



Citi Global Industrials Conference

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Honeywell

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.

- **Building Off Of An Increasingly Robust Foundation**
 - Consistent Execution Of Strategy, Playbook Is Working
 - Continued Outperformance From HON
- **Seed Planting Benefits Reflected In Growth And Productivity**
 - New Products And Technologies Continue To Enhance Organic Growth
 - High Growth Regions Continue Strong Overall → China, ME, Other Asia
- **Strong 1H Results – Good Organic Growth, Margin Expansion**
 - Balanced View Of Global Macro Environment
 - 2012 Outlook Reflects Continued Strong Execution
- **Confident In Long Term Targets**
 - Achieve 2014 Targets → Differentiate HON
 - Effective Cash Deployment

HON Continues To Evolve, Increasingly Outperform

- **What We Are Seeing**

- Commercial Aero Strength – OE And AM; Airlines AM Recoupling to Flight Hours
- Modest D&S Declines, Less Than Initially Anticipated
- Significant Investment In Long Term Oil And Gas Opportunities
- Res / Non-Res Construction Still Soft; Emerging Regions Slower Growth
- Europe Short Cycle Macros Weak – Turbo, ESS, Adv. Mat.

- **What We Are Expecting**

- Commercial Aero OE Growth Outpaces Aftermarket Growth
- D&S Outlook – Down (4%)-(5%) In 2H12, Sales Stabilize In 2013
- UOP, HPS, BSD Multi-Year Outlook Robust; Long Cycle BTB >1
- Modest Short Cycle Improvement In ESS
- Europe Macro Headwinds Continue, Continued FX Pressure

Managing For A Slower Growth Environment

Evolution Of Investor Expectations

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HON Consistently
Delivering

Can HON
Operate As
One
Company?

Will HON
Resolve The
Legacy
Issues?

- *Asbestos / Environmental Steady*
- *Pension Accounting Change*

Will HON
Blow The
Cash?

- *Disciplined M&A Approach*
- *Returned Cash To Shareholders
(Dividends + Share Buybacks)*

Can HON
Meaningfully
Expand
Margins?

- *2011 vs. 2003: Up +410 bps*
- *2011 vs. 2007: Up +110 bps*

Will The
Strategies
Change In The
Downturn?

- *Continued Seed Planting, NPI*
- *Managed Costs, Held Margin Rates*

Will HON
Achieve The
2014 Targets?

- *On Track*

2002

2003

2005

2007

2009

2011

Does Honeywell Deserve A Premium Multiple?

What Stays The Same

- **Execution Fundamentals**
 - Focus On Basics → Go Slow To Go Fast
 - Make Sure The Machinery Works
 - Do What We Say We're Going To Do
 - Achieve Two Seemingly Conflicting Things
 - Disciplined M&A
 - Trick Is In The Doing
- **Robust Future**
 - Seed Planting, Look Beyond This Quarter
 - Cash Generation Focus
 - Conservative Bookkeeping
- **Strong Portfolio**
 - Diversity Of Opportunities
 - Technology Differentiates
 - Avoid Rapidly Changing Technology

***Stay Hungry, Stay Smart,
Stay Disciplined, Stay Flexible***

Strategies Evolve

- **Great Positions In Good Industries**
 - Divestitures Less Critical
- **One Honeywell**
 - Good Now... Can Always Be Better
- **Five Initiatives**
 - Growth
 - Productivity
 - Cash
 - People
 - Enablers
- **All Have Lots More Opportunity**
 - A Long Runway Ahead Of Us

Investor Returns Continue

Great Positions In Good Industries (GPGI)

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- **Great Positions**

- Enable HON To Grow Sales Faster Than The End Markets We Serve
- Supported By New Product Introductions, Geographic Growth, Technology Leadership

- **In Good Industries**

- Provide A Tailwind For Growth By Leveraging Favorable Macro Trends
- Good Balance Of Short And Long Cycle Businesses

- **Disciplined Portfolio Management**

- Acquisitions: Targeting Smart, High Growth Adjacencies
- Divestitures: Exiting Non-Core, Slow Growth, Commodity Businesses

