

Honeywell

Second Quarter 2013

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.

- **Honeywell Delivers In Challenging Macro Environment**
 - Sales Of \$9.7B, Up 1% Organic Reflecting Some Short-Cycle Improvement
 - EPS Up 12% To \$1.28 – Up 8% To \$1.22 Normalized For Tax*
 - OPEB Curtailment Gain More Than Offset By Additional Repo Actions
- **Ongoing Seed Planting Driving Performance**
 - Reinvesting For Growth Across Portfolio – New Products, Global Capacity
 - Strong Long Cycle Wins Continue – Commercial Aero, HPS, UOP
 - Evolution Of Key Process Initiatives Delivering Significant Productivity
- **Confident In 2013 Outlook**
 - Order Rates Improving – EU Positive; China SC Pick Up, LC Orders Growth
 - Margin Expansion Driven By HOS, VPD™, FT/OEF, And Repo Actions
 - Increasing Low End Of 2013 Guidance Range To \$4.85 - 4.95, Up 8 - 11%**

* EPS, V% Adjusted 2012 Actual and 2013 Expected Full Year Tax Rate of 26.5% Before Any Pension Mark-To-Market Adjustment

** Proforma, V% Exclude Any Pension Mark-To-Market Adjustment

Strong Execution Across Portfolio

2Q 2013 Financial Summary

Honeywell

(\$M except per share amounts)

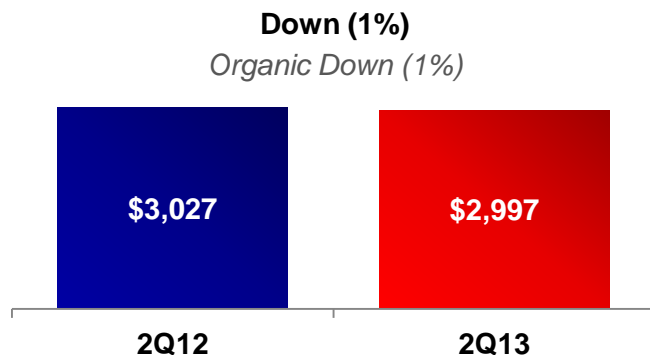
	<u>2Q12</u>	<u>2Q13</u>	
Sales	\$9,435	\$9,693	<ul style="list-style-type: none">• 3% Increase<ul style="list-style-type: none">◆ 1% Organic
Segment Profit	\$1,493	\$1,559	<ul style="list-style-type: none">• 4% Increase<ul style="list-style-type: none">◆ Margin Expansion In 3 Of 4 Businesses
<i>Margin %</i>	<i>15.8%</i>	<i>16.1%</i>	
Net Income	\$902	\$1,021	<ul style="list-style-type: none">• 13% Increase
<i>Attributable to Honeywell</i>			
EPS	\$1.14	\$1.28	<ul style="list-style-type: none">• 12% Increase<ul style="list-style-type: none">◆ 2Q13 EPS Of \$1.22 Ex Tax Benefit◆ FY ETR 26.5%
<i>Tax Rate</i>	<i>26.0%</i>	<i>23.1%</i>	
Free Cash Flow *	\$1,040	\$1,142	<ul style="list-style-type: none">• 112% Conversion

* FCF Shown Prior to Any NARCO Trust Establishment Payments and Cash Pension Contributions

Another Strong Quarter

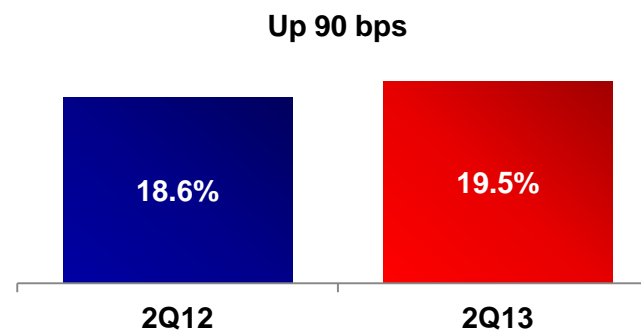
Sales

(\$M)



- **Commercial OE Up 8%**
 - Strong ATR OE Build Rates
 - Well Positioned On Growth Platforms
- **Commercial AM Up 3%**
 - Improved ATR Flight Hour Growth
 - Strong Uptake Of RMUs In BGA
- **Defense & Space Down (8%)**
 - Declines As Expected, Tracking To FY Guidance

