

Vertical Research Partners

Dave Cote
Chairman and CEO

August 2, 2011

Honeywell

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.

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

Honeywell

| <i>(\$M)</i> | <u>1H10</u> | <u>1H11</u> | |
|----------------------------------|-------------|-------------|---|
| Sales | \$15,462 | \$17,758 | <ul style="list-style-type: none"> • 15% Increase <ul style="list-style-type: none"> ◆ 9% Organic |
| Segment Profit | \$2,085 | \$2,561 | <ul style="list-style-type: none"> • 23% Increase <ul style="list-style-type: none"> ◆ Margin Expansion All Segments (ex-Aero OE Payments) |
| <i>Margin %</i> | 13.5% | 14.4% | |
| Net Income | \$1,055 | \$1,515 | • 44% Increase |
| <i>Attributable to Honeywell</i> | | | |
| <i>EPS From Cont. Ops</i> | \$1.32 | \$1.86 | |
| <i>EPS From Disc. Ops</i> | \$0.04 | \$0.04 | |
| EPS | \$1.36 | \$1.90 | • 40% Increase |
| Free Cash Flow | \$1,648 | \$1,406 | • 93% Conversion |

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

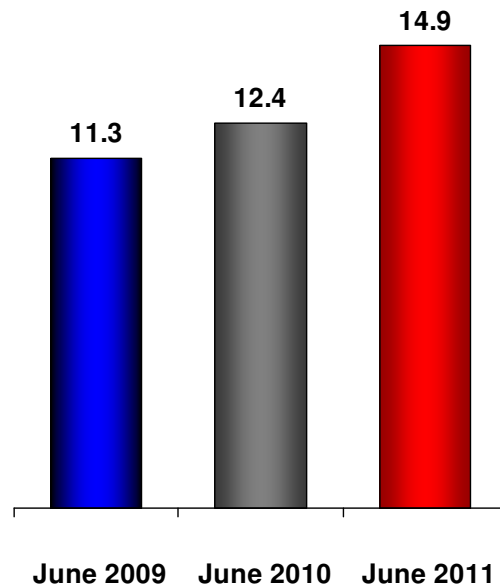
Strongest Performance In Peer Group

Orders And Backlog

Honeywell

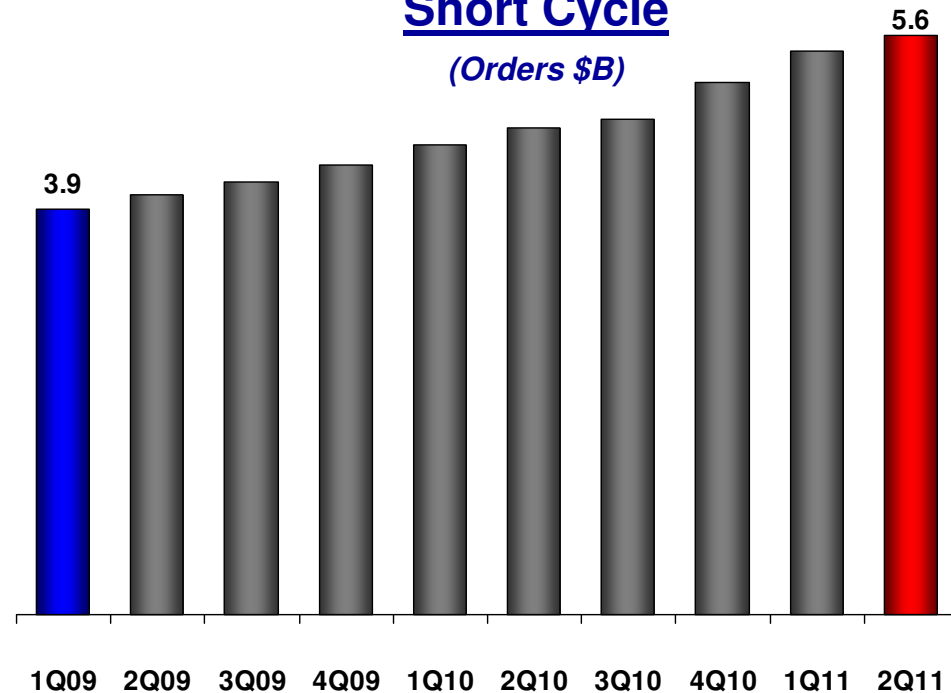
Long Cycle

(Backlog \$B)



Short Cycle

(Orders \$B)



- 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

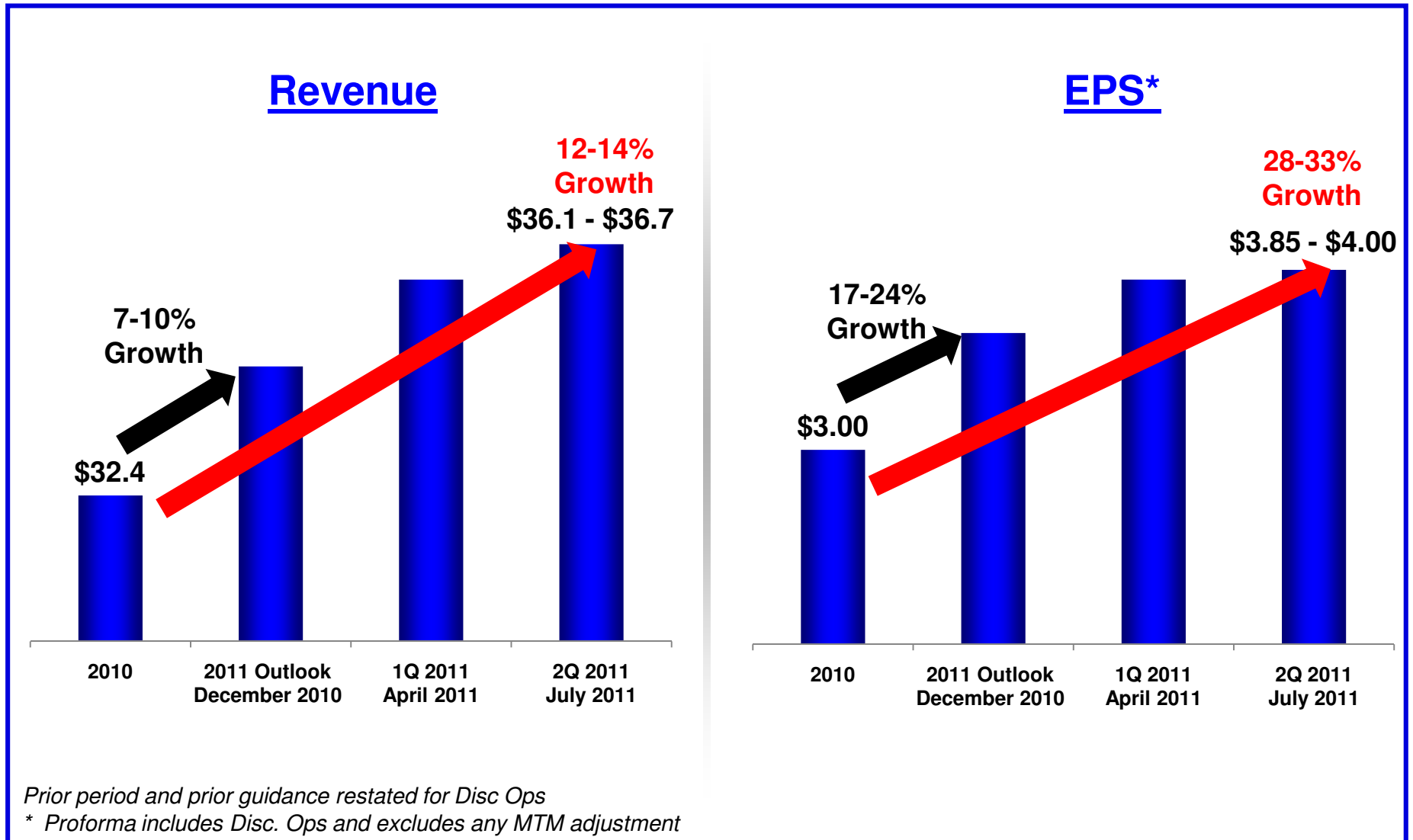
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| (\$B) | <u>Sales</u> | <u>V%</u> | <u>Comments</u> |
|-----------------------|---------------------|------------------|---|
| Aerospace | 2.8 – 2.9 | 5 – 8% | <ul style="list-style-type: none"> • Commercial Strength Continues • Modest Decline in 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%
EPS ~\$0.96-1.01, Up 26-33%

