

Honeywell

Third Quarter 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.

- **3Q Adds To Strong 2011 Momentum**
 - \$9.3B Sales, 14.7% Segment Margin, \$1.10 EPS, \$0.9B FCF* (103% Conversion)
 - 8% Organic Sales Growth; Reflects Continued Good End Markets Overall
 - \$0.33 CPG And OPEB Gains Fully Deployed → Benefit 2012 And Beyond
- **Growth Reflects Continued Seed Planting**
 - New Products And Technologies Continue To Enhance Organic Growth
 - Emerging Regions Continue Strong – ~20% Growth In Asia
 - Key Process Initiatives Delivering Significant Benefits Across Portfolio
- **Confident In 2011 Outlook; 2012 Framework Taking Shape**
 - Raising FY EPS** To \$4.00 - 4.05, Up 33-35% Over 2010
 - Order Rates Positive – Favorable Long-Cycle Mix
 - Setting Up For Another Growth Year In 2012

**3Q 2011 FCF and FCF Conversion Shown Excludes \$400M Cash Pension Contribution*

***Proforma, Excludes Any 4Q MTM Pension Adjustment*

Strong Performance YTD, Confident In FY Outlook

3Q11 – Operating Performance

Honeywell

	<u>\$</u>	<u>EPS</u>	
Sales	\$9,298		<ul style="list-style-type: none"> • 14% Increase <ul style="list-style-type: none"> ◆ <i>8% Organic</i>
Segment Profit	\$1,397	\$1.30	<ul style="list-style-type: none"> • 21% Increase <ul style="list-style-type: none"> ◆ <i>+80 bps</i> ◆ <i>Margin Expansion All Segments</i>
<i>Margin %</i>	<i>15.0%</i>		
BTL			
Pension, OPEB	(\$50)	(\$0.05)	<ul style="list-style-type: none"> • Ongoing Run-rate • No Repositioning Assumed
Repositioning	-	-	
Other**	(\$212)	(\$0.19)	
Continuing Ops @ 26.5%	\$832	\$1.06	
Net Income	\$832	\$1.06	<ul style="list-style-type: none"> • 39% Increase YoY***
<i>Before One-Time Items</i>			

*\$M, Except for Per Share Amounts; Share Count 787 million

**Other includes Environmental, Asbestos, Stock Comp and Other Income

***Variance Versus 3Q 2010 Reported Net Income and EPS

Operating Earnings Above High End Of Range

3Q11 – One-Time Gains And Deployment

	<u>\$</u>	<u>EPS</u>	
Segment Profit	(\$30)	(\$0.03)	<ul style="list-style-type: none"> • Deployment: Fund Employee HSAs
<i>Margin %</i>	<i>(30 bps)</i>		
BTL			
Pension, OPEB	\$106	\$0.10	<ul style="list-style-type: none"> • Gain: OPEB Curtailment
Repositioning	(\$298)	(\$0.28)	<ul style="list-style-type: none"> • Deployment: Segment Repositioning
Other**	(\$20)	(\$0.02)	<ul style="list-style-type: none"> • Deployment: Proactive Env. Remedies
Continuing Ops @ 26.5%	(\$177)	(\$0.23)	
Tax Benefit @ 23.2%	\$30	\$0.04	<ul style="list-style-type: none"> • Tax Benefit, Offset 4Q
Discontinued Ops	\$177	\$0.23	<ul style="list-style-type: none"> • Gain: Sale of CPG
Net Income	\$30	\$0.04	<ul style="list-style-type: none"> • Tax Benefit Lives Through in 3Q
<i>One-Time Items</i>			

*\$M, Except for Per Share Amounts; Share Count 787 million

**Other includes Incremental Environmental, Net of Gain on Sale of Non-Strategic Business

CPG And OPEB Gains Fully Offset

3Q11 – Reported Results

Honeywell

	<u>\$</u>	<u>EPS</u>	
Sales	\$9,298		<ul style="list-style-type: none"> • 14% Increase <ul style="list-style-type: none"> ◆ <i>8% Organic</i>
Segment Profit	\$1,367	\$1.27	<ul style="list-style-type: none"> • 18% Increase <ul style="list-style-type: none"> ◆ <i>+50 bps</i> ◆ <i>Margin Expansion All Segments</i>
<i>Margin %</i>	<i>14.7%</i>		
BTL			
Pension, OPEB	\$56	\$0.05	<ul style="list-style-type: none"> • One-time Gains Fully Utilized
Repositioning	(\$298)	(\$0.28)	
Other**	(\$232)	(\$0.21)	
Continuing Ops @ 26.5%	\$655	\$0.83	
Tax Benefit @ 23.2%	\$30	\$0.04	<ul style="list-style-type: none"> • Tax Benefit, Offset 4Q
Discontinued Ops	\$177	\$0.23	<ul style="list-style-type: none"> • Gain on Sale of CPG
Net Income	\$862	\$1.10	<ul style="list-style-type: none"> • 45% EPS Increase
<i>Attributable to Honeywell</i>			

