Vertical Research Partners

Dave Cote
Chairman and CEO

August 2, 2011
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.
Overview

• **Strong Performance Track Record**
  – Performed Well In Recession – Remained Committed To Strategy
  – Performance Better This Recovery – Focused On Growth And Profitability

• **Strong Momentum 2011 YTD**
  – Strong Growth and Operating Margin Leverage
  – 2Q Represents 3rd Consecutive Guidance Raise – Revenue And EPS

• **Growth Reflects Continued Seed Planting**
  – New Products, R&D Investments – Enhance Organic Growth
  – Key Process Enablers – Delivering Significant Benefits Across Portfolio
  – Emerging Regions Continue Strong

• **Performance Ahead of Long-term Targets**
  – Leveraged To Favorable Macro Trends
  – Great Positions in Good Industries
# Financial Summary

<table>
<thead>
<tr>
<th>($M)</th>
<th>1H10</th>
<th>1H11</th>
<th><strong>Increase</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$15,462</td>
<td>$17,758</td>
<td>• 15% Increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 9% Organic</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>$2,085</td>
<td>$2,561</td>
<td>• 23% Increase</td>
</tr>
<tr>
<td>Margin %</td>
<td>13.5%</td>
<td>14.4%</td>
<td>• Margin Expansion All Segments (ex-Aero OE Payments)</td>
</tr>
<tr>
<td>Net Income</td>
<td>$1,055</td>
<td>$1,515</td>
<td>• 44% Increase</td>
</tr>
<tr>
<td>Attributable to Honeywell</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPS From Cont. Ops</td>
<td>$1.32</td>
<td>$1.86</td>
<td>• 40% Increase</td>
</tr>
<tr>
<td>EPS From Disc. Ops</td>
<td>$0.04</td>
<td>$0.04</td>
<td></td>
</tr>
<tr>
<td>EPS</td>
<td>$1.36</td>
<td>$1.90</td>
<td>• 40% Increase</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$1,648</td>
<td>$1,406</td>
<td>• 93% Conversion</td>
</tr>
</tbody>
</table>

* 1H 2011 FCF Shown Excluding $1B U.S. Pension Contribution

**Strongest Performance In Peer Group**
Orders And Backlog

**Long Cycle**  
*(Backlog $B)*

- June 2009: 11.3
- June 2010: 12.4
- June 2011: 14.9

**Short Cycle**  
*(Orders $B)*

- 1Q09: 3.9
- 2Q09
- 3Q09
- 4Q09
- 1Q10
- 2Q10
- 3Q10
- 4Q10
- 1Q11: 5.6
- 2Q11

- 1H11 Book to Bill Greater Than 1.2
- Commercial OE Build Rates Improving
- Executing on Major Projects / Wins

- Orders Increased 9 Consecutive Qtrs
- 2011: All SBG’s Up YOY, Every Quarter
- Strong Demand in Turbo, Adv Mat, Com AM

**Continued Orders Momentum In 2011**
### 3Q11 Sales Preview

<table>
<thead>
<tr>
<th>($B)</th>
<th>Sales</th>
<th>V%</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace</td>
<td>2.8 – 2.9</td>
<td>5 – 8%</td>
<td>• Commercial Strength Continues</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Modest Decline in Defense</td>
</tr>
<tr>
<td>ACS</td>
<td>3.9 – 4.0</td>
<td>13 – 16%</td>
<td>• Con’t. Organic Growth Across Portfolio</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• +4-5% Net M&amp;A Impact</td>
</tr>
<tr>
<td>Transportaion</td>
<td>0.8 – 0.9</td>
<td>7 – 10%</td>
<td>• Normalized Production Schedules 2H</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Stable Diesel Penetration, New Launches</td>
</tr>
<tr>
<td>Specialty</td>
<td>1.5 – 1.6</td>
<td>28 – 32%</td>
<td>• Strong Global End Markets</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• ~10% M&amp;A Impact (Phenol Plant)</td>
</tr>
</tbody>
</table>

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

**EPS ~$0.96-1.01, Up 26-33%**
Revenue

- 2010: $32.4
- 2011 Outlook:
  - December 2010: $32.4
  - April 2011: $36.1
  - July 2011: $36.7
- 12-14% Growth

EPS*

- 2010: $3.00
- 2011 Outlook:
  - December 2010: $3.00
  - April 2011: $3.85
  - July 2011: $4.00
- 28-33% Growth