2011 Guidance Progression

Honeywell



Performance Better Than Expected

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

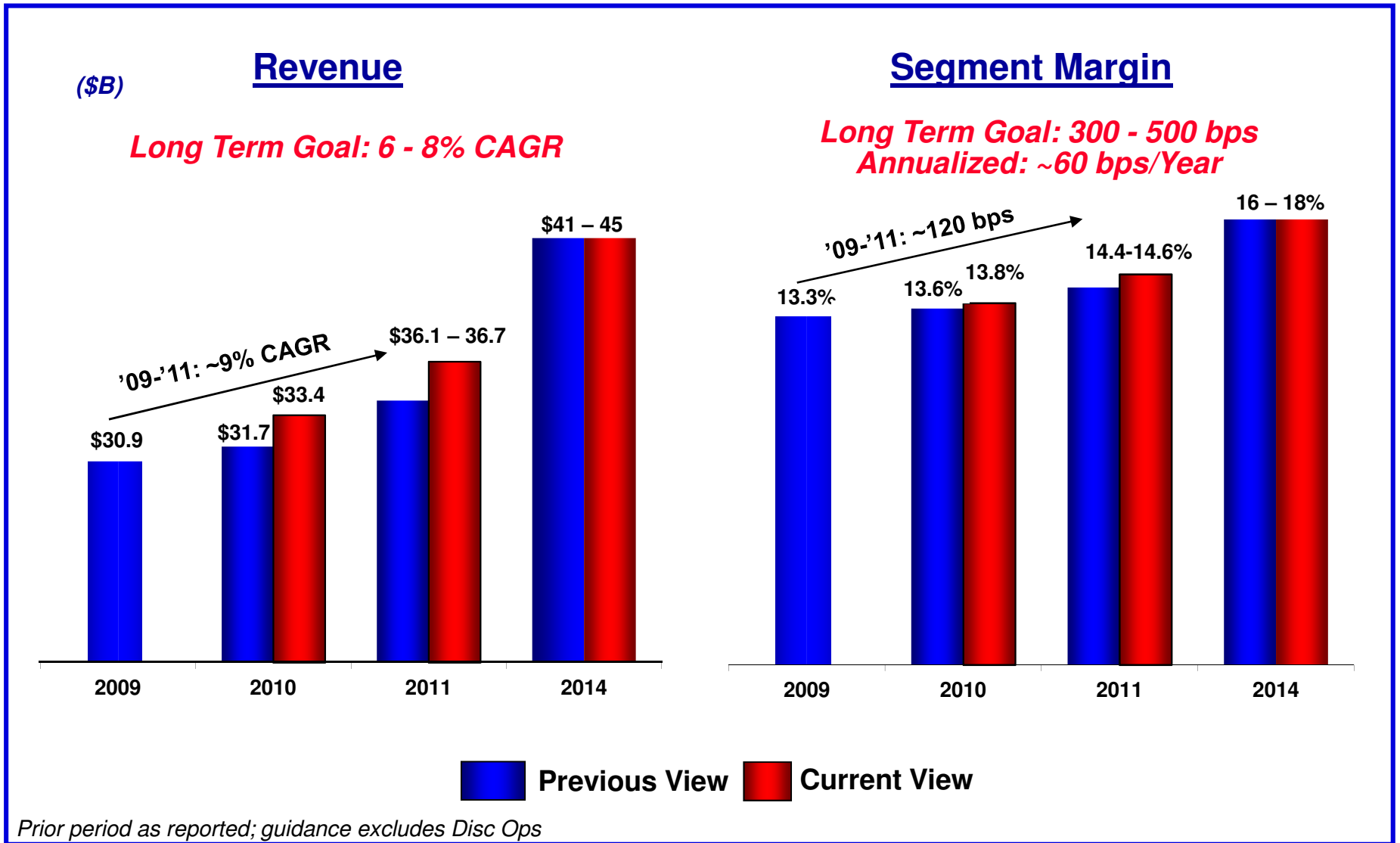
How We Run The Company

Honeywell

- **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



Performance Ahead Of 5 Year Targets

Great Positions In Good Industries

Honeywell

Aerospace

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

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

ACS

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

In The Middle Of Several Macro Trends

Specialty Materials

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

In Sweet Spot Of Macro Trends

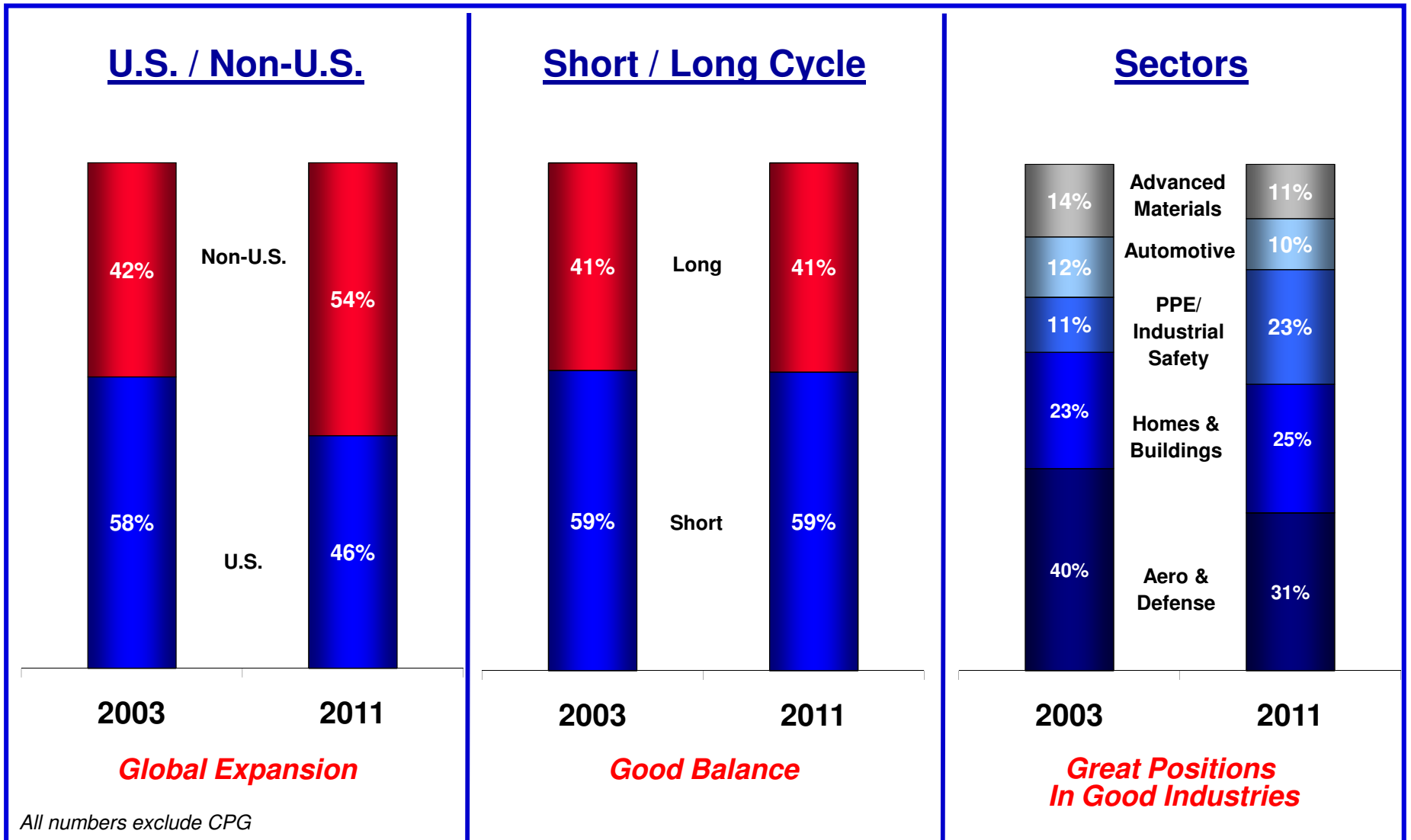
Transportation

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

Lower Emission, Fuel Economy ++

Terrific Portfolio → Technology Differentiation Key