*\$M, Except for Per Share Amounts; Share Count 787 million

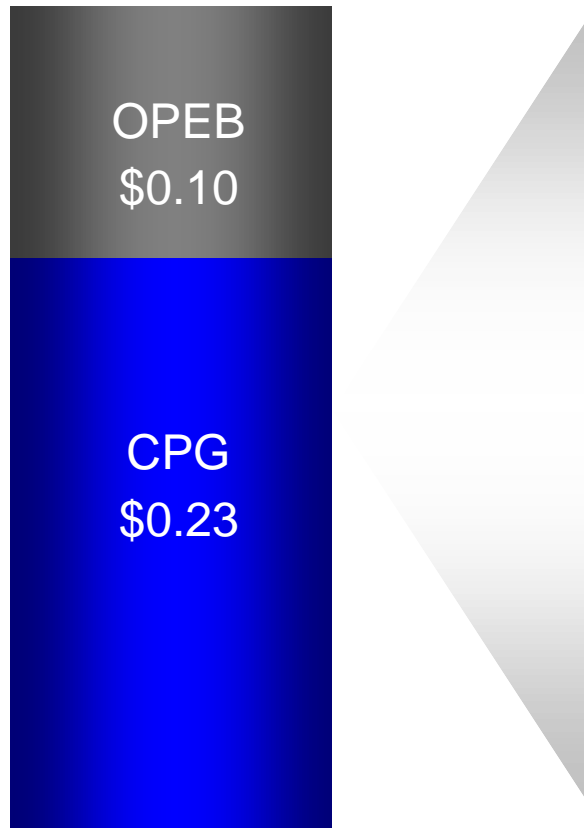
**Other includes Environmental, Asbestos, Gain on Sale of Non-Strategic Business, Stock Comp and Other Income

Another Terrific Quarter

After Tax Gain Deployment

Honeywell

Gains



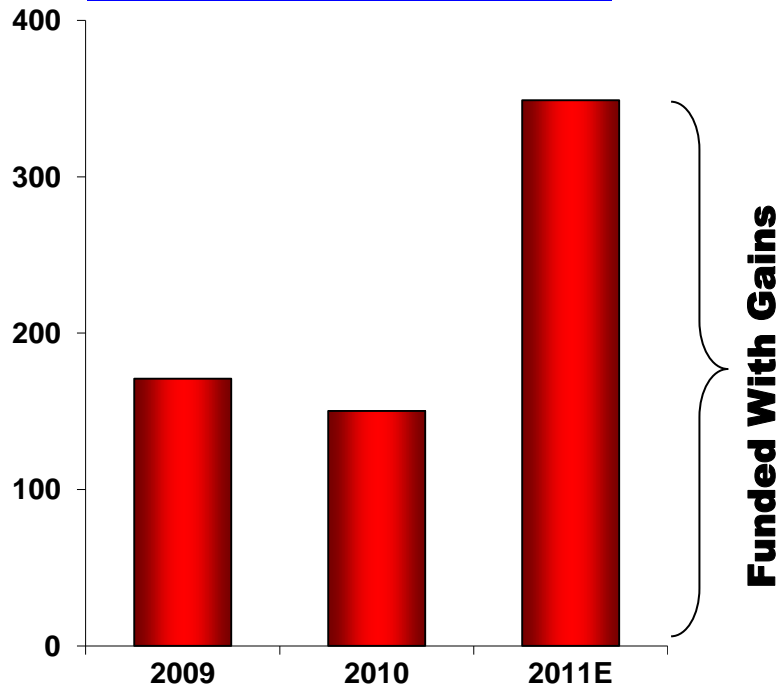
Deployment

- Consolidation of Small Manufacturing and Assembly Sites To Larger Emerging Region Facilities
- Business Realignment, Centralized Sales Support
- Building Footprint Reduction
- Elimination of Unprofitable Product Lines
- Fund Active Employee Medical Change/Health Spending Accounts
- Actions Deliver Over \$50M Benefit In 2012
- Book IRR >40%; Cash IRR >60%

