension Adjustments; 2011 Adjustment Calculated Using 791.6 Million Weighted Average Fully Diluted Shares

**2011 FCF and FCF Conversion Shown Prior to \$1.65 Billion Cash Pension Contribution; 2010 FCF Prior to \$600 Million Cash Pension Contribution

Record Growth And Operating Earnings

(\$M)

	<u>4Q10</u>	<u>4Q11</u>	<u>V</u>
Sales	\$2,826	\$3,047	8%
Segment Profit	521	573	10%
<i>Margin</i>	18.4%	18.8%	+40 bps

	<u>FY10</u>	<u>FY11</u>	<u>V</u>
Sales	\$10,683	\$11,475	7%
Segment Profit	1,835	2,023	10%
<i>Margin</i>	17.2%	17.6%	+40 bps

Financial Highlights

- **Sales Up 8% 4Q; Up 7% FY**
 - Organic: 4Q 6%; FY 7%
 - **Comm'l OE: 4Q 18%; FY 15%**
 - ◆ ATR/BGA Production Ramp Ups
 - **Comm'l Aftermarket: 4Q 21%; FY 18%**
 - ◆ 4Q Spares Up 28%; FY Up 28%
 - ◆ 4Q R/O Up 18%; FY Up 12%
 - **Defense and Space: 4Q (4%); FY (2%)**
 - ◆ Modest Declines As Expected
- **Segment Margin**
 - 4Q: 40 bps Margin Expansion
 - ◆ AM Mix, Volume Leverage
 - ◆ (50) bps RD&E Net of Launch, EMS
 - FY: 40 bps Margin Expansion
 - ◆ Productivity, Net of Inflation
 - ◆ (120) bps RD&E Net of Launch, EMS

Strong Commercial Recovery Driving Growth

Automation And Control Solutions

Honeywell

(\$M)

	<u>4Q10</u>	<u>4Q11</u>	<u>V</u>
Sales	\$3,914	\$4,051	4%
Segment Profit	512	584	14%
<i>Margin</i>	13.1%	14.4%	+130 bps

(\$M)

	<u>FY10</u>	<u>FY11</u>	<u>V</u>
Sales	\$13,749	\$15,535	13%
Segment Profit	1,770	2,083	18%
<i>Margin</i>	12.9%	13.4%	+50 bps

* ESS: Energy, Safety and Security (ACS Products Less ADI)

HPS: Honeywell Process Solutions

BSD: Building Solutions and Distribution (Includes ADI)

Financial Highlights

- **Sales Up 4% 4Q; Up 13% FY**
 - 4Q: Organic 4%, M&A 1%, F/X (1%)
 - FY: Organic 5%, M&A 6%, F/X 2%
- **ESS*: 4Q 3%; FY 17%**
 - ◆ 4Q: 3% Organic, ECC / Europe Weak
 - ◆ FY: 6% Organic
- **HPS*: 4Q 1%; FY 12%**
 - ◆ 4Q: 2% Organic, Tough 4Q10 Comp
 - ◆ FY: 6% Organic
- **BSD*: 4Q 6%; FY 7%**
 - ◆ 4Q: 6% Organic, Strong Distrib. / Backlog
 - ◆ FY: 4% Organic
- **Segment Margin**
 - 4Q: 130 bps Margin Expansion
 - ◆ Productivity, Net of Inflation
 - ◆ Lapping YOY M&A Dilution
 - FY: 50 bps Margin Expansion

Good Growth And Margin Expansion

Performance Materials And Technologies

Honeywell

Financial Highlights

(\$M)	<u>4Q10</u>	<u>4Q11</u>	<u>V</u>
Sales	\$1,153	\$1,430	24%
Segment Profit	171	223	30%
Margin	14.8%	15.6%	+80 bps

- Sales Up 24% 4Q; Up 20% FY
 - Organic: 4Q 17%; FY 16%
 - UOP – Record Backlog; BTB* > 1.3
 - ◆ 4Q Sales Up 36%; FY Sales Up 24%
 - ◆ New Technologies Gaining Traction
 - Adv. Materials – Growth Moderating
 - ◆ 4Q Up 18% (7% Org); FY Up 18% (12% Org)
 - ◆ R&C Global Demand Slowing, Phenol Acq.
 - ◆ Fluorines Prices Lower As Expected

(\$M)	<u>FY10</u>	<u>FY11</u>	<u>V</u>
Sales	\$4,726	\$5,659	20%
Segment Profit	749	1,042	39%
Margin	15.8%	18.4%	+260 bps

- Segment Margin
 - 4Q: 80 bps Margin Expansion
 - ◆ Price/Raws Spreads, Volume Leverage
 - ◆ Phenol Plant (100) bps
 - FY: 260 bps Margin Expansion
 - ◆ Price/Raws Spreads, Volume Leverage
 - ◆ Growth Investments