Prior period and prior guidance restated for Disc Ops
* Proforma includes Disc. Ops and excludes any MTM adjustment

Performance Better Than Expected
# 2011 Financial Guidance Summary

<table>
<thead>
<tr>
<th>Consolidated ($B)</th>
<th>2011 Financial Outlook</th>
<th>Growth 2011E vs. 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$ 36.1 - 36.7</td>
<td>12% - 14%</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>5.2 - 5.4</td>
<td>16% - 19%</td>
</tr>
<tr>
<td><strong>Segment Margin</strong></td>
<td><strong>14.4% - 14.6%</strong></td>
<td><strong>50 bps - 70 bps</strong></td>
</tr>
<tr>
<td><strong>EPS From Cont. Ops</strong>&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>$ 3.62 - $ 3.77</td>
<td></td>
</tr>
<tr>
<td><strong>EPS From Disc. Ops</strong>&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>~$0.23</td>
<td></td>
</tr>
<tr>
<td>EPS</td>
<td>$ 3.85 - $ 4.00</td>
<td>28% - 33%</td>
</tr>
<tr>
<td>Free Cash Flow&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>$ 3.5 - 3.7</td>
<td>~Flat</td>
</tr>
</tbody>
</table>

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
How We Run The Company

• Great Positions In Good Industries
  – Grow Sales Faster Than Our Markets
  – Disciplined Acquisition Process

• One Honeywell
  – Single Company with Strong Performance Culture

• Five Initiatives (Growth, Productivity, Cash, People, Enablers)
  – Expand Margin Rates: Grow Sales Faster Than Fixed Costs
  – Seed Planting: New Products, Services, Technologies, Geographies and Process Improvements

Relentless Execution Drives Performance
Outlook Update...One Year Later

Revenue

Long Term Goal: 6 - 8% CAGR

<table>
<thead>
<tr>
<th>Year</th>
<th>Previous View</th>
<th>Current View</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$30.9</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>$31.7</td>
<td>$33.4</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td>$36.1 - 36.7</td>
</tr>
<tr>
<td>2014</td>
<td>$41 - 45</td>
<td></td>
</tr>
</tbody>
</table>

Segment Margin

Long Term Goal: 300 - 500 bps
Annualized: ~60 bps/Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Previous View</th>
<th>Current View</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>13.3%</td>
<td>13.8%</td>
</tr>
<tr>
<td>2010</td>
<td>13.6%</td>
<td>14.4-14.6%</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>16 - 18%</td>
</tr>
</tbody>
</table>

Prior period as reported; guidance excludes Disc Ops

Performance Ahead Of 5 Year Targets
### Great Positions In Good Industries

**Aerospace**
- Avionics Strength, Gaining Share
- Engine and APU Wins
- Air Traffic Modernization → Upside
- Defense Portfolio Breadth

**ACS**
- Gaining Share in Every Business
- New Products Driving Growth
- Acquisition Excellence
- Leveraged to Global Industrial Recovery

**Specialty Materials**
- UOP Breakthrough Technologies
- LGWP Fluorines → New Markets
- Resins & Chem Low Cost Producer
- Focused on New Products/Applications

**Transportation**
- Turbo Winning ~50% of Global Orders
- Relentless Focus on Cost and Technology
- FM Transformation Ongoing
- CPG Closed

---

**Terrific Portfolio → Technology Differentiation Key**

**Commercial Macro Trends More Than Offset U.S. Defense Outlook**

**In The Middle Of Several Macro Trends**

**In Sweet Spot Of Macro Trends**

**Lower Emission, Fuel Economy ++**
**HON Portfolio Overview**

**U.S. / Non-U.S.**
- 2003: U.S. 58%, Non-U.S. 42%
- 2011: U.S. 46%, Non-U.S. 54%

**Short / Long Cycle**
- 2003: Short 59%, Long 41%
- 2011: Short 59%, Long 41%

**Sectors**
- Advanced Materials: 14%
- Automotive: 10%
- PPE/Industrial Safety: 23%
- Homes & Buildings: 25%
- Aero & Defense: 31%

---

**Global Expansion**

**Better Positioned For Higher Growth**

Vertical Research Partners Conference – August 2, 2011
We’re Excited About Our Growth Prospects