HON Portfolio Overview



Better Positioned For Higher Growth

We're Excited About Our Growth Prospects Honeywell



Energy Efficiency

Energy Generation

Safety & Security

Globalization

Key Trends

- Legislation / Funding
- Reducing Energy / Maintenance Costs
- Comfort, Convenience, Health

- Growing Demand for Energy
- CO₂ Regulations
- Emerging Region Growth
- Nat Gas Discovery/Usage

- Health & Safety Regulations
- Air Traffic Management
- Flight Safety Concerns
- Bigger Middle Class

- Growing Demand for Air Travel
- Global Demand for Refined Goods
- Urbanization

Key Products / Technology

- Smart Grid / DR
- Energy Mgmt Services
- Turbochargers
- LGWP

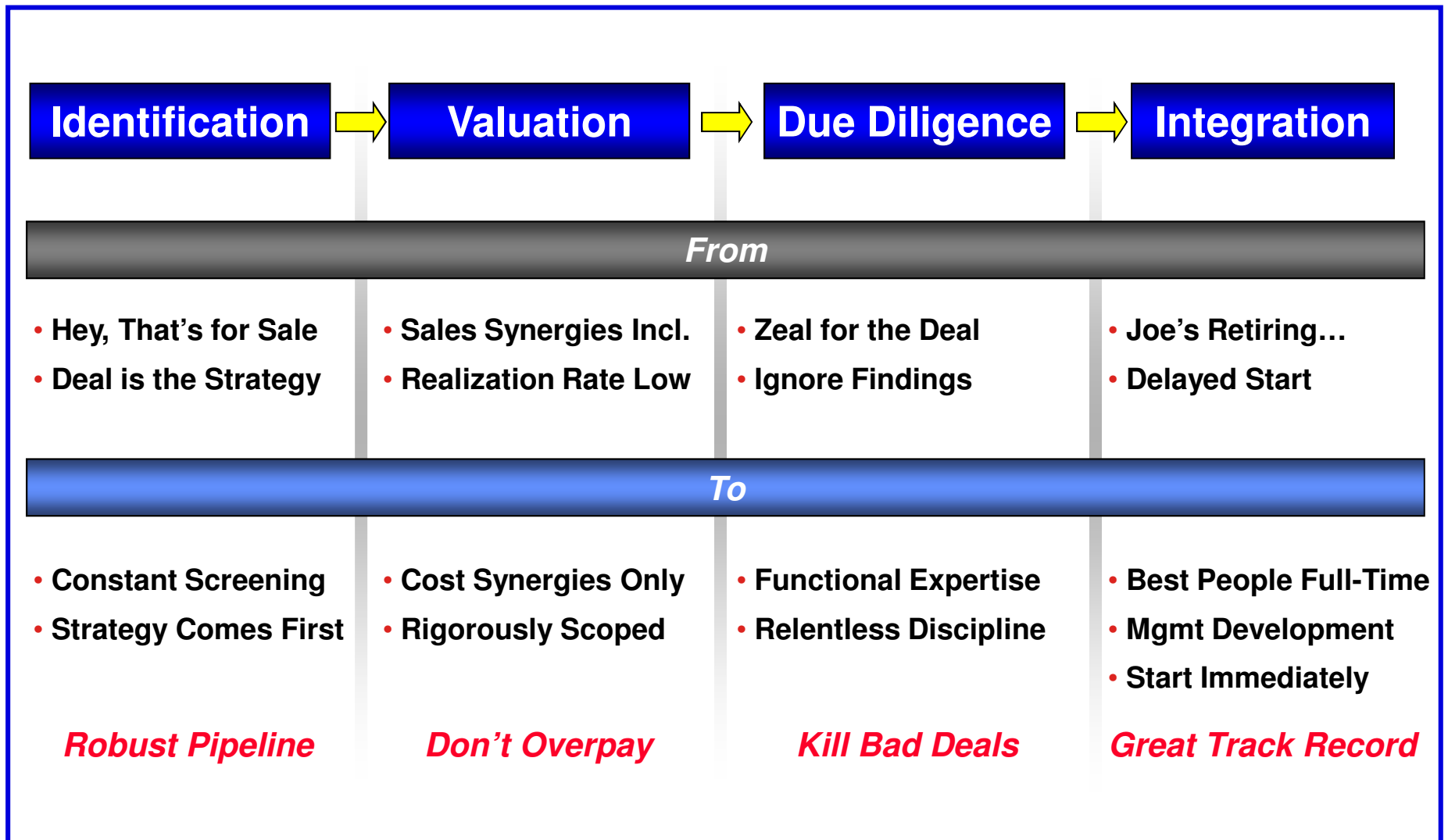
- Nat Gas Storage & Treatment Technologies
- Green Fuels
- Shale Gas
- Lithium-Ion Batteries

- Air Traffic Mgmt Leader
- PPE / Gas Detection
- Homes and Buildings Safety Products

