

Honeywell

Second Quarter 2011

Earnings Release

July 22, 2011

Forward Looking Statements

Honeywell

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 Adds To Strong Momentum 2011 YTD**
 - \$9.1B Sales, 14.3% Segment Margin, \$1.02 EPS, \$1.0B FCF
 - 8% Organic Sales Growth; Strong Sales Conversion and Margin Expansion
 - CPG Moves to Discontinued Operations, Aero Reflects \$80M OE Payments
- **Growth Reflects Continued Seed Planting**
 - New Products and Technologies Continue to Enhance Organic Growth
 - Emerging Regions Continue Strong – 20%+ Growth In China
 - Key Process Initiatives Delivering Significant Benefits Across Portfolio
- **Positive Outlook Reflected In Updated Guidance**
 - Commercial Aero AM Remains Robust, OE Up-Cycle Accelerates
 - Short Cycle Continues Pace, Long Cycle Uptick In ACS Solutions and UOP
 - Confident in FY11 Outlook: Raising EPS to \$3.85-4.00, Up 28-33% Versus 2010*

* Proforma includes Disc. Ops and excludes any MTM adjustment

Strong Performance YTD, Confident In FY Outlook

Financial Summary – Pre-Disc Ops

Honeywell

<i>(\$M)</i>	<u>2Q10</u>	<u>2Q11</u>	
Sales	\$8,161	\$9,320	<ul style="list-style-type: none"> • 14% Increase <ul style="list-style-type: none"> ◆ 7% Organic
Segment Profit	\$1,107	\$1,323	<ul style="list-style-type: none"> • 20% Increase <ul style="list-style-type: none"> ◆ <i>Margin Expansion All Segments (ex-Aero OE Payments)</i>
<i>Margin %</i>	13.6%	14.2%	
Net Income	\$566	\$810	<ul style="list-style-type: none"> • 43% Increase
<i>Attributable to Honeywell</i>			
EPS	\$0.73	\$1.02	<ul style="list-style-type: none"> • 40% Increase
Free Cash Flow	\$975	\$973	<ul style="list-style-type: none"> • 120% Conversion

Another Terrific Quarter

Financial Summary – Post-Disc Ops

Honeywell

<i>(\$M)</i>	<u>2Q10</u>	<u>2Q11</u>	
Sales	\$7,926	\$9,086	<ul style="list-style-type: none"> • 15% Increase <ul style="list-style-type: none"> ◆ 8% Organic
Segment Profit	\$1,079	\$1,301	<ul style="list-style-type: none"> • 21% Increase <ul style="list-style-type: none"> ◆ <i>Margin Expansion All Segments (ex-Aero OE Payments)</i>
<i>Margin %</i>	13.6%	14.3%	
Net Income	\$566	\$810	<ul style="list-style-type: none"> • 43% Increase
<i>Attributable to Honeywell</i>			
<i>EPS From Cont. Ops</i>	\$0.71	\$1.00	
<i>EPS From Disc. Ops</i>	\$0.02	\$0.02	
EPS	\$0.73	\$1.02	<ul style="list-style-type: none"> • 40% Increase
Free Cash Flow	\$975	\$973	<ul style="list-style-type: none"> • 120% Conversion

CPG Moves To Discontinued Operations

Aerospace

Honeywell

<i>(\$M)</i>				<u>Financial Highlights</u>			
	<u>2Q10</u>	<u>2Q11</u>	<u>V</u>				
Sales	\$2,647	\$2,810	6%	<ul style="list-style-type: none"> • Sales Up 6% <ul style="list-style-type: none"> - Commercial OE Down (5%) <ul style="list-style-type: none"> ◆ Air Transport, BGA Shipments Strong ◆ Up 11% Ex- '11 BGA OE Payments - Commercial Aftermarket Up 21% <ul style="list-style-type: none"> ◆ Spares Up 30%, Mechanical and Avionics ◆ R&O Up 15% - Ahead of Utilization Rates - Defense and Space Up 1% <ul style="list-style-type: none"> ◆ Strong Int'l Spares • Segment Profit Up 2% <ul style="list-style-type: none"> ◆ Margins Down (70) bps <ul style="list-style-type: none"> + Volume / Mix + Productivity, Net Of Inflation - BGA OE Payments (110 bps y/y) - RD&E (170 bps y/y) 			
Segment Profit	443	451	2%				
<i>Margin</i>	16.7%	16.0%	(70) bps				
<i>Includes revenue and segment profit impact of BGA OE payments</i>							
<u>Business Highlights</u>							
<ul style="list-style-type: none"> + New Commercial Wins and RMUs + Commercial OE Shipments + Selectables / BFE Content + Commercial AM Strength - Defense Program Ramp Downs 							