Tailwind For Growth

Census

OEF

Total

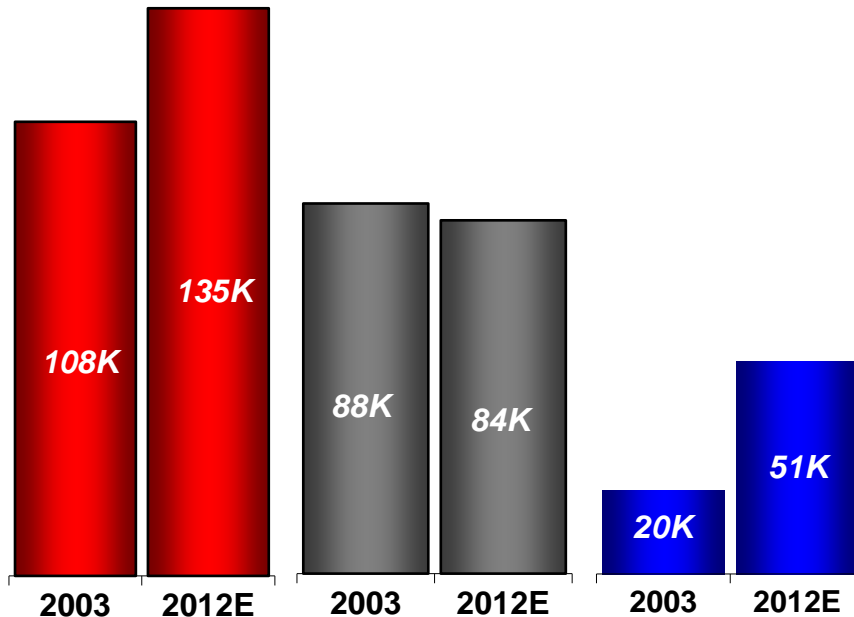
Developed

Emerging

+25%

(4%)

+159%



Then

Now



- **Satisfy Competing Objectives**
 - Maximize Labor Cost Efficiency
 - Maintain High Quality Talent
- **Common Tools And Processes**
 - Global HR Reporting Tool
 - Fixed / Variable OEF
 - OEF By Function
 - OEF Walks