- Refinery Technologies
- Heavy Oil / Sour Gas
- Aerospace

HON Technologies Well Positioned

Disciplined Acquisitions Process



Novar, Zellweger, First Tech, Metrologic, Norcross, Sperian, And UOP ...Adds To Great Positions In Good Industries

Five Initiatives - Growth

Honeywell

Four Pillars

- **Do a Great Job for Customers Every Day**

- **Better Delivery**
- **PPM Reduced ~70%**
- **Still More to Do**

- **Sales & Marketing Excellence**

- **Much Better, Lots of Opportunity**
- **Sales Deployment, Marketing Integration to Velocity Product Development (VPD™)**

- **Global Growth**

- **From 42% to 54% Sales Outside U.S.**
- **3/4 of World GDP Outside U.S.**
- **Emerging Regions Especially Good**

- **New Products and Services**

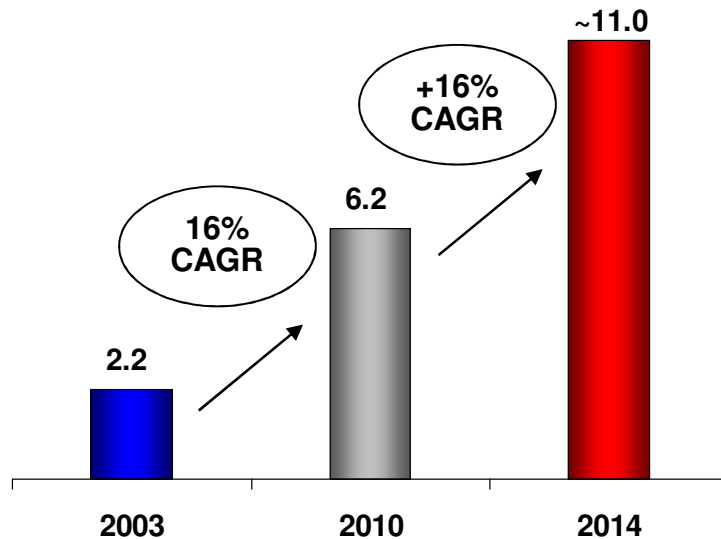
- **Technology Differentiation**
- **Very Full Pipeline**

***Lots Of Upside Here...
Both In Markets And Our Opportunity***

Emerging Markets And New Products

(\$B)