*BTB: Book to Bill

Another Strong Quarter Across The Board

Transportation Systems

Honeywell

(\$M)

	<u>4Q10</u>	<u>4Q11</u>	<u>V</u>
Sales	\$856	\$944	10%
Segment Profit	103	117	14%
<i>Margin</i>	12.0%	12.4%	+40 bps

(\$M)

	<u>FY10</u>	<u>FY11</u>	<u>V</u>
Sales	\$3,192	\$3,859	21%
Segment Profit	353	485	37%
<i>Margin</i>	11.1%	12.6%	+150 bps

Note: 4Q11 and FY11 Results Exclude Sales and Segment Profit From Discontinued Operations (CPG)

Financial Highlights

- Sales Up 10% 4Q; Up 21% FY
 - 4Q: Organic 11%, F/X (1%)
 - ◆ W. EU LV Production Flat
 - ◆ W. EU Diesel Penetration ~62%
 - FY: Organic 16%, F/X 5%
 - ◆ EU Recovery in Diesel Penetration
 - ◆ ~100+ New Launches
- Segment Margin
 - 4Q: 40 bps Margin Expansion
 - ◆ Productivity, Net of Inflation
 - ◆ Volume Leverage
 - FY: 150 bps Margin Expansion
 - ◆ Productivity, Net of Inflation
 - ◆ Volume Leverage

New Launches Driving Growth

	<u>Sales Change</u>	<u>Comments</u>
Aerospace	7 - 9%	<ul style="list-style-type: none">• Commercial Strength Continues• Defense Flat YoY, Down Sequentially
ACS	2 - 4%	<ul style="list-style-type: none">• Short Cycle Growth Moderates in ESS*• BSD*, Process Solutions Accelerate
PMT	12 - 15%	<ul style="list-style-type: none">• UOP Strength, Adv. Materials Moderates• ~8-9% M&A Impact (Phenol Plant)
Transportation	~ Flat	<ul style="list-style-type: none">• EU LV Production Down ~(8%)• New Launches, Diesel Penetration Offset
Honeywell	4 - 6%	<ul style="list-style-type: none">• Total ~\$9.0 – \$9.2B

* ESS: Energy, Safety and Security (ACS Products Less ADI), HPS: Honeywell Process Solutions, BSD: Building Solutions and Distribution (Includes ADI)

Reported EPS \$0.93 – \$0.98, Up 6-11%
Continuing Ops EPS \$0.93 – \$0.98, Up 8-14%

2012 Financial Guidance Summary

Honeywell

Consolidated (\$B except per share amounts)	2012 Financial Outlook	Growth 2012E vs. 2011
Sales	\$ 37.8 - 38.9	4% - 7%
Segment Profit	\$ 5.7 - 5.9	6% - 11%
<i>Segment Margin</i>	15.0% - 15.3%	30 bps - 60 bps
<i>EPS from Cont. Ops</i> ⁽¹⁾	\$ 4.25 - \$ 4.50	12% - 19%
<i>EPS from Disc. Ops</i>	-	
EPS ⁽¹⁾	\$ 4.25 - \$ 4.50	5% - 11%
Free Cash Flow ⁽²⁾	~\$ 3.5	~100% Conversion

1) Proforma, V% Compared to 2011 Proforma Excluding Any Mark-to-Market Pension Adjustments

2) Prior to Cash Contributions to Pension Plans and NARCO Trust in 2012

Low End

- Lower Global GDP Growth
- Emerging Markets Moderate Further
- Unfavorable Mix – ACS Products, PMT
- Inflation / Productivity Worse
- Stronger Dollar – EUR < \$1.30

High End

- + Stronger Global GDP Growth
- + Emerging Markets Overdrive
- + Favorable Mix – Commercial AM, UOP
- + Inflation / Productivity Better
- + Weaker Dollar – EUR > \$1.30

Reaffirming 2012 Outlook

- **2011 – Strong Finish To A Terrific Year**
 - Delivered Results While Sustaining Growth Investments
 - 4Q Reflects Strong Execution Amidst Weakening Economic Landscape
- **Positioned To Outperform Again In 2012**
 - Order Rates Mixed, Short-Cycle Growth Moderating
 - Long Cycle Accelerating → Commercial Aero OE, UOP, BSD and HPS
 - U.S., Emerging Regions Strong, Eurozone Challenges
 - Maintain Flexibility Given Continued Macro Uncertainty
- **March 7th Investor Conference**
 - A Decade Of Transformation → The Best Is Yet To Come
 - Update Progress On Long-Term Targets – Already Ahead