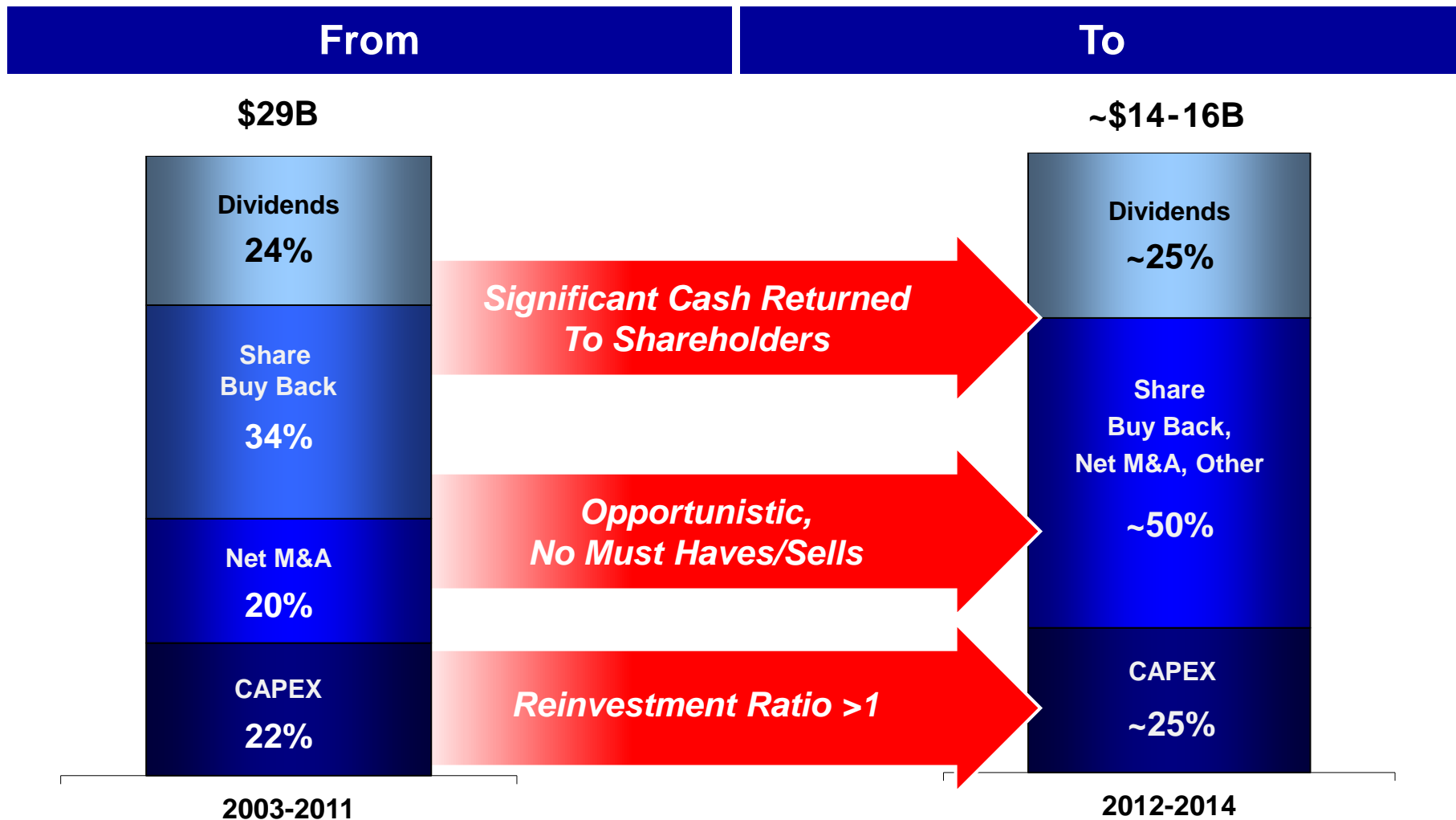
2012E vs. 2003: Sales ~70% EPS ~200%*

Optimizing Total Employee Cost

* Proforma Excludes Mark-to-Market pension adjustments

More Efficient, More Effective Organization

Cash Deployment



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

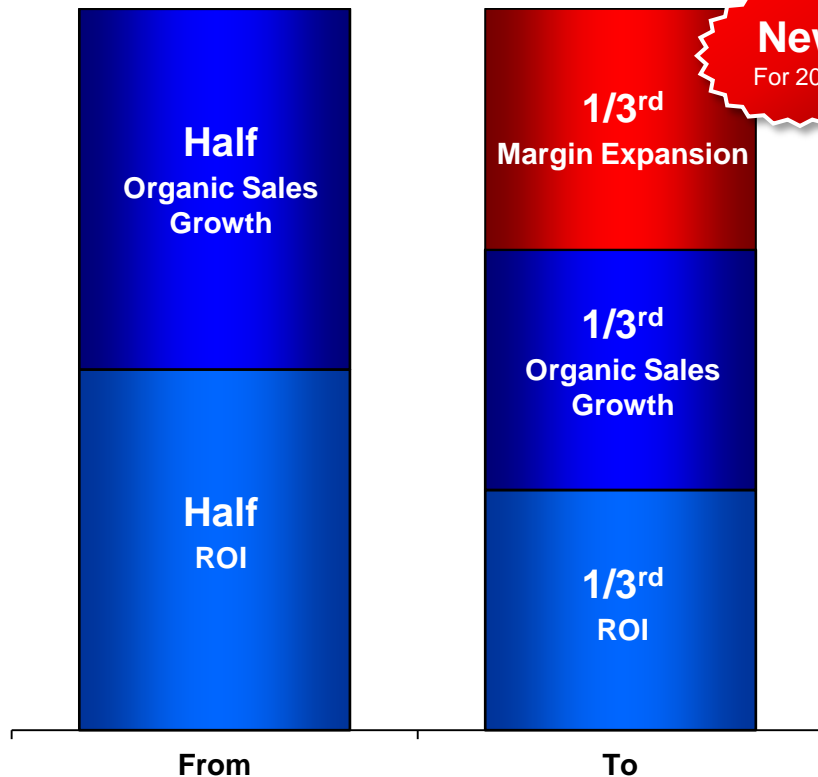
Cash Providing Flexibility To Generate Excess Returns