Commercial Recovery Building Momentum

Automation And Control Solutions

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<i>(\$M)</i>			
	<u>2Q10</u>	<u>2Q11</u>	<u>V</u>
Sales	\$3,237	\$3,880	20%
Segment Profit	401	496	24%
Margin	12.4%	12.8%	+40 bps

<u>Business Highlights</u>	
+ Sperian Integration – Ahead of Targets	
+ Continued Short Cycle Improvement	
+ Growth Across All Regions	
+ China Driving Emerging Regions	
+ New Products, Improving Comm'l Retrofit	
– Sales Conversion – 2H Investment Benefits	

<u>Financial Highlights</u>	
• Sales Up 20%	<ul style="list-style-type: none"> ◆ Up 6% Organic ◆ M&A +8% ◆ F/X +6%
- Products Up 23%, 6% Organic	<ul style="list-style-type: none"> ◆ Industrial Continues Strong – Scanning & Mobility, S&C, PPE ◆ NPI Driving ECC, Gas Detection
- Solutions Up 16%, 5% Organic	<ul style="list-style-type: none"> ◆ HPS Converting Near Record Backlog ◆ HBS Acceleration 2H
• Segment Profit Up 24%	<ul style="list-style-type: none"> ◆ Margins Up 40 bps <ul style="list-style-type: none"> + Volume + Productivity – Inflation – Growth Investments

Continued Growth In All Businesses

Transportation Systems

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<i>(\$M)</i>				<u>Financial Highlights</u>			
	<u>2Q10</u>	<u>2Q11</u>	<u>Y</u>				
Sales	\$783	\$990	26%	<ul style="list-style-type: none"> • Sales Up 26% <ul style="list-style-type: none"> ◆ Up 14% Organic - Strong Growth In Turbochargers <ul style="list-style-type: none"> ◆ New Platform Launches, Turbo Penetration ◆ Strong Growth Europe and Americas - CPG Reported in Discontinued Ops 			
Segment Profit	89	129	45%	<ul style="list-style-type: none"> • Segment Profit Up \$40M <ul style="list-style-type: none"> ◆ 160 bps Margin Expansion <ul style="list-style-type: none"> + Volume + Productivity - Material Inflation - Mix 			
Margin	11.4%	13.0%	+160 bps				
<p><i>Excludes sales and segment profit from discontinued operations (CPG)</i></p>							
<u>Business Highlights</u>							
<ul style="list-style-type: none"> + Turbo Share Gains On New Launches + Improved Diesel Penetration + Restructuring Benefits - Europe OE Production - Japan Disruptions – Minor Impact 2Q 							

New Launches Drive Growth

Specialty Materials

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<i>(\$M)</i>				<u>Financial Highlights</u>	
	<u>2Q10</u>	<u>2Q11</u>	<u>V</u>		
Sales	\$1,259	\$1,406	12%	<ul style="list-style-type: none"> • Sales Up 12% <ul style="list-style-type: none"> - UOP Up 12% <ul style="list-style-type: none"> ◆ Refining Catalysts Rebound ◆ Uptick in Licensing Activity ◆ Strong Service Activity with Petrobras - Advanced Materials Up 12% <ul style="list-style-type: none"> ◆ Resins & Chemicals – Asia Robust, Improved Global Markets ◆ Fluorines – Strong Refrigerant Demand, Pricing Moderating ◆ Specialty Products – NPI, Solid Global Markets • Segment Profit Up 31% <ul style="list-style-type: none"> ◆ 300 bps Margin Expansion <ul style="list-style-type: none"> + Price/Raws Spread + Licensing - Plant/Growth Investments 	
Segment Profit	214	281	31%		
Margin	17.0%	20.0%	+300 bps		
<u>Business Highlights</u>					
<ul style="list-style-type: none"> + Global Market Demand + Commercial Excellence + Plant Performance + UOP Orders Ramping - Raw Materials - Phenol Supply Disruption 					