Smart Gain Deployment Yields Long-Term Benefits

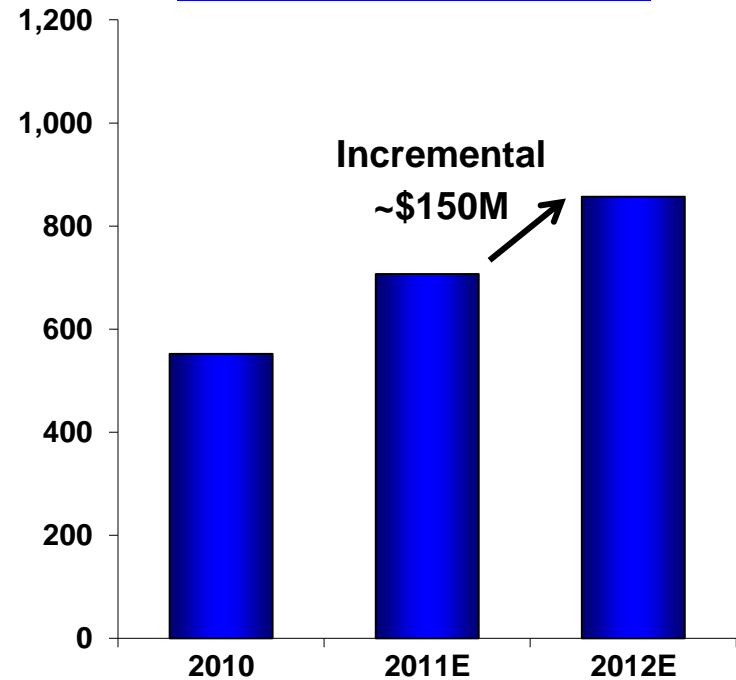
Repositioning Update

(\$M) Repositioning Charges



- \$0.7B Repositioning Since 2009
- 2011 Actions Funded With One-time Gains
- Longer Payback Periods, High IRRs

Cumulative Savings*



- Projects Providing Tailwinds In 2012 And Beyond
- Repositioning Aligned To Macro Trends (Business, Regional)

* Cumulative Savings on Repositioning Actions Since 2008

Positioning For 2012 And Beyond

(\$M)

	<u>3Q10</u>	<u>3Q11</u>	<u>V</u>
Sales	\$2,704	\$2,922	8%
Segment Profit	458	532	16%
Margin	17.0%	18.2%	+120 bps

Business Highlights

- + New Commercial Wins and RMUs
- + Commercial OE Shipments
- + Selectables / BFE Content
- + Commercial AM Strength
- Defense Program Ramp Downs

Financial Highlights

- Sales Up 8%
 - ◆ Up 7% Organic
 - Commercial OE Up 25%, 22% Organic
 - ◆ Air Transport, BGA Shipments Strong
 - Commercial Aftermarket Up 17%
 - ◆ Spares Up 28%, Mechanical and Avionics
 - ◆ R&O Up 10%, Ahead of Utilization Rates
 - Defense and Space Down (4%)
 - ◆ Consistent with Planning
- Segment Profit Up 16%
 - ◆ Margins Up 120 bps
 - + Volume / Mix
 - + Productivity, Net Of Inflation
 - RD&E (140 bps y/y)

Commercial Recovery Driving Growth

Automation And Control Solutions

Honeywell

(\$M)

	<u>3Q10</u>	<u>3Q11</u>	<u>Y</u>
Sales	\$3,474	\$3,948	14%
Segment Profit	471	544	15%
Margin	13.6%	13.8%	+20 bps

Business Highlights

- + PPE Continues Strong
- + U.S./China/Asia Driving Growth
- + New Products, Improving Comm'l Retrofit
- Slowing Growth in Europe
- Residential Retrofits / Distributor Inventory

Financial Highlights

- **Sales Up 14%**
 - ◆ Up 4% Organic
 - ◆ M&A +6%
 - ◆ F/X +4%
- **Products Up 15%, 4% Organic**
 - ◆ Industrial Continues Strong – HLS, S&C
 - ◆ Organic Growth All Regions
- **Solutions Up 12%, 5% Organic**
 - ◆ Emerging Regions Driving Growth
 - ◆ HPS Acceleration
- **Segment Profit Up 15%**
 - ◆ Margins Up 20 bps
 - + Volume
 - + Productivity
 - Inflation
 - Growth Investments