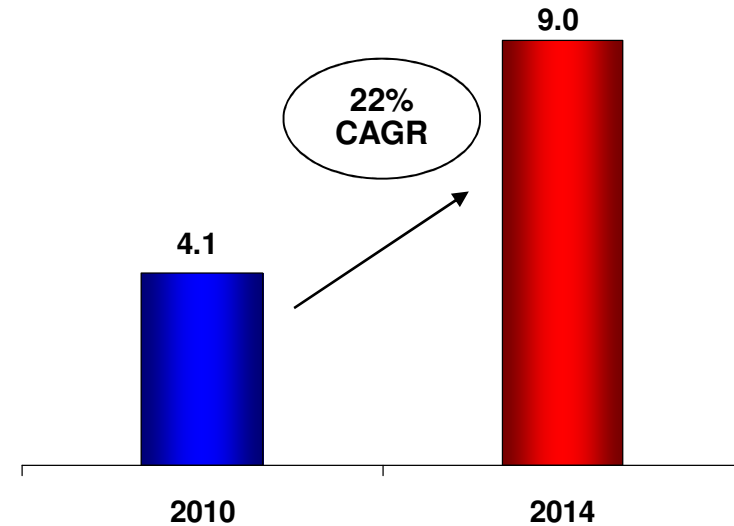
Emerging Market Sales



- 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%+

*Aerospace excluded from EM percentage calculation

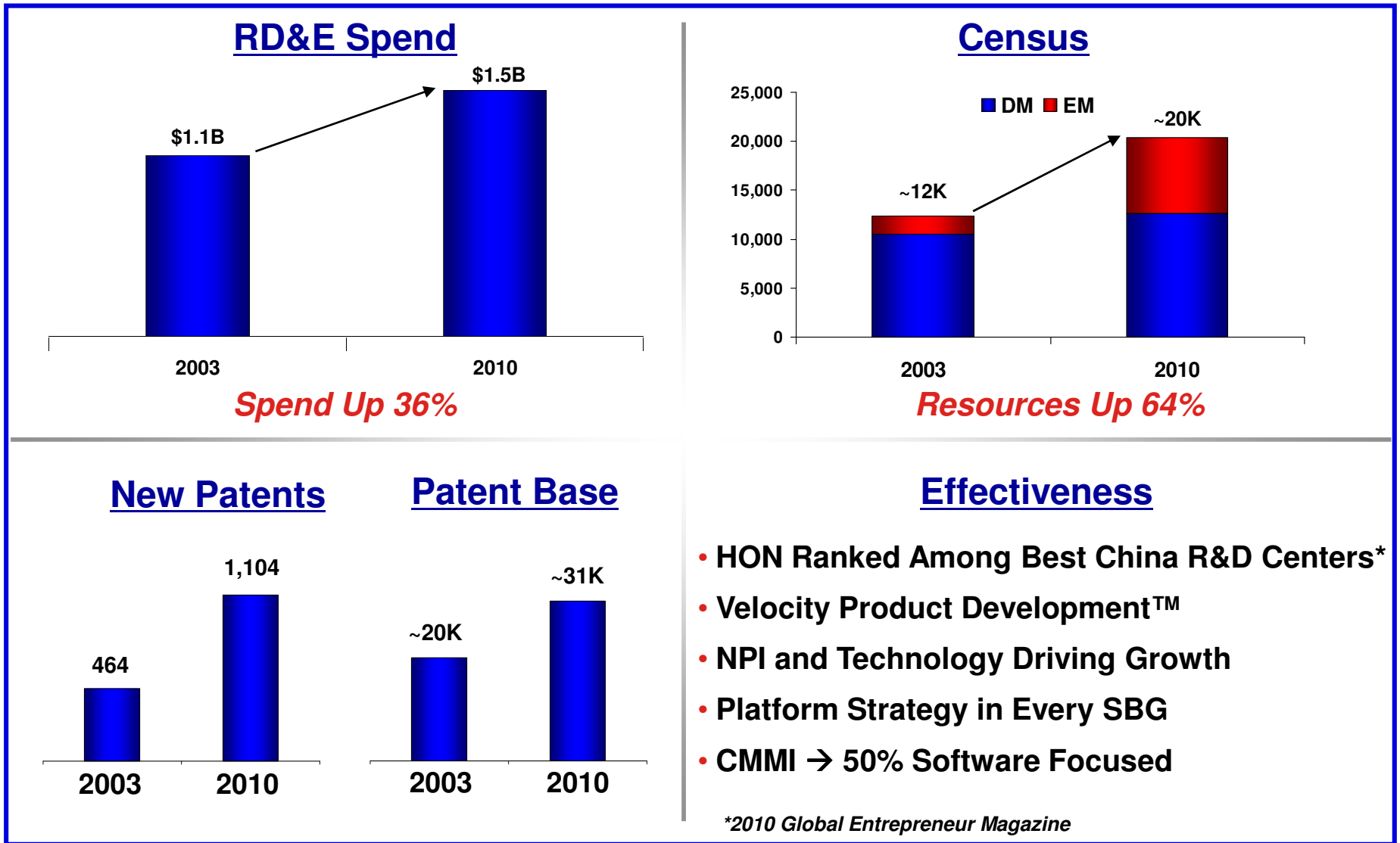
New Product Sales



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

Seed Planting For Accelerated Growth

Expanding R&D Capabilities Globally

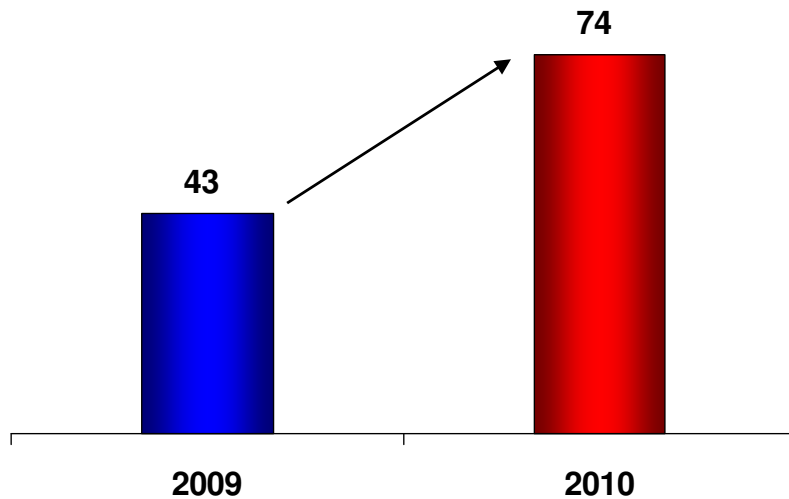


More Resources + More Effective → More New Products

Five Initiatives - Productivity

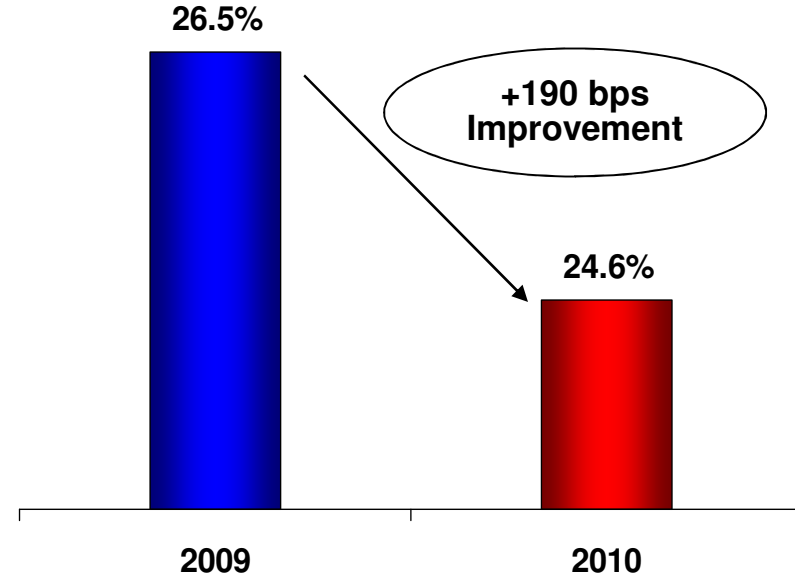
Material Productivity*

(\$M)



OEF Productivity

(% of Revenue)



- Integrated Purchasing with Engineering
- Constantly Watchful on Commodities

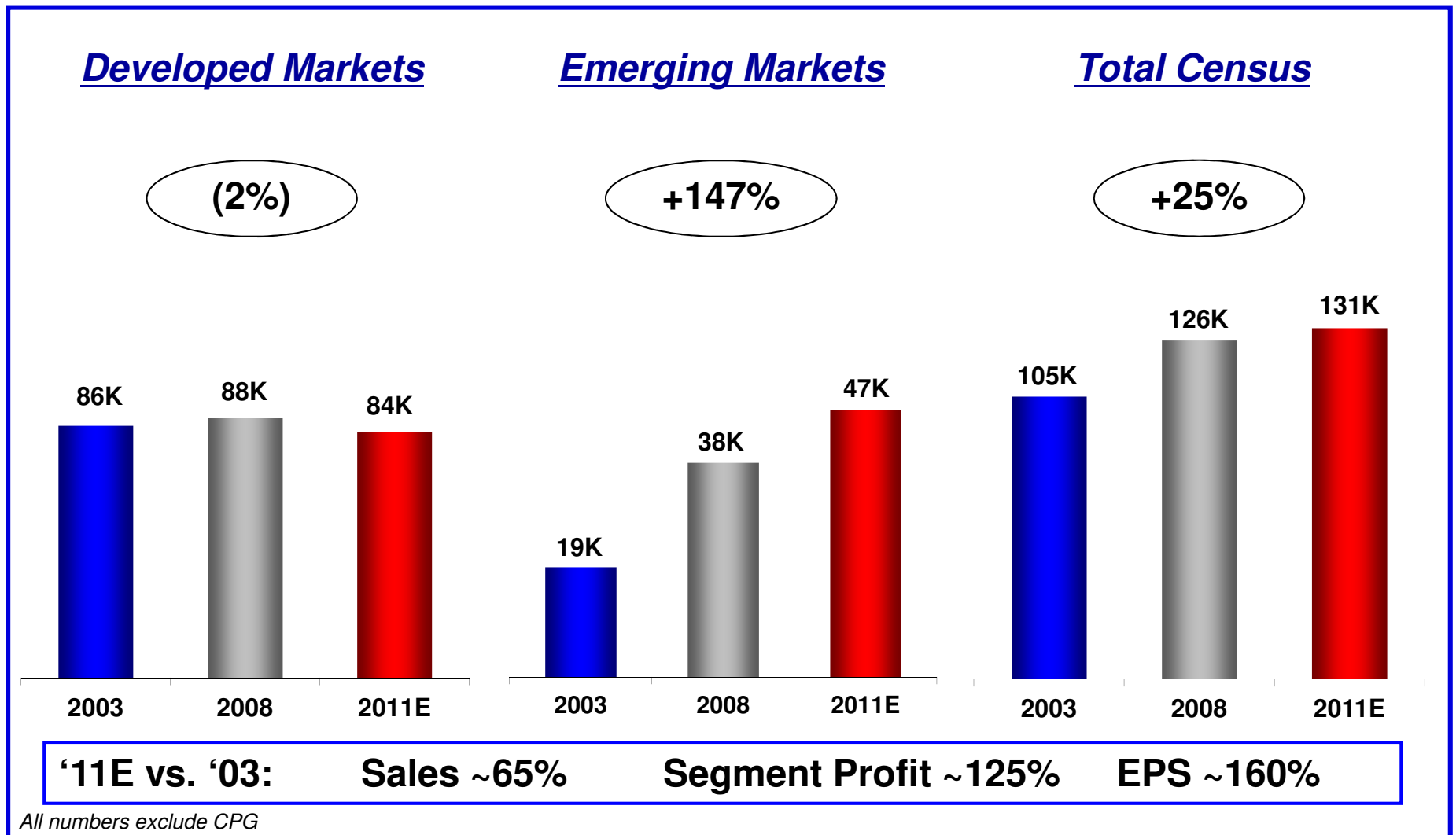
- Enabled Smart Management in Downturn
- Biggest Driver of Fixed Costs