Another Outstanding Quarter

End Market Update

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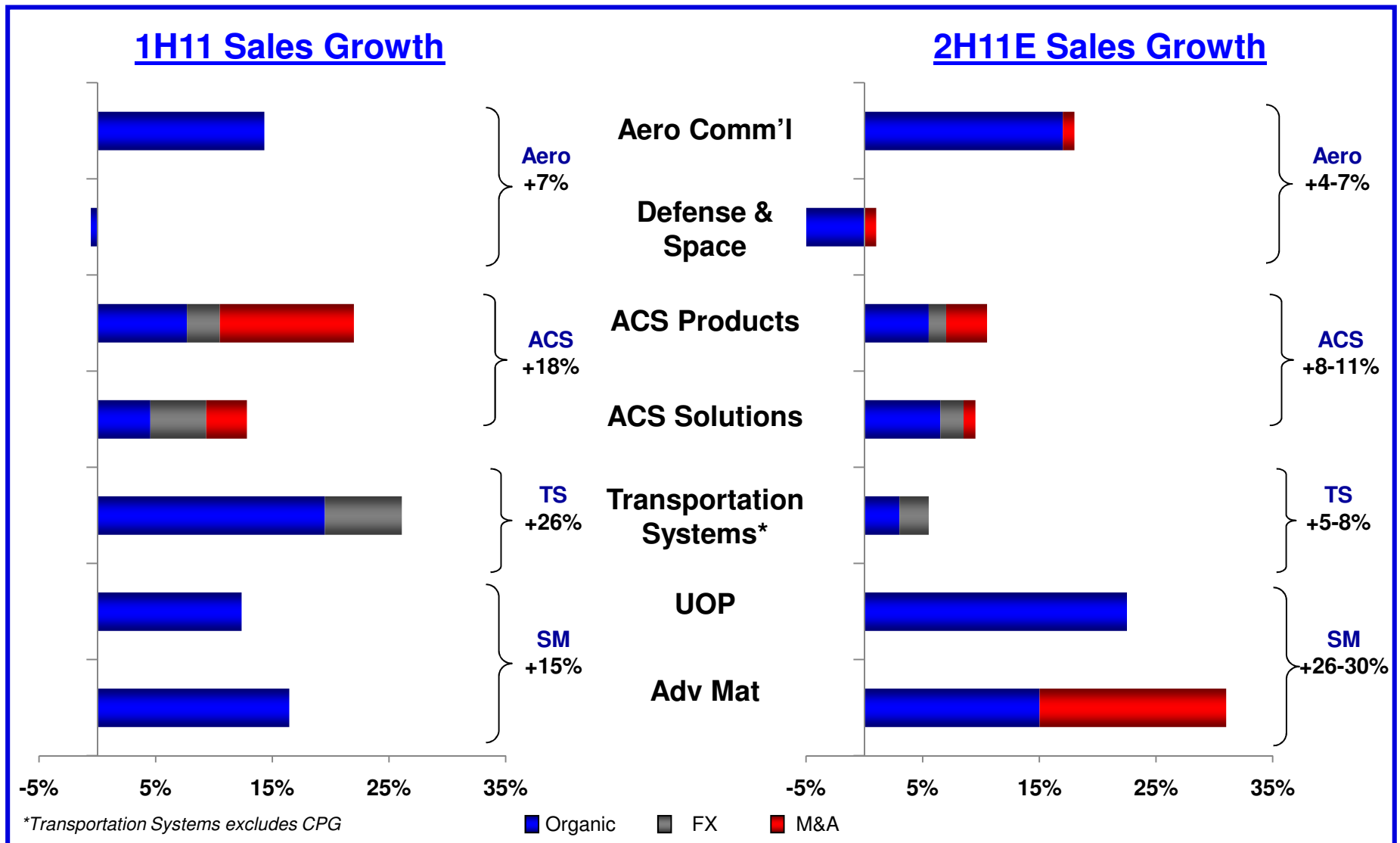
- **What We Are Seeing**
 - Commercial Spares and R&O Outpacing Flight Hours
 - D&S Stable, Some Project Delays
 - ACS Industrial Recovery Continues – PPE, Gas Detection, S&C, HPS
 - Developed Res./ Non-Res. Construction Still Slow; Emerging Regions Strong
 - Advanced Materials Benefiting from Robust Global End Markets