Poised To Outperform Again

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

<i>(\$M)</i>	4Q10	4Q11
Segment Profit	\$1,241	\$1,429
Stock Based Compensation ⁽¹⁾	(41)	(39)
Repositioning and Other ^(1, 2)	(130)	(121)
Pension Expense-ongoing ⁽¹⁾	(39)	(22)
Pension Expense-mark to market ⁽¹⁾	(471)	(1802)
OPEB Income (Expense) ⁽¹⁾	(17)	(23)
Operating Income (Loss)	<u>\$543</u>	<u>(\$578)</u>
Segment Profit	\$1,241	\$1,429
÷ Sales	<u>\$8,749</u>	<u>\$9,473</u>
Segment Profit Margin %	<u>14.2%</u>	<u>15.1%</u>
Operating Income (Loss)	\$543	(\$578)
÷ Sales	<u>\$8,749</u>	<u>\$9,473</u>
Operating Income (Loss) Margin %	<u>6.2%</u>	<u>(6.1%)</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

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

Honeywell

(\$B)	<u>2010</u>	<u>2011</u>	<u>2012E</u>
Segment Profit	\$4.5	\$5.4	\$5.7 - 5.9
Stock Based Compensation ⁽¹⁾	(\$0.2)	(\$0.2)	~(\$0.2)
Repositioning and Other ^(1, 2)	(\$0.6)	(\$0.8)	~(\$0.4)
Pension Expense-ongoing ⁽¹⁾	(\$0.2)	(\$0.1)	~(\$0.1)
Pension Expense-mark to market ⁽¹⁾	(\$0.5)	(\$1.8)	TBD
OPEB Income (Expense) ⁽¹⁾	(\$0.0)	\$0.1	~(\$0.1)
Operating Income	<u>\$3.0</u>	<u>\$2.6</u>	<u>\$4.9 - 5.1</u>
Segment Profit	\$4.5	\$5.4	\$5.7 - 5.9
÷ Sales	<u>\$32.4</u>	<u>\$36.5</u>	<u>\$37.8 - 38.9</u>
Segment Profit Margin %	<u>13.9%</u>	<u>14.7%</u>	<u>15.0 - 15.3%</u>
Operating Income	\$3.0	\$2.6	\$4.9 - 5.1
÷ Sales	<u>\$32.4</u>	<u>\$36.5</u>	<u>\$37.8 - 38.9</u>
Operating Income Margin %	<u>9.3%</u>	<u>7.0%</u>	<u>13.0 - 13.3%</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

Reconciliation of Free Cash Flow, Prior to U.S. Pension Cash Contributions, to Cash Provided by Operating Activities and Calculation of Cash Flow Conversion Honeywell

(\$M)	4Q10	4Q11	2010	2011
Cash Provided by Operating Activities	\$1,045	\$1,477	\$4,203	\$2,833
Expenditures for Property, Plant and Equipment	(300)	(332)	(651)	(798)
Free Cash Flow	\$745	\$1,145	\$3,552	\$2,035
US Pension Cash Contributions	600	250	600	1,650
Free Cash Flow, prior to U.S. Pension Cash Contributions	\$1,345	\$1,395	\$4,152	\$3,685
Net Income Attributable to Honeywell	\$369	(\$310)	\$2,022	\$2,067
Mark-to-Market pension adjustment, net of tax ⁽¹⁾	\$319	\$1,137	\$319	\$1,137
Net Income Attributable to Honeywell Excluding Mark-to-Market Pension Adjustment	\$688	\$827	\$2,341	\$3,204
Cash Provided by Operating Activities	\$1,045	\$1,477	\$4,203	\$2,833
÷ Net Income Attributable to Honeywell	369	(310)	2,022	2,067
Operating Cash Flow Conversion %	283%	N/A	208%	137%
Free Cash Flow, prior to U.S. Pension Cash Contributions	\$1,345	\$1,395	\$4,152	\$3,685
÷ Net Income Attributable to Honeywell Excluding Mark-to-Market Pension Adjustment	688	827	2,341	3,204
Free Cash Flow Conversion % (Proforma)	195%	169%	177%	115%

(1) Mark-to-market uses a tax rate of 36.9% and 32.3% for 2011 and 2010, respectively.

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

	<u>4Q10 ⁽¹⁾</u>	<u>4Q11 ⁽¹⁾</u>	<u>2010 ⁽¹⁾</u>	<u>2011 ⁽¹⁾</u>
EPS	\$0.47	(\$0.40)	\$2.59	\$2.61
Mark-To-Market Pension Adjustment	0.40	1.45	0.41	1.44
EPS, Excluding Mark-to Market Pension Adjustment	<u>\$0.87</u>	<u>\$1.05</u>	<u>\$3.00</u>	<u>\$4.05</u>

(1) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a tax rate of 36.9% and 32.3% for 2011 and 2010, respectively.

Discontinued Operations Reconciliation

Honeywell

(\$M except per share amounts)

Sales - Total Honeywell

1Q11

\$8,909

Sales - CPG

237

Sales - Continuing Operations

\$8,672

EPS - Total Honeywell

0.88

EPS - Discontinued Operations - assuming dilution

0.02

EPS - Continuing Operations - assuming dilution

\$0.86