Segment Margin



- **Segment Profit Up 4%**
- **Segment Margins Up 90 bps**
 - + Commercial Excellence
 - + Productivity Net Of Inflation
 - Volume
 - Growth Investments

Strong Margin Expansion

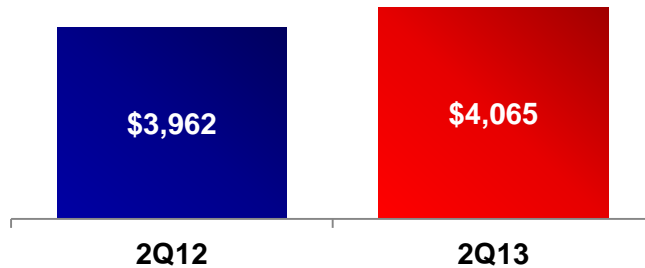
Automation and Control Solutions

Honeywell

Sales

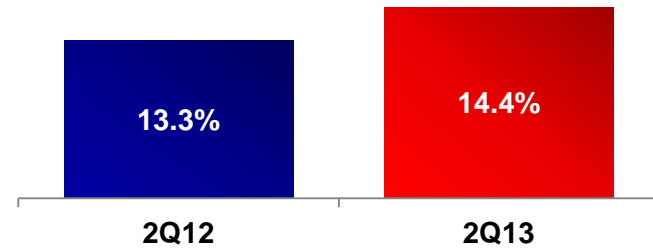
(\$M)

Up 3%
Organic 3%



Segment Margin

Up 110 bps



- **ESS Up 3% Organic**

- Good Growth In HSG, ECC
- S&C Stabilizing, HLS Improving

- **HPS Up 4% Organic**

- Advanced Solutions, Services Growth
- Higher Margin Backlog

- **BSD Up 1% Organic**

- Americas Distribution Growth
- U.S. Energy Pipeline Improving

- **Segment Profit Up 11%**

- **Segment Margins Up 110 bps**

- + Commercial Excellence
- + Productivity Net Of Inflation
- + Repositioning Benefits
- Growth Investments

Strong Conversion, Short-Cycle Improvement

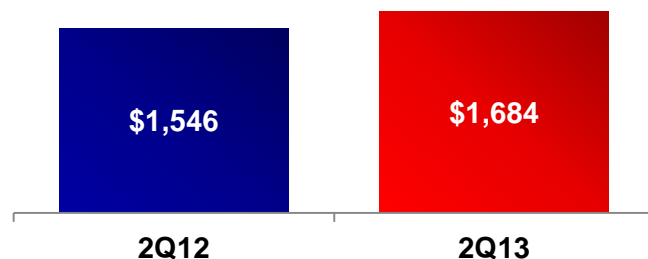
Performance Materials and Technologies

Honeywell

Sales

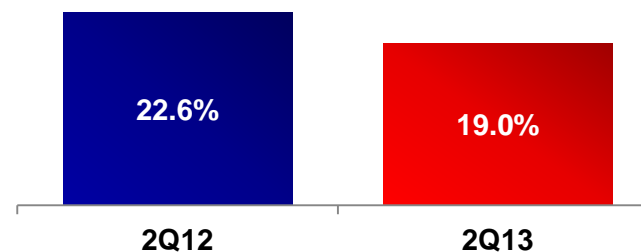
(\$M)

Up 9%
Organic ~Flat



Segment Margin

Down (360) bps



- **UOP Up 39% Reported, 11% Organic**
 - Strong Catalyst, Equipment Sales
 - Robust Backlog: \$2.7B, Up 10% Organic
- **Adv. Materials Down (6%) Rptd / Org**
 - Slow Start To Cooling Season
 - Lower Production Volumes

- **Segment Profit Down (9%)**
- **Segment Margins Down (360) bps**
 - Prior Year Licensing Impact
 - Growth Investments
 - Adv. Materials Volume
 - Thomas Russell Dilution

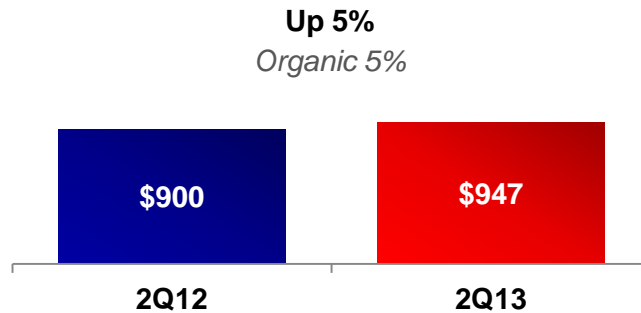
UOP Strength, Advanced Materials Transitioning