- **What We Are Expecting**
 - Commercial Spares Continue Strong; OE Cycle Accelerates
 - D&S Outlook Impacted By U.S. Defense Budget Shifts
 - ACS Solutions, UOP Multi-Year Outlook Robust; Long Cycle BTB >1
 - Advanced Materials Supply/Demand Dynamics Stabilize
 - Turbo Growth Continues At Slower Rate, New Launches Outpace Macros

Favorable Trends Continue 2H

1H To 2H 2011 Comparison - Segments

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Healthy Growth; Confident In Outlook

1H To 2H 2011 Comparison

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	<u>1H11</u>	<u>2H11E</u>	
Sales Growth	15%	~9 - 12%	<ul style="list-style-type: none"> • Continued 2H Growth <ul style="list-style-type: none"> ◆ F/X +1-2% ◆ Acq/Div +2-3%
<i>Organic Growth</i>	<i>9%</i>	<i>~5 - 8%</i>	
Segment Margin	14.4%	~14.4 - 14.7%	<ul style="list-style-type: none"> • 2H Expansion On Track <ul style="list-style-type: none"> ◆ SM Pricing Moderates ◆ M&A Impact
<i>Margin Expansion</i>	<i>+90 bps</i>	<i>+ 20 - 50 bps</i>	
Tax Rate	27.4%	~25.5%	<ul style="list-style-type: none"> • FY11 ~26.5%
Share Count	798	~793	<ul style="list-style-type: none"> • FY11 ~795 <ul style="list-style-type: none"> ◆ ~\$1B Share Buyback

Note: Reflects Continuing Operations

Ties To FY Guidance – \$3.85 - \$4.00

3Q11 Sales Preview

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<i>(\$B)</i>	<u>Sales</u>	<u>V%</u>	<u>Comments</u>
Aerospace	2.8 – 2.9	5 – 8%	<ul style="list-style-type: none">• Commercial Strength Continues• Modest Decline in Defense
ACS	3.9 – 4.0	13 – 16%	<ul style="list-style-type: none">• Con't. Organic Growth Across Portfolio• +4-5% Net M&A Impact
Transportation	0.8 – 0.9	7 – 10%	<ul style="list-style-type: none">• Normalized Production Schedules 2H• Stable Diesel Penetration, New Launches
Specialty	1.5 – 1.6	28 – 32%	<ul style="list-style-type: none">• Strong Global End Markets• ~10% M&A Impact (Phenol Plant)