People – Growth Plan

Evolution

2012 – 2013 Cycle Targets

Growth Plan Formula Evolving



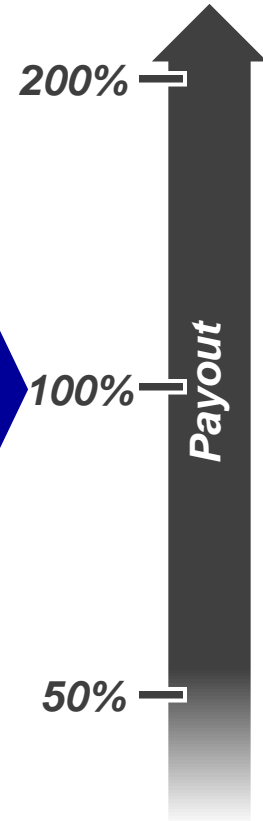
Linked To Shareholder Interest

Note: Excludes M&A

2011 Actual Segment Margin: 14.7%

2012 – 2013 Cumulative Margin Expansion: ~130 bps

2014 Target Segment Margin: 16-18%

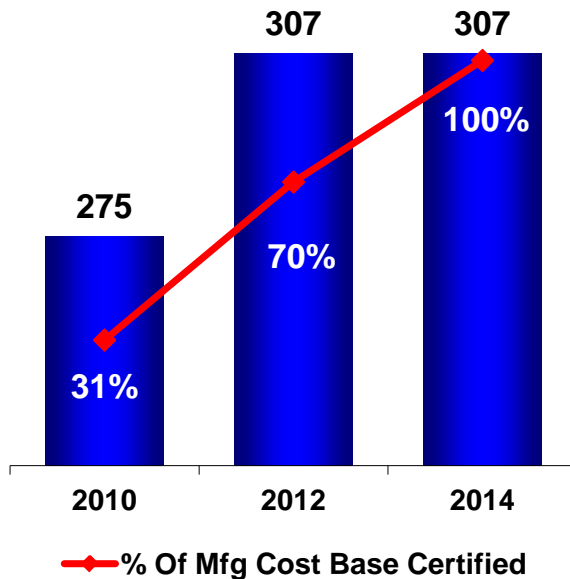


Aligned To 2014 Targets

Growth Plan Targets Aligned To Shareholder Returns

Key Process Enablers

HOS Deployment

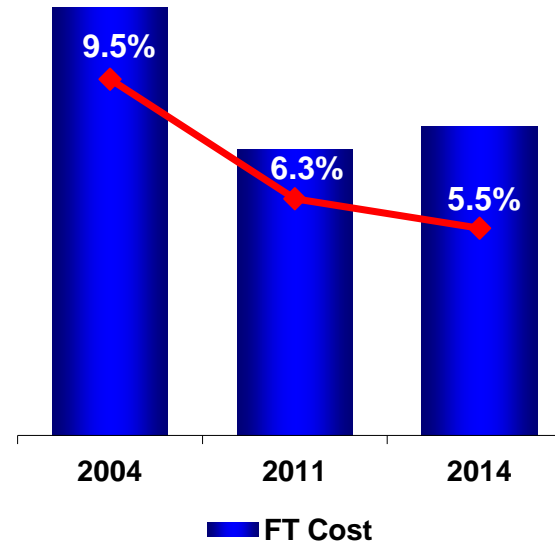


- Performance Differentiation
- Accelerating Bronze Deployment → Company 100% By 2014

Continuous Improvement Beyond Four Walls Of The Factory

FT

(\$B)



- Process Standardization
- Finance, HR, IT, And Sourcing
- FT Success Enabled By ERP

Creating One Honeywell, Lowering Overhead

VPD™

- Focused, Business Led, Cross-Functional Approach
- 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

Driving Value For The Customer, Margin Expansion For HON

Dramatic Results Already, Still More Opportunity

HON Differentiators

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Key Areas

What's To Like

Aero Leverage

- *AM Outperformance Continues, Higher Margin OE*
- *Winning on Growing Platforms – Upside Potential*

Long Cycle Backlog

- *Demand Drivers: Energy Infra., Generation, Efficiency*
- *Securing Major New Wins Across Portfolio*

High Growth Region Momentum

- *Growth Outpacing Regional GDP*
- *Expanding E4E, E2W to Other High Growth Countries*

Restructuring Tailwind

- *2013 Incremental Savings +\$125M*
- *High IRR Projects, Long-Term Benefits*

HOS Acceleration

- *Bronze+ Site Deployment to Grow 50% in 2012*
- *20-30% Average Conversion Cost Productivity*

Acquisition Upside

- *Disciplined Process, Portfolio Transformation Evident*
- *More Integration Savings and Sales Upside*