Transportation Systems

Honeywell

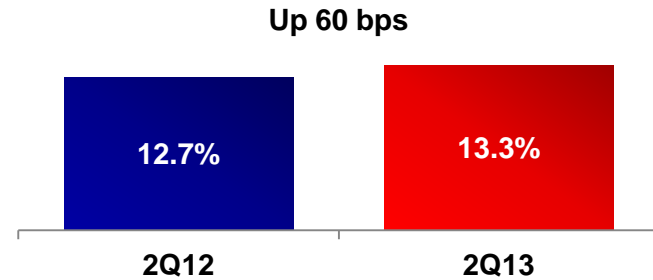
Sales

(\$M)



- **EU Volume Improvement**
 - HON Gas And Diesel Share Gains
 - LV Production Declines Moderate
- **Higher U.S. And China Turbo Penetration**
 - New LV Gas Launches
 - Improvement In China CV
- **Impressive Win Rate Continues**

Segment Margin

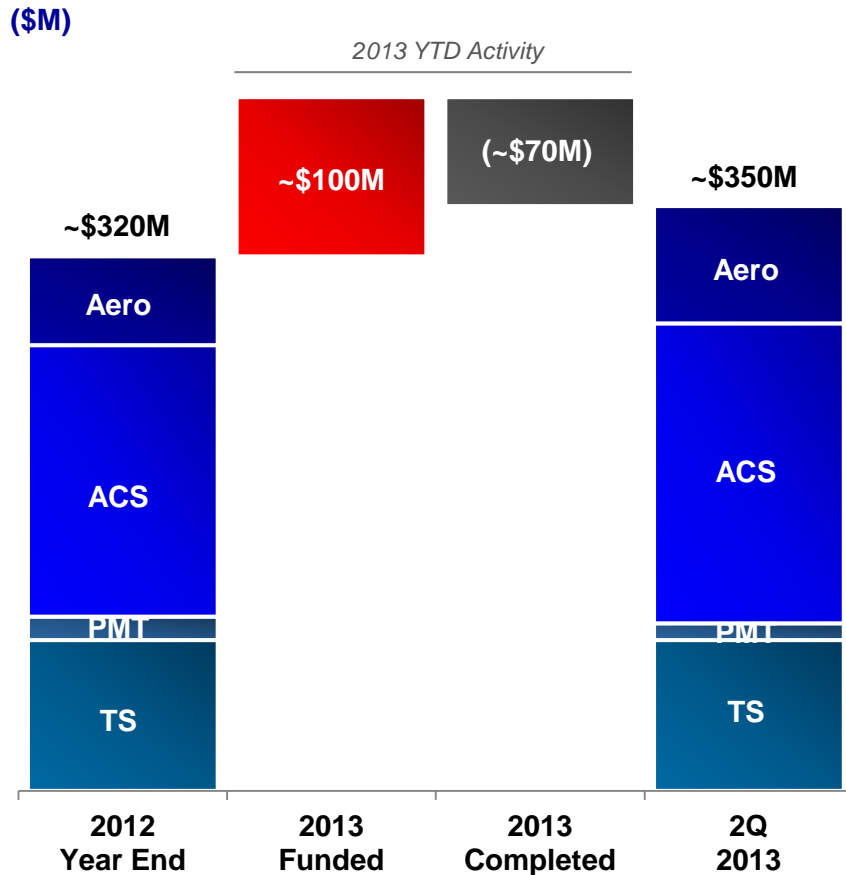


- **Segment Profit Up 11%**
- **Segment Margins Up 60 bps**
 - + Productivity Net Of Price And Inflation
 - Friction Transformation → 2014 Tailwind