3Q11 Sales \$9.1-9.4B, Up 12-15%

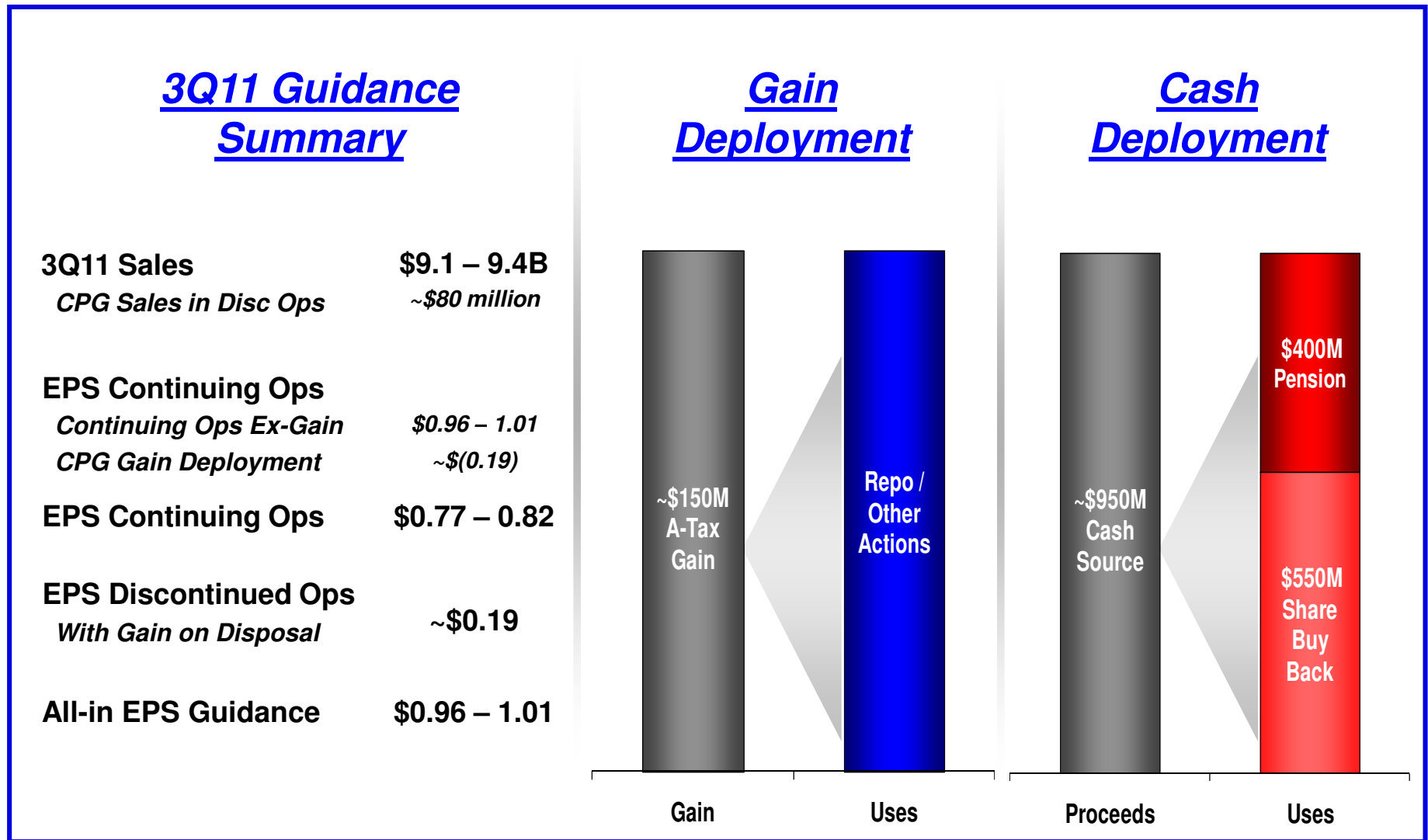
3Q11 Earnings Guidance

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2Q11 EPS	\$1.02	
Operating Earnings ↑	+\$0.04 – \$0.08	• ACS, Aero Seasonality
Pricing, Seasonal ↓	(\$0.06)	• Fluorines, Turbo
Subtotal	<u>\$1.00 – \$1.04</u>	• Up 32-37% YoY
M&A/Divest. Dilution	(\$0.03) – (\$0.04)	• EMS, CPG Divestiture
3Q11 EPS Guidance	<u>\$0.96 – \$1.01</u>	• Up 26-33% YoY