### Key Trends

<table>
<thead>
<tr>
<th>Energy Efficiency</th>
<th>Energy Generation</th>
<th>Safety &amp; Security</th>
<th>Globalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Legislation / Funding</td>
<td>• Growing Demand for Energy</td>
<td>• Health &amp; Safety Regulations</td>
<td>• Growing Demand for Air Travel</td>
</tr>
<tr>
<td>• Reducing Energy / Maintenance Costs</td>
<td>• CO₂ Regulations</td>
<td>• Air Traffic Management</td>
<td>• Global Demand for Refined Goods</td>
</tr>
<tr>
<td>• Comfort, Convenience, Health</td>
<td>• Emerging Region Growth</td>
<td>• Flight Safety Concerns</td>
<td>• Urbanization</td>
</tr>
<tr>
<td></td>
<td>• Nat Gas Discovery/Usage</td>
<td>• Bigger Middle Class</td>
<td></td>
</tr>
</tbody>
</table>

### Key Products / Technology

<table>
<thead>
<tr>
<th>Energy Efficiency</th>
<th>Energy Generation</th>
<th>Safety &amp; Security</th>
<th>Globalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Smart Grid / DR</td>
<td>• Nat Gas Storage &amp; Treatment Technologies</td>
<td>• Air Traffic Mgmt Leader</td>
<td>• Refinery Technologies</td>
</tr>
<tr>
<td>• Energy Mgmt Services</td>
<td>• Green Fuels</td>
<td>• PPE / Gas Detection</td>
<td>• Heavy Oil / Sour Gas</td>
</tr>
<tr>
<td>• Turbochargers</td>
<td>• Shale Gas</td>
<td>• Homes and Buildings Safety Products</td>
<td>• Aerospace</td>
</tr>
<tr>
<td>• LGWP</td>
<td>• Lithium-Ion Batteries</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**HON Technologies Well Positioned**
Disciplined Acquisitions Process

Identification → Valuation → Due Diligence → Integration

From

- Hey, That’s for Sale
- Deal is the Strategy
- Sales Synergies Incl.
- Realization Rate Low
- Zeal for the Deal
- Ignore Findings
- Joe’s Retiring…
- Delayed Start

To

- Constant Screening
- Strategy Comes First
- Cost Synergies Only
- Rigorously Scoped
- Functional Expertise
- Relentless Discipline
- Best People Full-Time
- Mgmt Development
- Start Immediately

Robust Pipeline → Don’t Overpay → Kill Bad Deals → Great Track Record

Novar, Zellweger, First Tech, Metrologic, Norcross, Sperian, And UOP …Adds To Great Positions In Good Industries
# Five Initiatives - Growth

<table>
<thead>
<tr>
<th>Four Pillars</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Do a Great Job for Customers Every Day</td>
<td>➢ Better Delivery</td>
</tr>
<tr>
<td></td>
<td>➢ PPM Reduced ~70%</td>
</tr>
<tr>
<td></td>
<td>➢ Still More to Do</td>
</tr>
<tr>
<td>• Sales &amp; Marketing Excellence</td>
<td>➢ Much Better, Lots of Opportunity</td>
</tr>
<tr>
<td></td>
<td>➢ Sales Deployment, Marketing Integration to Velocity Product Development (VPD™)</td>
</tr>
<tr>
<td>• Global Growth</td>
<td>➢ From 42% to 54% Sales Outside U.S.</td>
</tr>
<tr>
<td></td>
<td>➢ 3/4 of World GDP Outside U.S.</td>
</tr>
<tr>
<td></td>
<td>➢ Emerging Regions Especially Good</td>
</tr>
<tr>
<td>• New Products and Services</td>
<td>➢ Technology Differentiation</td>
</tr>
<tr>
<td></td>
<td>➢ Very Full Pipeline</td>
</tr>
</tbody>
</table>

Lots Of Upside Here... Both In Markets And Our Opportunity
Emerging Markets And New Products

Emerging Market Sales

- Tripled EM Sales from 2003 to 2010
  - EM Sales from 10% to 23% of HON*
- Targeting High Growth through 2014
  - Outpacing GDP
  - EM Share to 30%+

New Product Sales

- >550 Products Introduced in 2010
- $15B+ 5-Year Cumulative Opportunity
- VPD™ Driving Quicker Development
- NPI Process for Targeted Launches

* Aerospace excluded from EM percentage calculation
Expanding R&D Capabilities Globally