Strong Performance Despite Challenging EU Macros

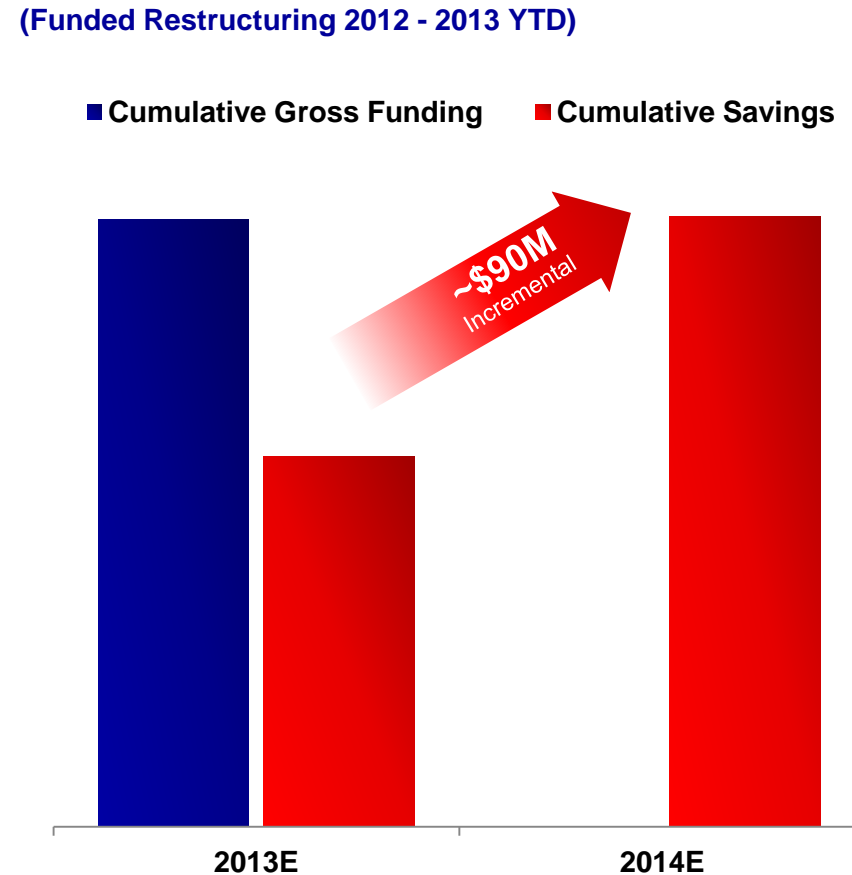
Restructuring Update

Projects In Process



Strong Backlog Of Previously Funded Projects

Cumulative Spend / Savings



Proactive Funding Helps Support Future Margin Expansion

Restructuring Pipeline Supporting 2014 Growth Outlook

	<u>Sales Change</u>	<u>Comments</u>
Aerospace	1 - 3%	<ul style="list-style-type: none">• Comm AM Up Mid Single Digit, Easier Comps• Defense & Space Mid Single Digit Decline
ACS	5 - 7%	<ul style="list-style-type: none">• Organic Up 2 - 4%; Intermec Timing• M&A Margin Headwind (~100) Bps
PMT	13 - 16%	<ul style="list-style-type: none">• UOP M&A Tailwind ~10%, Margin Headwind• Improved Production Volumes In R&C, FP
Transportation	2 - 4%	<ul style="list-style-type: none">• EU LV Inventory Correction Contemplated• Friction Margin Improvement
Honeywell	5 - 7%	<ul style="list-style-type: none">• Total ~\$9.8 - \$10.0B, Up 2-4% Organic

*EPS \$1.20 – \$1.25, Up 5 – 10% Normalized For Tax**

2H 2013 Guidance Framework

Honeywell

	<u>Low End</u>	<u>Mid Point</u>	<u>High End</u>
• Comm AM	<i>ATR/BGA < Utilization</i>	<i>Easier YoY Comps</i>	<i>ATR/BGA > Utilization</i>
• ESS Organic	<i>Growth In Line With 1H</i>	<i>Low Single Digit</i>	<i>Mid Single Digit</i>
• UOP CAS Sales	<i>Customer Shipment Push-outs</i>	<i>Shipment Timing As Expected</i>	<i>Customer Shipments Accelerated</i>
• Adv Mat	<i>FP / R&C Pricing Declines Ramp-Up Challenges</i>	<i>FP / R&C Pricing Stable, Production Ramp-Ups</i>	<i>FP / R&C Pricing Improves Production Ramp-Ups</i>
• Turbo Volume	<i>EU LV Prod (4%)</i>	<i>EU LV Prod (2%) YoY</i>	<i>EU LV Prod ~ Flat</i>
• China Rebound	<i>Up Mid Single Digit YoY</i>	<i>Up High Single Digit YoY</i>	<i>Up Double Digits YoY</i>
• Euro	<i>\$1.20</i>	<i>\$1.25</i>	<i>\$1.30</i>

*Full Year 2013 Range: \$4.85 - \$4.95**

2013 Financial Guidance Summary

Honeywell

(\$B, except per share amounts
V%, BPS vs. prior year)