3Q11 EPS ~\$0.96 – \$1.01

3Q11 CPG Divestiture



Smart Deployment Of Gain And Proceeds

2011 Financial Guidance Summary

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Consolidated (\$B)	2011 Financial Outlook	Growth 2011E vs. 2010
Sales	\$ 36.1 - 36.7	12% - 14%
Segment Profit	5.2 - 5.4	16% - 19%
Segment Margin	14.4% - 14.6%	50 bps - 70 bps
EPS From Cont. Ops ⁽¹⁾	\$ 3.62 - \$ 3.77	
EPS From Disc. Ops ⁽¹⁾	~\$0.23	
EPS ⁽²⁾	\$ 3.85 - \$ 4.00	28% - 33%
Free Cash Flow ⁽³⁾	\$ 3.5 - 3.7	~Flat

1) Includes expected CPG gain deployment anticipated 3Q11

2) Proforma, V% compared to 2010 proforma excluding any mark-to-market pension adjustments

3) FCF excluding any cash contributions to U.S. pensions in 2011

Range Outlook

- Euro ~1.35
- Macro Economy Slows
- UOP Timing
- + Euro ~1.40
- + Macro Economy Stable and Growing
- + Commercial Aero AM, SM Price/Raws

On Track For Outstanding Year

Summary

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- **2Q Results Reflect Strong Execution and Positive Momentum**
 - Continued Uptick In TS, SM, ACS Short-Cycle and Commercial Aero AM
 - Strong Operational Leverage and Earnings Growth
- **Order Rates Remain Positive – Tougher 2H Comps**
 - Commercial Aero Recovery Underway
 - Turbo Up, At Lower Rate
 - Long-Cycle Growth Accelerates 2H11 – UOP, Solutions
- **Upside Reflected In Raised 2011 Outlook**
 - Path to High End of Range – Outlook Reflects Balanced View of Macros
 - 2012: Targeting Double Digit Earnings Growth – Growth & Productivity

Honeywell Executing Well, Delivering 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, Post-Disc Ops

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(\$M)	<u>2Q10</u>	<u>2Q11</u>	<u>1H10</u>	<u>1H11</u>
Sales	\$7,926	\$9,086	\$15,462	\$17,758
Cost of Products and Services Sold	(5,967)	(6,664)	(11,634)	(13,088)
Selling, General and Administrative Expenses	(1,110)	(1,248)	(2,200)	(2,480)
Operating Income	<u>\$849</u>	<u>\$1,174</u>	<u>\$1,628</u>	<u>\$2,190</u>
Stock Based Compensation ⁽¹⁾	36	42	86	91
Repositioning and Other ^(1, 2)	136	108	281	250
Pension Expense-ongoing ⁽¹⁾	46	22	96	57
Pension Expense-mark to market ⁽¹⁾	0	0	0	0
OPEB (Income) Expense ⁽¹⁾	12	(45)	(6)	(27)
Segment Profit	<u>\$1,079</u>	<u>\$1,301</u>	<u>\$2,085</u>	<u>\$2,561</u>
Operating Income	\$849	\$1,174	\$1,628	\$2,190
÷ Sales	\$7,926	\$9,086	\$15,462	\$17,758
Operating Income Margin %	<u>10.7%</u>	<u>12.9%</u>	<u>10.5%</u>	<u>12.3%</u>
Segment Profit	\$1,079	\$1,301	\$2,085	\$2,561
÷ Sales	\$7,926	\$9,086	\$15,462	\$17,758
Segment Profit Margin %	<u>13.6%</u>	<u>14.3%</u>	<u>13.5%</u>	<u>14.4%</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, Post-Disc Ops