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

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

Census

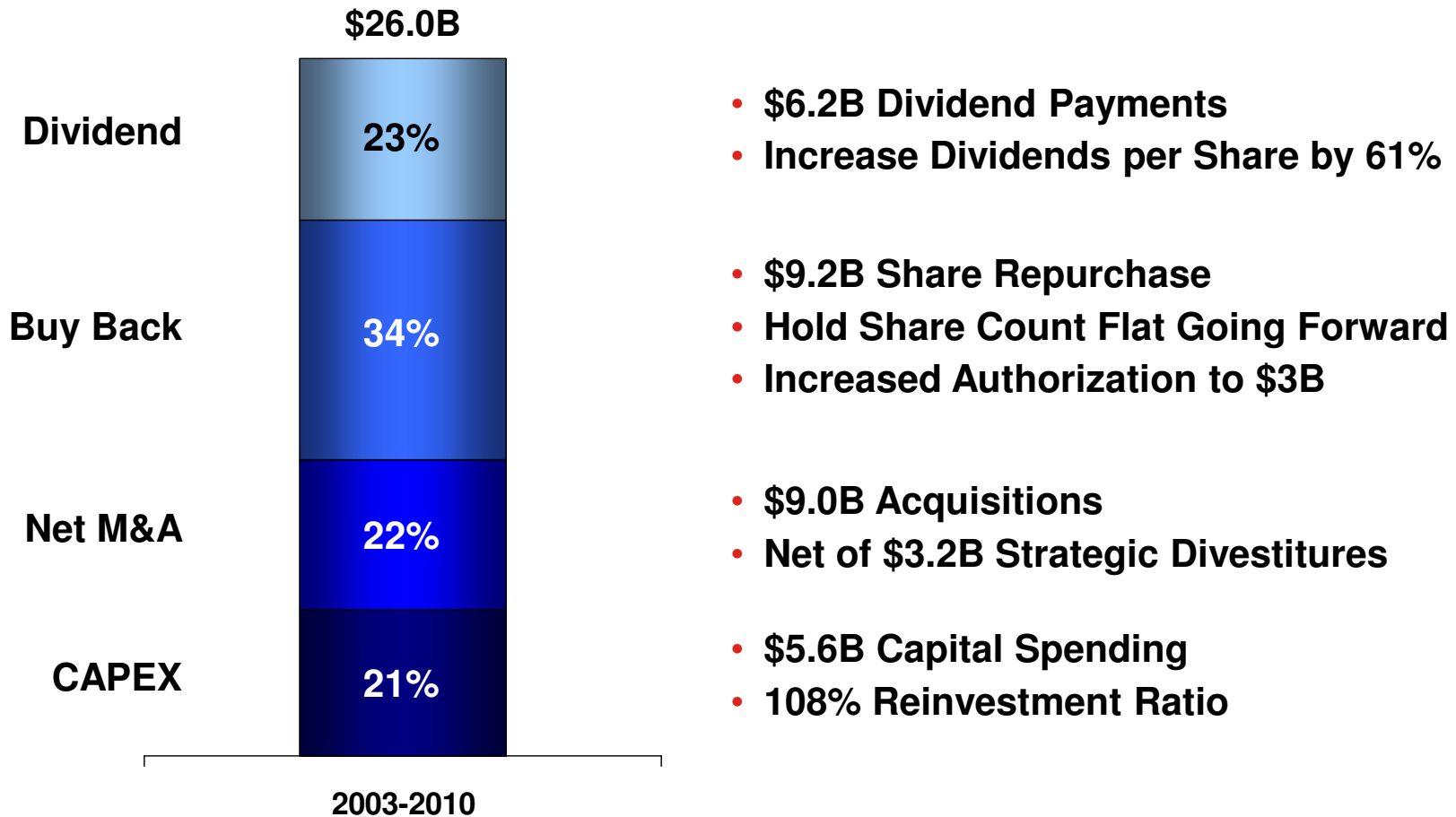
Honeywell



• More Effective And Efficient Organization
• Big Emerging Regions Presence

Cash Deployment

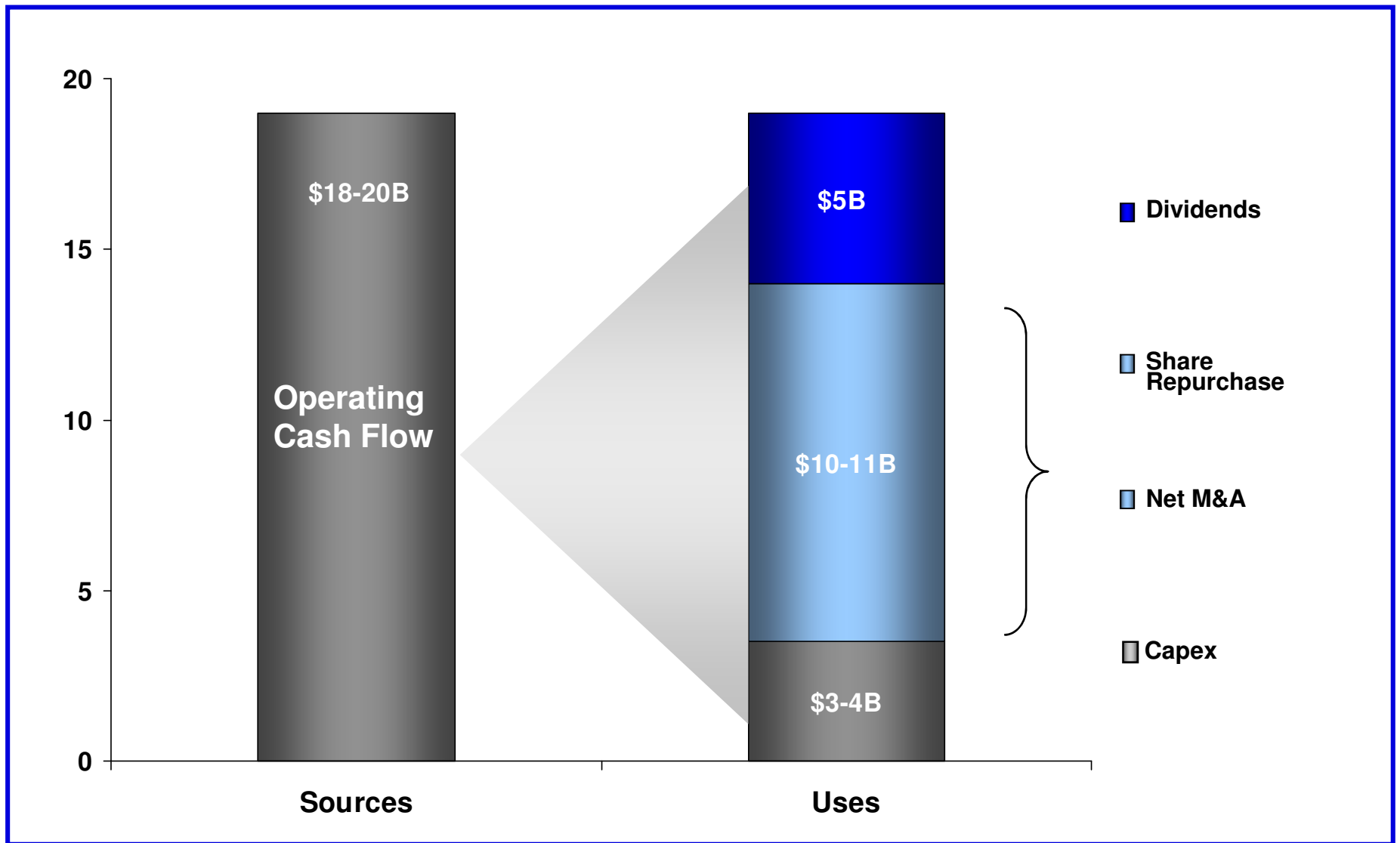
Cash Flow From Operations*



**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



Significant Value Creation Potential

- **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