**RD&E Spend**
- 2003: $1.1B
- 2010: $1.5B
- Spend Up 36%

**Census**
- 2003: ~12K
- 2010: ~20K
- Resources Up 64%

**New Patents**
- 2003: 464
- 2010: 1,104

**Patent Base**
- 2003: ~20K
- 2010: ~31K

**Effectiveness**
- HON Ranked Among Best China R&D Centers*
- Velocity Product Development™
- NPI and Technology Driving Growth
- Platform Strategy in Every SBG
- CMMI → 50% Software Focused

*2010 Global Entrepreneur Magazine

More Resources + More Effective → More New Products
Five Initiatives - Productivity

Material Productivity*

<table>
<thead>
<tr>
<th>Year</th>
<th>($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>43</td>
</tr>
<tr>
<td>2010</td>
<td>74</td>
</tr>
</tbody>
</table>

Material Productivity - Vertical Research Partners Conference – August 2, 2011

- Integrated Purchasing with Engineering
- Constantly Watchful on Commodities

OEF Productivity

<table>
<thead>
<tr>
<th>Year</th>
<th>(% of Revenue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>26.5%</td>
</tr>
<tr>
<td>2010</td>
<td>24.6%</td>
</tr>
</tbody>
</table>

OEF Productivity - *Net of Inflation, Excludes Changes in Volume and Inflation Offset By Customer Pass-Through Pricing

- Enabled Smart Management in Downturn
- Biggest Driver of Fixed Costs

Best Material And Best Organization, At Lowest Cost...Need To Do Both
Census

**Developed Markets**
- 2003: 86K
- 2008: 88K
- 2011E: 84K
- Change: -2%

**Emerging Markets**
- 2003: 19K
- 2008: 38K
- 2011E: 47K
- Change: +147%

**Total Census**
- 2003: 105K
- 2008: 126K
- 2011E: 131K
- Change: +25%

‘11E vs. ‘03:
- Sales: ~65%
- Segment Profit: ~125%
- EPS: ~160%

All numbers exclude CPG

*More Effective And Efficient Organization*
*Big Emerging Regions Presence*
Cash Deployment

**Cash Flow From Operations**

- Dividend: 23%
  - $6.2B Dividend Payments
  - Increase Dividends per Share by 61%

- Buy Back: 34%
  - $9.2B Share Repurchase
  - Hold Share Count Flat Going Forward
  - Increased Authorization to $3B

- Net M&A: 22%
  - $9.0B Acquisitions
  - Net of $3.2B Strategic Divestitures

- CAPEX: 21%
  - $5.6B Capital Spending
  - 108% Reinvestment Ratio

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

**Smart Use Of Cash**
2011 – 2014 Cash Deployment

Sources

$18-20B Operating Cash Flow

Uses

$5B

$10-11B

$3-4B

Dividends
Share Repurchase
Net M&A
Capex

Significant Value Creation Potential
People

• One Honeywell From 3 Separate Cultures
  – Reinforced Continually
  – “Glue-Building” Through Functional Councils, Senior Leadership Meeting, Process Enablers, Global Town Halls, and Awards

• Management Resource Review (MRR)
  – Three Times Annually for Top 200
  – Very Robust Succession Planning
  – CEO / HR Leader Interview Final Candidate for Top 200

• Getting The Fundamentals Right
  – Goal Deployment Before Year-end
  – Appraisals Before March 31
  – Salary and Bonus Differentiation Curves
  – Compensation Strongly Aligned with Investors

Leadership Team Keeps Getting Better...Best Ever
Key Process Enablers

HOS Deployment

% Of Manufacturing Cost Base Certified

- 2010: 282 (32%)
- 2011: 317 (50%)
- 2014: 317 (100%)

FT

% of Sales

- 2004: 9.3%
- 2010: 6.5%
- 2014: 5.5%

VPD™

- Focused, Business Led, Cross-Functional Teams
- Improved Tools to Understand True Customer Needs and Values
- Up to 30% Cycle Time and 50% Development Cost Reductions Through Greater Platform Use
- Improving “Flawless Launch” and Sales Follow-Through
- Leveraging HOS Experience to Optimize VPD™ Deployment Process

Performance Differentiation

- 2010 Savings of $84M
- 66% of Sales on SAP
- Process Standardization

- 10 Silver Certified in 2011
- Company 100% by 2014

Rigorous Focus On Robust Processes... Leads To 20 Year Competitive Advantage
Valuation Metrics