Honeywell

(\$B)	<u>2010</u>	<u>2011E</u>
Sales	\$32.4	\$36.1 - 36.7
Cost of Products and Services Sold	(24.7)	(26.6) - (27.3)
Selling, General and Administrative Expenses	(4.6)	(5.0) - (5.1)
Operating Income	<u>\$3.1</u>	<u>\$4.5 - 4.7</u>
Stock Based Compensation ⁽¹⁾	\$0.2	~0.2
Repositioning and Other ^(1, 2)	\$0.5	~0.4
Pension Expense-ongoing ⁽¹⁾	\$0.2	~0.1
Pension Expense-mark to market ⁽¹⁾	\$0.5	TBD
OPEB (Income) Expense ⁽¹⁾	\$0.0	~0.0
Segment Profit	<u>\$4.5</u>	<u>\$5.2 - 5.4</u>
Operating Income	\$3.1	\$4.5 - 4.7
÷ Sales	<u>\$32.4</u>	<u>\$36.1 - 36.7</u>
Operating Income Margin %	<u>9.6%</u>	<u>12.5 - 12.8%</u>
Segment Profit	\$4.5	\$5.2 - 5.4
÷ Sales	<u>\$32.4</u>	<u>\$36.1 - 36.7</u>
Segment Profit Margin %	<u>13.9%</u>	<u>14.4 - 14.6%</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

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

Honeywell

<i>(\$M)</i>	2Q10	2Q11
Cash Provided by Operating Activities	\$1,090	\$1,138
Expenditures for Property, Plant and Equipment	(115)	(165)
Free Cash Flow	\$975	\$973
Cash Provided by Operating Activities	\$1,090	\$1,138
÷ Net Income Attributable to Honeywell	566	810
Operating Cash Flow Conversion %	193%	140%
Free Cash Flow	\$975	\$973
÷ Net Income Attributable to Honeywell	566	810
Free Cash Flow Conversion %	172%	120%

Reconciliation of Free Cash Flow to Cash Provided by Operating Activities, Excluding U.S. Pension Contributions

Honeywell

	2011E
(\$B)	
Cash Provided by Operating Activities	<u>\$3.3 - 3.5</u>
Expenditures for Property, Plant and Equipment	<u>~(0.8)</u>
Free Cash Flow	<u>\$2.5 - 2.7</u>
U.S. Pension Cash Contributions ⁽¹⁾	<u>~1.0</u>
Free Cash Flow, excluding U.S. Pension Cash Contributions	<u><u>\$3.5 - 3.7</u></u>

(1) Represents cash contributions to date.

Reconciliation of Net Income, Attributable to Honeywell and EPS to Net Income and EPS, Excluding Mark-to-Market Pension Expense

Honeywell

<i>(\$M)</i>	2010
Net Income Attributable to Honeywell	\$2,022
Mark-to-Market pension adjustment, net of tax	319
Net Income Attributable to Honeywell, excluding mark-to-market pension adjustment	<u>\$2,341</u>
Cash Provided by Operating Activities	\$4,203
Expenditures for Property, Plant and Equipment	(651)
Free Cash Flow	<u>\$3,552</u>
	2010 ⁽¹⁾
EPS	<u>\$2.59</u>
Mark-To-Market Pension Adjustment	<u>0.41</u>
EPS, Excluding Mark-to-Market Pension Adjustment	<u><u>\$3.00</u></u>

(1) EPS utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-Market uses a blended tax rate of 32.3%.

Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin, Pre-Disc Ops

Honeywell

<i>(\$M)</i>	2Q10	2Q11
Sales	\$8,161	\$9,320
Cost of Products and Services Sold	(6,149)	(6,848)
Selling, General and Administrative Expenses	(1,137)	(1,276)
Operating Income	<u>\$875</u>	<u>\$1,196</u>
Stock Based Compensation ⁽¹⁾	36	41
Repositioning and Other ^(1, 2)	137	108
Pension Expense-ongoing ⁽¹⁾	47	23
Pension Expense-mark to market ⁽¹⁾	0	0
OPEB (Income) Expense ⁽¹⁾	12	(45)
Segment Profit	<u>\$1,107</u>	<u>\$1,323</u>
Operating Income	\$875	\$1,196
÷ Sales	\$8,161	\$9,320
Operating Income Margin %	<u>10.7%</u>	<u>12.8%</u>
Segment Profit	\$1,107	\$1,323
÷ Sales	\$8,161	\$9,320
Segment Profit Margin %	<u>13.6%</u>	<u>14.2%</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