Continued Good Organic Growth

Transportation Systems

Honeywell

(\$M)

	<u>3Q10</u>	<u>3Q11</u>	<u>V</u>
Sales	\$786	\$960	22%
Segment Profit	92	121	32%
<i>Margin</i>	11.7%	12.6%	+90 bps

Excludes sales and segment profit from discontinued operations (CPG)

Business Highlights

- + Turbo Share Gains From New Launches
- + Global OE Production
- + Improved Turbo Penetration Globally
- + Restructuring Benefits
- China CV Continued Softness

Financial Highlights

- **Sales Up 22%**
 - ◆ Up 13% Organic
- **Strong Growth In Turbochargers**
 - ◆ New Platform Launches
 - ◆ Flattening European Diesel Penetration
 - ◆ Strong Growth Europe and Americas
- **CPG Reported in Discontinued Ops**
- **Segment Profit Up 32%**
 - ◆ 90 bps Margin Expansion
 - + Volume
 - + Productivity
 - Inflation

New Launches Driving Growth

Specialty Materials

Honeywell

(\$M)

	<u>3Q10</u>	<u>3Q11</u>	<u>V</u>
Sales	\$1,175	\$1,468	25%
Segment Profit	194	254	31%
Margin	16.5%	17.3%	+80 bps

Business Highlights

- + UOP Orders / Backlog Ramping
- + Outperforming End Markets
- + Integrating Phenol Plant Acquisition
- + Solid Plant Performance
- Refrigerants Season Ramping Down

Financial Highlights

- Sales Up 25%, 18% Organic
 - UOP Up 36%
 - ◆ Refining and Specialty Catalysts Growth
 - ◆ Strong Service Activity with Petrobras
 - Adv. Materials Up 20%, 10% Organic
 - ◆ Resins & Chemicals – Phenol Acquisition, Asia Demand Remains Robust
 - ◆ Fluorines – Refrigerant Seasonal Slowing, Demand and Pricing Moderating
 - ◆ Specialty Products – NPI
- Segment Profit Up 31%
 - ◆ Margins Up 80 bps
 - + Price/Raws Spread
 - + Productivity
 - Growth Investments
 - Phenol Plant Acquisition

Another Strong Quarter Across The Board

4Q11 Preview

Honeywell

<i>(\$B)</i>	<u>Sales</u>	<u>V%</u>	<u>What We Are Expecting</u>
Aerospace	\$3.0 - 3.1	~5 - 8%	<ul style="list-style-type: none"> • Commercial Strength Continues • Modest Decline in Defense
ACS	\$4.1 - 4.2	~5 - 7%	<ul style="list-style-type: none"> • Short Cycle Products Growth Moderates • Building, Process Solutions Accelerate
Transportation	\$0.9 - 1.0	~7 - 11%	<ul style="list-style-type: none"> • New Turbo Launches • EU LV Production / Diesel Pen. Stable
Specialty	\$1.4 - 1.5	~21 - 26%	<ul style="list-style-type: none"> • UOP Strength, Short Cycle Moderates • ~10% M&A Impact (Phenol Plant)

	<i>Sales</i>	<i>EPS*</i>
<i>4Q11:</i>	<i>\$9.4 - 9.6B</i>	<i>\$1.00 - 1.05</i>
<i>FY11:</i>	<i>\$36.5 - 36.7B</i>	<i>\$4.00 - 4.05</i>

*Proforma, Excludes any 4Q MTM Adjustment; 4Q EPS Range Assumes ~27.5% Effective Tax Rate

Estimated 4Q 2011 MTM

Discount Rate	Rate of Return				
	-10%	-5%	0%	5%	8%
4.50%	4,008	3,268	2,538	1,798	1,374
4.75%	3,495	2,755	2,025	1,284	860
5.00%	2,995	2,254	1,524	784	360
5.25%	2,499	1,769	1,029	350	-
5.50%	2,037	1,297	600	10	-

- 2011 Assumptions: 5.25% Disc Rate and 8% Asset Return
- MTM Determined by 12/31/11 Actuals
- MTM Adjustment Recognizes Impact in Same Period
- Additional \$250M Cash Contribution Planned 4Q