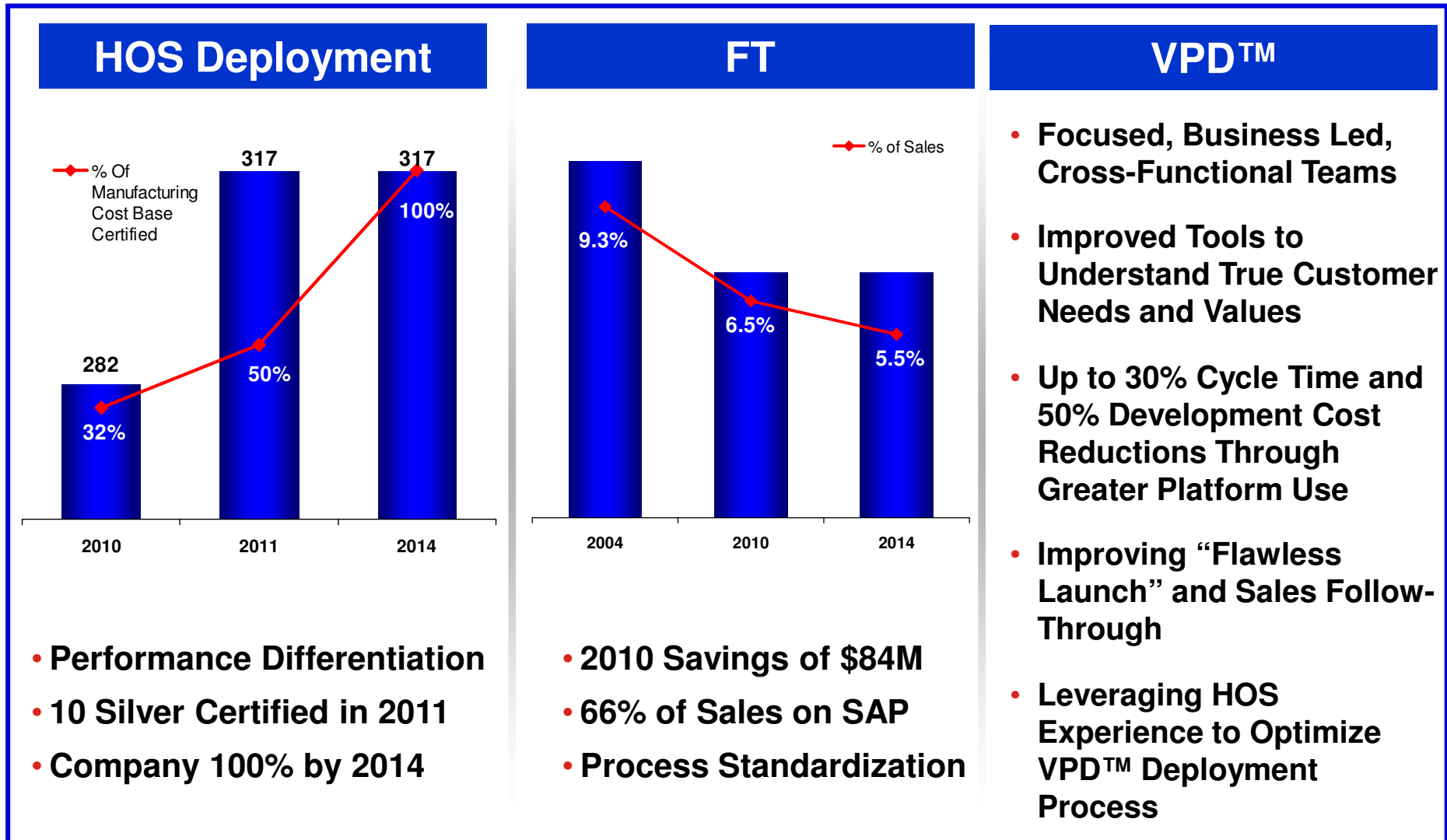
- **Getting The Fundamentals Right**

- Goal Deployment Before Year-end
 - Appraisals Before March 31
 - Salary and Bonus Differentiation Curves
 - Compensation Strongly Aligned with Investors
- } *Timing Reinforced in Process*

Leadership Team Keeps Getting Better...Best Ever

Key Process Enablers

Honeywell



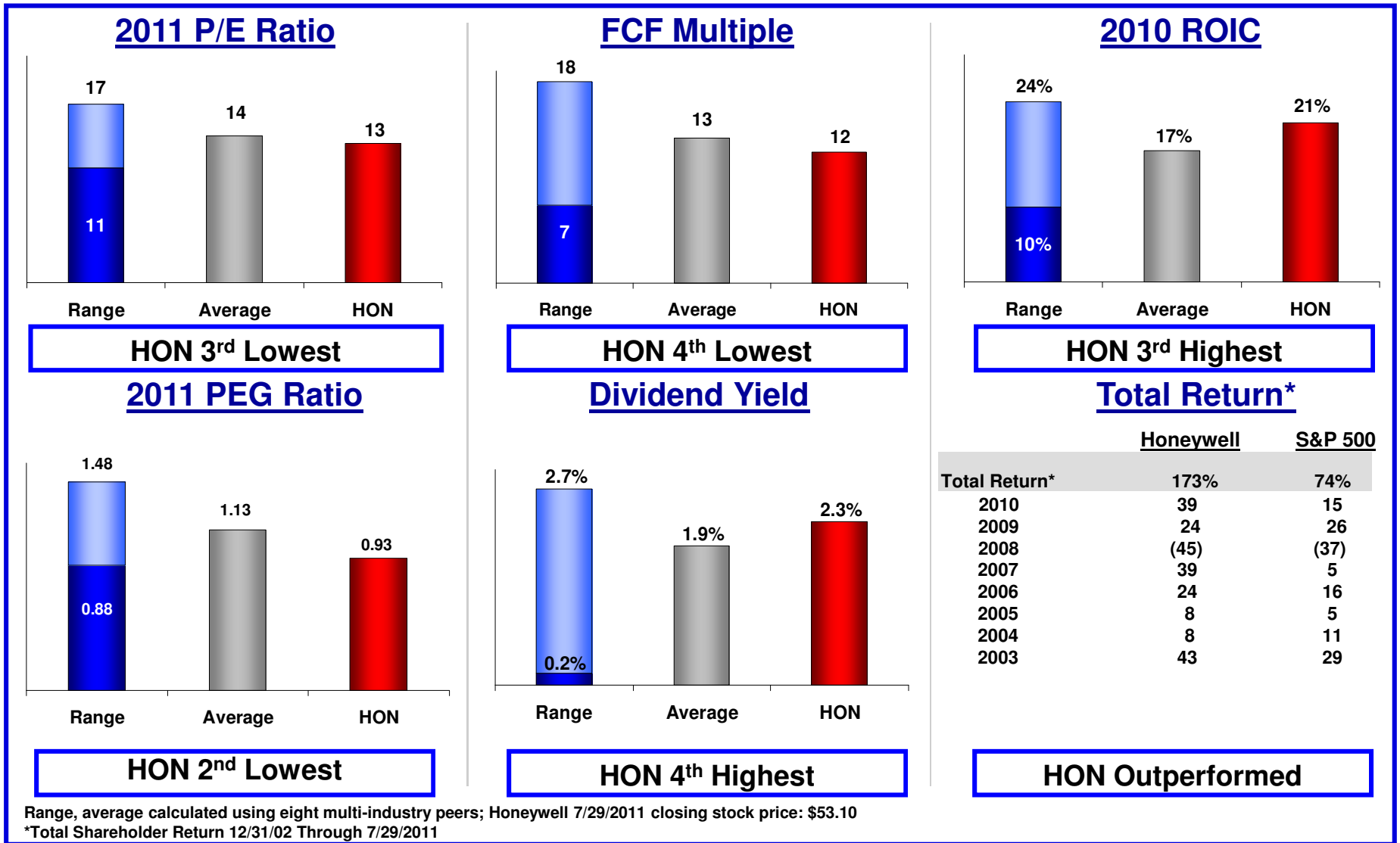
- Performance Differentiation
- 10 Silver Certified in 2011
- Company 100% by 2014