	<u>3Q13E</u>	<u>4Q13E</u>	<u>2013E</u>	<u>Comments</u>	
Sales	Sales	\$9.8-10.0	\$10.1-10.3	\$38.9-39.3	<ul style="list-style-type: none"> • Modest Top Line Growth
	<i>Reported V%</i>	5-7%	5-7%	3-4%	<ul style="list-style-type: none"> - Intermec Timing, 3Q Close
	<i>Organic V%</i>	2-4%	3-5%	1-2%	<ul style="list-style-type: none"> - Easier 2H Comps
Segment Margin	Segment Margin	15.8-16.0%	15.9-16.3%	16.0 - 16.2%	<ul style="list-style-type: none"> • Strong Expansion Ex-M&A
	<i>Reported, Bps</i>	0-20 Bps	30-70 Bps	40-60 Bps	<ul style="list-style-type: none"> - FY ~ At Low End Of 2014 Targets
	<i>Ex M&A, Bps</i>	50-70 Bps	80-120 Bps	60-80 Bps	<ul style="list-style-type: none"> - PMT, TS Big Drivers
EPS*	EPS*	\$1.20-1.25	\$1.16-1.21	\$4.85 - 4.95	<ul style="list-style-type: none"> • Raised Full Year Outlook
	<i>Reported V%</i>	0-4%	5-10%	8-11%	<ul style="list-style-type: none"> - 3Q ACS M&A Drag: (2-3) Cents
	<i>V% At 26.5% Tax Rate</i>	5-10%	9-14%	8-11%	<ul style="list-style-type: none"> - 4Q Tax Impact: (~11) Cents

* Proforma, V% Exclude Any Pension Mark-to-Market Adjustment. Assumes weighted average shares outstanding of 799M for both 3Q and 4Q 2013.

Increasing Low End Of Full Year EPS Guidance By \$0.05

- **2Q Results Continue Trend Of Strong Execution**
 - Continue To Set High Expectations And Deliver
 - Segment Margin Expansion Driving Earnings Growth
- **Confident In 2013 Outlook**
 - Short-Cycle Order Trends Improving Overall
 - Executing Sustainable Productivity Actions → Additional Restructuring Benefits
- **Compelling Growth Tailwinds**
 - Favorable Macros, Global Expansion, Innovation Culture
 - Strong Portfolio Aligned To Enduring Mega-Trends

HON Outperforming In Difficult Macro Environment

Appendix

*Reconciliation of non-GAAP Measures
to GAAP Measures*

Reconciliation Of Segment Profit To Operating Income And Calculation Of Segment Profit And Operating Income Margins

Honeywell

(\$M)	<u>2Q12</u>	<u>3Q12</u>	<u>4Q12</u>	<u>2012</u>	<u>2Q13</u>
Aerospace	\$562	\$582	\$601	\$2,279	\$583
Automation and Control Solutions	\$525	\$571	\$645	\$2,232	\$585
Performance Materials and Technologies	\$350	\$275	\$210	\$1,154	\$320
Transportation Systems	\$114	\$104	\$94	\$432	\$126
Corporate	(\$58)	(\$57)	(\$54)	(\$218)	(\$55)
Segment Profit	\$1,493	\$1,475	\$1,496	\$5,879	\$1,559
Stock Based Compensation ⁽¹⁾	(40)	(40)	(39)	(170)	(37)
Repositioning and Other ^(1, 2)	(148)	(112)	(96)	(488)	(182)
Pension Ongoing (Expense) Income ⁽¹⁾	(9)	(7)	(7)	(36)	25
Pension Mark-to-Market Adjustment ⁽¹⁾	-	-	(957)	(957)	-
OPEB (Expense) Income ⁽¹⁾	(9)	(20)	(20)	(72)	20
Operating Income	\$1,287	\$1,296	\$377	\$4,156	\$1,385
Segment Profit	\$1,493	\$1,475	\$1,496	\$5,879	\$1,559
÷ Sales	\$9,435	\$9,342	\$9,581	\$37,665	\$9,693
Segment Profit Margin %	15.8%	15.8%	15.6%	15.6%	16.1%
Operating Income	\$1,287	\$1,296	\$377	\$4,156	\$1,385
÷ Sales	\$9,435	\$9,342	\$9,581	\$37,665	\$9,693
Operating Income Margin %	13.6%	13.9%	3.9%	11.0%	14.3%
Operating Income Excluding Pension Mark-to-Market Adjustment			\$1,334	\$5,113	
÷ Sales			\$9,581	\$37,665	
Operating Income Margin Excluding Pension Mark-to-Market Adjustment			13.9%	13.6%	