**2011 P/E Ratio**
- Range: 17
- Average: 14
- HON: 13

**FCF Multiple**
- Range: 18
- Average: 13
- HON: 12

**2010 ROIC**
- Range: 24%
- Average: 17%
- HON: 21%

**2011 PEG Ratio**
- Range: 1.48
- Average: 1.13
- HON: 0.93

**Dividend Yield**
- Range: 2.7%
- Average: 1.9%
- HON: 2.3%

**Total Return***

<table>
<thead>
<tr>
<th>Year</th>
<th>Honeywell</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>39</td>
<td>15</td>
</tr>
<tr>
<td>2009</td>
<td>24</td>
<td>26</td>
</tr>
<tr>
<td>2008</td>
<td>(45)</td>
<td>(37)</td>
</tr>
<tr>
<td>2007</td>
<td>39</td>
<td>5</td>
</tr>
<tr>
<td>2006</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>2005</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>2004</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>2003</td>
<td>43</td>
<td>29</td>
</tr>
</tbody>
</table>

HON Outperformed

Range, average calculated using eight multi-industry peers; Honeywell 7/29/2011 closing stock price: $53.10
*Total Shareholder Return 12/31/02 Through 7/29/2011

Still Compelling Investment Opportunity
## HON Investment Thesis

### What You Should Expect

- Grow Sales 6-8% Annually
- Traction On Key Initiatives
- 25%+ Sales Conversion
- 60 BPS+ Annual Margin Expansion
- Double Digit Earnings Growth
- Capital Efficiency Improvement
- Effective Cash Deployment

### Why It’s Believable

- Growing 2-3 Pts Above End Markets
- Significant Increase In Productivity
- Increasing Sales Faster Than Fixed Costs
- Higher Margins From Incremental Sales
- Strong Performance Through the Cycle
- 122% Average Cash Conversion
- $15B+ Returned To Shareholders

**Performance Ahead Of 5-Year Targets**

---

**Driving Sustainable Improvement...**

**Significant Value Creation Potential**
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

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>1H11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>$15,462</td>
<td>$17,758</td>
</tr>
<tr>
<td>Cost of Products and Services Sold</td>
<td>(11,634)</td>
<td>(13,088)</td>
</tr>
<tr>
<td>Selling, General and Administrative Expenses</td>
<td>(2,200)</td>
<td>(2,480)</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>$1,628</td>
<td>$2,190</td>
</tr>
</tbody>
</table>

Stock Based Compensation (1)
- **1H10**: 86
- **1H11**: 91

Repositioning and Other (1, 2)
- **1H10**: 281
- **1H11**: 250

Pension Expense-ongoing (1)
- **1H10**: 96
- **1H11**: 57

Pension Expense-mark to market (1)
- **1H10**: 0
- **1H11**: 0

OPEB (Income) Expense (1)
- **1H10**: (6)
- **1H11**: (27)

**Segment Profit**
- **1H10**: $2,085
- **1H11**: $2,561

Operating Income
- **1H10**: $1,628
- **1H11**: $2,190

\[ \frac{\text{Operating Income}}{\text{Sales}} \]
- **1H10**: $15,462
- **1H11**: $17,758

Operating Income Margin %
- **1H10**: 10.5%
- **1H11**: 12.3%

Segment Profit
- **1H10**: $2,085
- **1H11**: $2,561

\[ \frac{\text{Segment Profit}}{\text{Sales}} \]
- **1H10**: $15,462
- **1H11**: $17,758

Segment Profit Margin %
- **1H10**: 13.5%
- **1H11**: 14.4%

---
(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

<table>
<thead>
<tr>
<th>($B)</th>
<th>2011E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$36.1 - 36.7</td>
</tr>
<tr>
<td>Cost of Products and Services Sold</td>
<td>(26.6) - (27.3)</td>
</tr>
<tr>
<td>Selling, General and Administrative Expenses</td>
<td>(5.0) - (5.1)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$4.5 - 4.7</td>
</tr>
<tr>
<td>Stock Based Compensation (1)</td>
<td>~0.2</td>
</tr>
<tr>
<td>Repositioning and Other (1, 2)</td>
<td>~0.4</td>
</tr>
<tr>
<td>Pension Expense-ongoing (1)</td>
<td>~0.1</td>
</tr>
<tr>
<td>Pension Expense-mark to market (1)</td>
<td>TBD</td>
</tr>
<tr>
<td>OPEB (Income) Expense (1)</td>
<td>~0.0</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>$5.2 - 5.4</td>
</tr>
</tbody>
</table>

\[
\text{Operating Income} = \frac{\text{Segment Profit}}{\text{Sales}}
\]