Path To Industry Leading Performance

Long-Term Outlook – At The Halfway Point

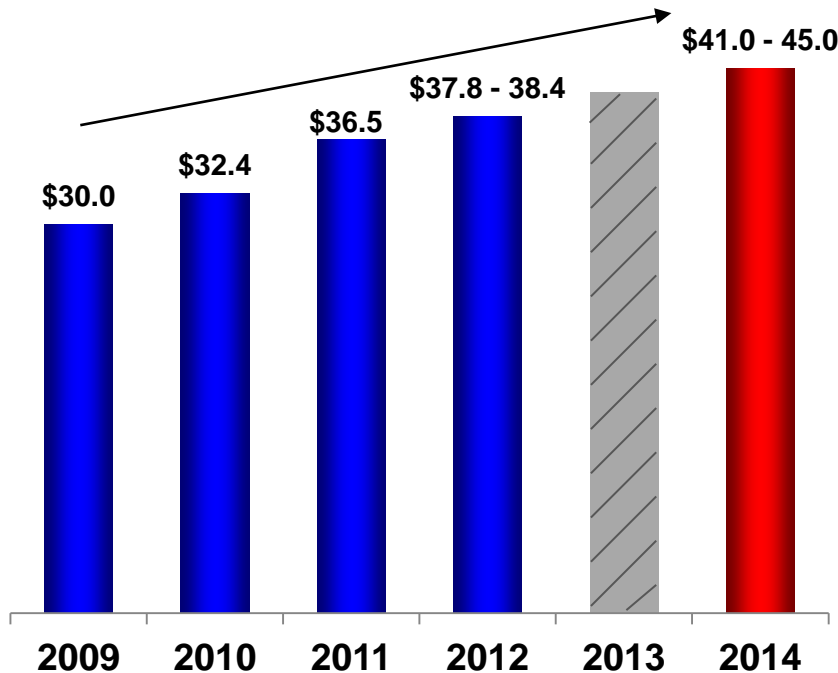
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(\$B)

Sales

Long Term Goal: 6 - 8% CAGR

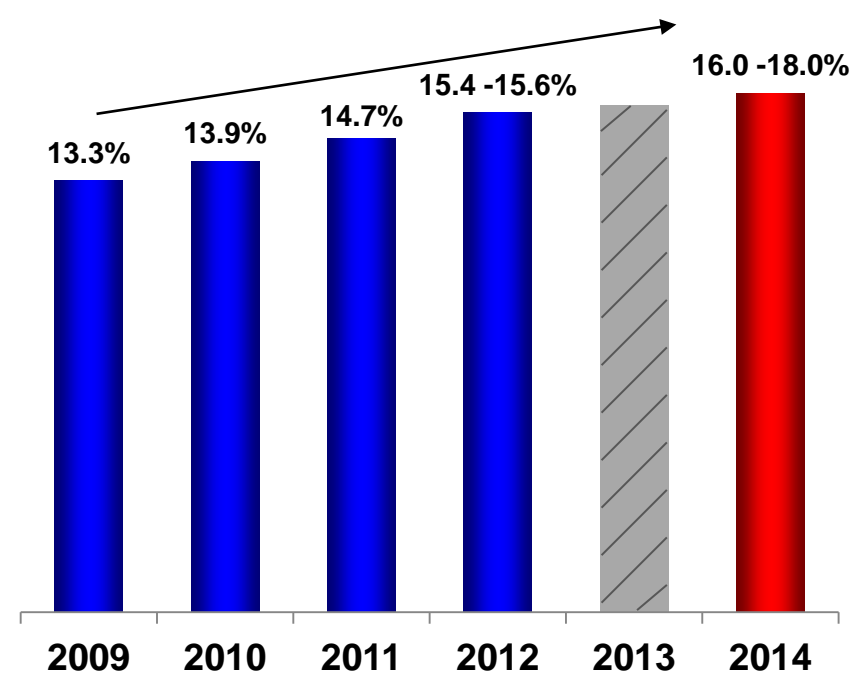
'09 - '12: 8 - 9% CAGR



Segment Margin

Long Term Goal: 300 - 500 bps

'09 - '12: 210 - 230 bps



On Track To Achieve Long-Term Targets

The Best Is Yet To Come

- **Building Off Of An Increasingly Robust Foundation**
 - Accelerated Outperformance From HON During Last Two Years
- **Strategies Will Continue To Evolve To Meet Business Needs**
 - Expectation Of Top Tier Performance Is Constant
- **Great Positions In Good Industries**
 - Solid Portfolio Well Aligned To Leverage Key Macro Trends
- **More Upside From Initiatives**
 - HOS, FT, OEF, Acquisition Integrations, Repositioning Benefits
- **On Track To Achieve 2014 Targets, Robust Future Beyond**
 - Seed Planting For Future Growth, Driving New Products And Technologies