(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 Segment Profit To Operating Income And Calculation Of Segment Profit And Operating Income Margins

Honeywell

(\$B)	<u>3Q13E</u>	<u>4Q13E</u>	<u>2013E</u>
Segment Profit	\$1.5 - 1.6	\$1.6 - 1.7	\$6.2 - 6.4
Stock Based Compensation ^(1, 3)	~(0.0)	~(0.0)	~(0.2)
Repositioning and Other ^(1, 2, 3)	~(0.1)	~(0.1)	~(0.5)
Pension Ongoing (Expense) Income ^(1, 3)	~0.0	~0.0	~0.1
Pension Mark-to-Market Adjustment ⁽¹⁾	N/A	TBD	TBD
OPEB (Expense) Income ^(1, 3)	~(0.0)	~(0.0)	~(0.0)
Operating Income ⁽³⁾	<u>\$1.4 - 1.5</u>	<u>\$1.5 - 1.6</u>	<u>\$5.6 - 5.8</u>
Pension Mark-to-Market Adjustment ⁽¹⁾	<u>N/A</u>	<u>TBD</u>	<u>TBD</u>
Operating Income Excluding Pension Mark-to-Market Adjustment	\$1.4 - 1.5	\$1.5 - 1.6	\$5.6 - 5.8
Segment Profit	\$1.5 - 1.6	\$1.6 - 1.7	\$6.2 - 6.4
÷ Sales	<u>\$9.8 - 10.0</u>	<u>\$10.1 - 10.3</u>	<u>\$38.9 - 39.3</u>
Segment Profit Margin %	<u>15.8 - 16.0%</u>	<u>15.9 - 16.3%</u>	<u>16.0 - 16.2%</u>
Segment Profit Excluding Mergers and Acquisitions	\$1.5 - 1.6	\$1.6 - 1.7	\$6.2 - 6.4
÷ Sales Excluding Mergers and Acquisitions	<u>\$9.5 - 9.7</u>	<u>\$9.8 - 10.0</u>	<u>\$38.0 - \$38.4</u>
Segment Profit Margin % Excluding Mergers and Acquisitions	<u>16.3 - 16.5%</u>	<u>16.4 - 16.8%</u>	<u>16.2 - 16.4%</u>
Operating Income	\$1.4 - 1.5	\$1.5 - 1.6	\$5.6 - 5.8
÷ Sales	<u>\$9.8 - 10.0</u>	<u>\$10.1 - 10.3</u>	<u>\$38.9 - 39.3</u>
Operating Income Margin %	<u>14.1 - 14.3%</u>	<u>14.6 - 15.0%</u>	<u>14.5 - 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 adjustment.

(3) Amounts less than \$50M are rounded down to zero.

Reconciliation Of Cash Provided By Operating Activities To Free Cash Flow And Calculation Of Cash Flow Conversion %

Honeywell

<i>(\$M)</i>	<u>2Q12</u>	<u>2Q13</u>
Cash Provided by Operating Activities	\$973	\$1,256
Expenditures for Property, Plant and Equipment	(200)	(196)
	<u>\$773</u>	<u>\$1,060</u>
Cash Pension Contributions	267	9
NARCO Trust Establishment Payments	-	73
Free Cash Flow	<u><u>\$1,040</u></u>	<u><u>\$1,142</u></u>
Cash Provided by Operating Activities	\$973	\$1,256
÷ Net Income Attributable to Honeywell	<u>902</u>	<u>1,021</u>
Operating Cash Flow Conversion %	<u><u>108%</u></u>	<u><u>123%</u></u>
Free Cash Flow	\$1,040	\$1,142
÷ Net Income Attributable to Honeywell	<u>902</u>	<u>1,021</u>
Free Cash Flow Conversion %	<u><u>115%</u></u>	<u><u>112%</u></u>

Reconciliation Of EPS To EPS, Excluding Pension Mark-to-Market Adjustment **Honeywell**

	4Q12 ⁽¹⁾	2012 ⁽²⁾
EPS	<u>\$0.32</u>	<u>\$3.69</u>
Pension Mark-to-Market Adjustment	<u>0.78</u>	<u>0.79</u>
EPS, Excluding Pension Mark-to-Market Adjustment	<u><u>\$1.10</u></u>	<u><u>\$4.48</u></u>

(1) Utilizes weighted average shares of 796.4 million. Mark-to-market uses a blended tax rate of 35.0%.

(2) Utilizes weighted average shares of 791.9 million. Mark-to-market uses a blended tax rate of 35.0%.