<table>
<thead>
<tr>
<th></th>
<th>2011E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>$4.5 - 4.7</td>
</tr>
<tr>
<td>+ Sales</td>
<td>$36.1 - 36.7</td>
</tr>
<tr>
<td>Operating Income Margin %</td>
<td>12.5 - 12.8%</td>
</tr>
</tbody>
</table>

\[
\text{Segment Profit Margin %} = \frac{\text{Segment Profit}}{\text{Sales}}
\]

<table>
<thead>
<tr>
<th></th>
<th>2011E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment Profit</td>
<td>$5.2 - 5.4</td>
</tr>
<tr>
<td>+ Sales</td>
<td>$36.1 - 36.7</td>
</tr>
<tr>
<td>Segment Profit Margin %</td>
<td>14.4 - 14.6%</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>1H11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$1,833</td>
<td>$695</td>
</tr>
<tr>
<td>Expenditures for Property, Plant and Equipment</td>
<td>(185)</td>
<td>(289)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$1,648</td>
<td>$406</td>
</tr>
<tr>
<td>U.S. Pension Cash Contributions (1)</td>
<td>0</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Free Cash Flow, excluding U.S. Pension Cash Contributions $1,648 $1,406

Cash Provided by Operating Activities $1,833 $695

÷ Net Income Attributable to Honeywell 1,055 1,515

Operating Cash Flow Conversion % 174% 46%

Free Cash Flow, excluding U.S. Pension Cash Contributions $1,648 $1,406

÷ Net Income Attributable to Honeywell 1,055 1,515

Free Cash Flow Conversion %, excluding U.S. Pension Cash Contributions 156% 93%
Reconciliation of Free Cash Flow to Cash Provided by Operating Activities, Excluding U.S. Pension Contributions

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

(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

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income Attributable to Honeywell</td>
<td>$2,022</td>
</tr>
<tr>
<td>Mark-to-Market pension adjustment, net of tax</td>
<td>$319</td>
</tr>
<tr>
<td>Net Income Attributable to Honeywell, excluding mark-to-market pension adjustment</td>
<td>$2,341</td>
</tr>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>$4,203</td>
</tr>
<tr>
<td>Expenditures for Property, Plant and Equipment</td>
<td>$(651)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$3,552</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2010 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS</td>
<td>$2.59</td>
</tr>
<tr>
<td>Mark-To-Market Pension Adjustment</td>
<td>0.41</td>
</tr>
<tr>
<td>EPS, Excluding Mark-to-Market Pension Adjustment</td>
<td>$3.00</td>
</tr>
</tbody>
</table>

(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

<table>
<thead>
<tr>
<th>($B)</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$30.9</td>
<td>$33.4</td>
</tr>
<tr>
<td>Cost of Products and Services Sold</td>
<td>(24.0)</td>
<td>(25.6)</td>
</tr>
<tr>
<td>Selling, General and Administrative Expenses</td>
<td>(4.4)</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$2.5</td>
<td>$3.1</td>
</tr>
<tr>
<td>Stock Based Compensation (^{(1)})</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Repositioning and Other (^{(1, 2)})</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Pension Expense-ongoing (^{(1)})</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Pension Expense-mark to market (^{(1)})</td>
<td>0.7</td>
<td>0.5</td>
</tr>
<tr>
<td>OPEB (Income) Expense (^{(1)})</td>
<td>(0.0)</td>
<td>0.0</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>$4.1</td>
<td>$4.6</td>
</tr>
</tbody>
</table>

| Operating Income                          | $2.5  | $3.1  |
| ÷ Sales                                   | $30.9 | $33.4 |
| Operating Income Margin %                 | 8.1%  | 9.3%  |

| Segment Profit                            | $4.1  | $4.6  |
| ÷ Sales                                   | $30.9 | $33.4 |
| Segment Profit Margin %                   | 13.3% | 13.8% |

\(^{(1)}\) Included in cost of products and services sold and selling, general and administrative expenses

\(^{(2)}\) Includes repositioning, asbestos, environmental expenses and equity income