Last 10 Years Great, Next 10 Should Be Even Better

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

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(\$B)	<u>2003</u> ⁽¹⁾	<u>2007</u>
Segment Profit	\$2.4	\$4.6
Stock Based Compensation ⁽²⁾	0.0	(0.1)
Repositioning and Other ^(2, 3)	(0.2)	(0.5)
Pension Ongoing Expense ⁽²⁾	(0.1)	0.1
Pension Mark to Market Adjustment ⁽²⁾	(0.2)	0.0
OPEB Income (Expense) ⁽²⁾	<u>(0.2)</u>	<u>(0.2)</u>
Operating Income	<u>\$1.7</u>	<u>\$3.9</u>
Segment Profit	\$2.4	\$4.6
÷ Sales	<u>\$22.1</u>	<u>\$33.5</u>
Segment Profit Margin %	<u>10.6%</u>	<u>13.6%</u>
Operating Income	\$1.7	\$3.9
÷ Sales	<u>\$22.1</u>	<u>\$33.5</u>
Operating Income Margin %	<u>7.9%</u>	<u>11.6%</u>

(1) Stock Based Compensation included in Segment Profit.

(2) Included in cost of products and services sold and selling, general and administrative expenses.

(3) Includes repositioning, asbestos and environmental expenses.

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

Honeywell

(\$B)	2009	2010	2011	2012E
Segment Profit	\$4.0	\$4.5	\$5.4	\$5.8 - 6.0
Stock Based Compensation ⁽¹⁾	(0.1)	(0.2)	(0.2)	~(0.2)
Repositioning and Other ^(1, 2)	(0.5)	(0.6)	(0.8)	~(0.4)
Pension Ongoing Expense ⁽¹⁾	(0.3)	(0.2)	(0.1)	~(0.1)
Pension Mark to Market Adjustment ⁽¹⁾	(0.7)	(0.5)	(1.8)	TBD
OPEB Income (Expense) ⁽¹⁾	0.0	(0.0)	0.1	~(0.1)
Operating Income	<u>\$2.4</u>	<u>\$3.0</u>	<u>\$2.6</u>	<u>\$5.0 - 5.2</u>
Segment Profit	\$4.0	\$4.5	\$5.4	\$5.8 - 6.0
÷ Sales	<u>\$30.0</u>	<u>\$32.4</u>	<u>\$36.5</u>	<u>\$37.8 - 38.4</u>
Segment Profit Margin %	<u>13.3%</u>	<u>13.9%</u>	<u>14.7%</u>	<u>15.4 - 15.6%</u>
Operating Income	\$2.4	\$3.0	\$2.6	\$5.0 - 5.2
÷ Sales	<u>\$30.0</u>	<u>\$32.4</u>	<u>\$36.5</u>	<u>\$37.8 - 38.4</u>
Operating Income Margin %	<u>7.9%</u>	<u>9.3%</u>	<u>7.0%</u>	<u>13.4 - 13.6%</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 adjustment.

Reconciliation of EPS to EPS, Excluding Pension Mark to Market Adjustment (Proforma)

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	<u>2003</u> ⁽¹⁾
EPS	\$1.39
Pension Mark to Market Adjustment	<u>0.12</u>
EPS, Excluding Pension Mark to Market Adjustment (Proforma)	<u>\$1.51</u>

(1) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a tax rate of 33.5% for 2003.

Discontinued Operations Reconciliation

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(\$B)	2003	2009	2010
Sales - Total Honeywell	<u>\$23.1</u>	<u>\$30.9</u>	<u>\$33.4</u>
Sales - CPG	<u>1.0</u>	<u>\$1.0</u>	<u>\$1.0</u>
Sales - Continuing Operations	<u><u>\$22.1</u></u>	<u><u>\$30.0</u></u>	<u><u>\$32.4</u></u>