Estimated 2012 Ongoing Expense

Discount Rate	Rate of Return				
	-10%	-5%	0%	5%	8%
4.50%	147	100	54	7	(21)
4.75%	158	111	64	17	(11)
5.00%	167	120	73	26	(2)
5.25%	175	128	81	34	6
5.50%	181	135	88	41	13

- 2011 Expense Expected to be ~\$110M
- MTM Accounting Reduces Ongoing Expense Volatility - Enhances Operational Transparency
- Voluntary Prefunding Planned – Amount TBD
- Based on Current Rates, Planning Ongoing Expense Flat in 2012

Note: Assumes \$1.65B contribution in 2011 and additional pre-funding in 2012

Pre-funding Opportunities Manageable

2012 Planning Framework

Honeywell

Headwinds

TBD

Tailwinds



Defense & Space

Industrial / Short Cycle

Commercial AM / OE

Fluorines Pricing

Non-Res Construction

Aero Launch Contributions

Aero R&D

Pricing

Emerging Markets

Eurozone Growth Rate

Commodities

Refining / Petrochem / Mining

Residential Retrofit

FX

ACS Long Cycle

Turbo Launches

Repositioning Benefits

Good Visibility To 2012 Tailwinds

- **3Q Results Reflect Strong Execution and Positive Momentum**
 - Continued Uptick In Commercial Aero
 - Strong Operational Leverage and Earnings Growth
- **Order Rates Positive – Favorable Long-cycle Mix**
 - Short Cycle Growth Moderating, End Markets Good Overall
 - Long-Cycle Growth Ramping – UOP, ACS Solutions, Commercial Aero
 - U.S., Emerging Regions Remain Strong; Eurozone Growth Slowing
- **2011 Strong Performance Continues, 2012 Planning Underway**
 - 2011: Raising EPS Outlook To \$4.00-4.05 – 4th Consecutive Increase
 - Getting Out Ahead Of Slower Growth Environment
 - 2012: Good Visibility To Tailwinds, Disciplined Playbook

Setting Up For Another Growth Year In 2012

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>	3Q10	3Q11
Sales	\$8,139	\$9,298
Cost of Products and Services Sold	(6,170)	(7,033)
Selling, General and Administrative Expenses	(1,129)	(1,303)
Operating Income	<u>\$840</u>	<u>\$962</u>
Stock Based Compensation ⁽¹⁾	36	38
Repositioning and Other ^(1, 2)	215	423
Pension Expense-ongoing ⁽¹⁾	50	26
OPEB (Income) Expense ⁽¹⁾	18	(82)
Segment Profit	<u>\$1,159</u>	<u>\$1,367</u>
Operating Income	\$840	\$962
÷ Sales	<u>\$8,139</u>	<u>\$9,298</u>
Operating Income Margin %	<u>10.3%</u>	<u>10.3%</u>
Segment Profit	\$1,159	\$1,367
÷ Sales	<u>\$8,139</u>	<u>\$9,298</u>
Segment Profit Margin %	<u>14.2%</u>	<u>14.7%</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>3Q10</u>	<u>3Q11</u>
Cash Provided by Operating Activities	\$1,325	\$661
Expenditures for Property, Plant and Equipment	(166)	(177)
Free Cash Flow	<u>\$1,159</u>	<u>\$484</u>
US Pension Cash Contributions	<u>0</u>	<u>400</u>
Free Cash Flow, Excluding U.S. Pension Cash Contributions	\$1,159	\$884
Cash Provided by Operating Activities	\$1,325	\$661
÷ Net Income Attributable to Honeywell	<u>598</u>	<u>862</u>
Operating Cash Flow Conversion %	<u>222%</u>	<u>77%</u>
Free Cash Flow, Excluding U.S. Pension Cash Contributions	\$1,159	\$884
÷ Net Income Attributable to Honeywell	<u>598</u>	<u>862</u>
Free Cash Flow Conversion %	<u>194%</u>	<u>103%</u>

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	<u>\$2,022</u>
Mark-to-Market Pension Adjustment, Net of Tax	319
Net Income Attributable to Honeywell, Excluding Mark-to-Market Pension Adjustment	<u>\$2,341</u>
	2010 ⁽¹⁾
EPS	<u>\$2.59</u>
Mark-To-Market Pension Adjustment	0.41
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%.