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

- 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

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

Valuation Metrics



Still Compelling Investment Opportunity

HON Investment Thesis

Honeywell

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

Honeywell

| <i>(\$M)</i> | <u>1H10</u> | <u>1H11</u> |
|---|-----------------|-----------------|
| Sales | \$15,462 | \$17,758 |
| Cost of Products and Services Sold | (11,634) | (13,088) |
| Selling, General and Administrative Expenses | (2,200) | (2,480) |
| Operating Income | <u>\$1,628</u> | <u>\$2,190</u> |
| Stock Based Compensation ⁽¹⁾ | 86 | 91 |
| Repositioning and Other ^(1, 2) | 281 | 250 |
| Pension Expense-ongoing ⁽¹⁾ | 96 | 57 |
| Pension Expense-mark to market ⁽¹⁾ | 0 | 0 |
| OPEB (Income) Expense ⁽¹⁾ | (6) | (27) |
| Segment Profit | <u>\$2,085</u> | <u>\$2,561</u> |
| Operating Income | \$1,628 | \$2,190 |
| ÷ Sales | <u>\$15,462</u> | <u>\$17,758</u> |
| Operating Income Margin % | <u>10.5%</u> | <u>12.3%</u> |
| Segment Profit | \$2,085 | \$2,561 |
| ÷ Sales | <u>\$15,462</u> | <u>\$17,758</u> |
| Segment Profit Margin % | <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>2011E</u> |
|---|----------------------|
| Sales | \$36.1 - 36.7 |
| Cost of Products and Services Sold | (26.6) - (27.3) |
| Selling, General and Administrative Expenses | <u>(5.0) - (5.1)</u> |
| Operating Income | <u>\$4.5 - 4.7</u> |
| | |
| Stock Based Compensation ⁽¹⁾ | ~0.2 |
| Repositioning and Other ^(1, 2) | ~0.4 |
| Pension Expense-ongoing ⁽¹⁾ | ~0.1 |
| Pension Expense-mark to market ⁽¹⁾ | TBD |
| OPEB (Income) Expense ⁽¹⁾ | <u>~0.0</u> |
| Segment Profit | <u>\$5.2 - 5.4</u> |
| | |
| Operating Income | \$4.5 - 4.7 |
| ÷ Sales | <u>\$36.1 - 36.7</u> |
| Operating Income Margin % | <u>12.5 - 12.8%</u> |
| | |
| Segment Profit | \$5.2 - 5.4 |
| ÷ Sales | <u>\$36.1 - 36.7</u> |
| Segment Profit Margin % | <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> | <u>1H10</u> | <u>1H11</u> |
|--|--------------|--------------|
| Cash Provided by Operating Activities | \$1,833 | \$695 |
| Expenditures for Property, Plant and Equipment | <u>(185)</u> | <u>(289)</u> |
| Free Cash Flow | \$1,648 | \$406 |
| U.S. Pension Cash Contributions ⁽¹⁾ | <u>0</u> | <u>1,000</u> |
| 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 | <u>1,055</u> | <u>1,515</u> |
| Operating Cash Flow Conversion % | <u>174%</u> | <u>46%</u> |
| Free Cash Flow, excluding U.S. Pension Cash Contributions | \$1,648 | \$1,406 |
| ÷ Net Income Attributable to Honeywell | <u>1,055</u> | <u>1,515</u> |
| Free Cash Flow Conversion %, excluding U.S. Pension Cash Contributions | <u>156%</u> | <u>93%</u> |

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

Honeywell

| (\$B) | <u>2011E</u> |
|--|----------------------------------|
| Cash Provided by Operating Activities | \$3.3 - 3.5 |
| Expenditures for Property, Plant and Equipment | <u>~(0.8)</u> |
| Free Cash Flow | \$2.5 - 2.7 |
| 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> | <u>2010</u> |
|--|----------------------------|
| 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 | <u>(651)</u> |
| Free Cash Flow | \$3,552 |
| | |
| | <u>2010 ⁽¹⁾</u> |
| EPS | \$2.59 |
| 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

| (\$B) | <u>2009</u> | <u>2010</u> |
|---|---------------|---------------|
| Sales | \$30.9 | \$33.4 |
| Cost of Products and Services Sold | (24.0) | (25.6) |
| Selling, General and Administrative Expenses | (4.4) | (4.7) |
| Operating Income | <u>\$2.5</u> | <u>\$3.1</u> |
| | | |
| Stock Based Compensation ⁽¹⁾ | 0.1 | 0.2 |
| Repositioning and Other ^(1, 2) | 0.5 | 0.6 |
| Pension Expense-ongoing ⁽¹⁾ | 0.3 | 0.2 |
| Pension Expense-mark to market ⁽¹⁾ | 0.7 | 0.5 |
| OPEB (Income) Expense ⁽¹⁾ | (0.0) | 0.0 |
| Segment Profit | <u>\$4.1</u> | <u>\$4.6</u> |
| | | |
| Operating Income | \$2.5 | \$3.1 |
| ÷ Sales | <u>\$30.9</u> | <u>\$33.4</u> |
| Operating Income Margin % | <u>8.1%</u> | <u>9.3%</u> |
| | | |
| Segment Profit | \$4.1 | \$4.6 |
| ÷ Sales | <u>\$30.9</u> | <u>\$33.4</u> |
| Segment Profit Margin % | <u>13.3%</u> | <u>13.8%</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