

October 20, 2017

# THIRD QUARTER 2017

Earnings Release

**Honeywell**  
THE POWER OF **CONNECTED**

## Forward Looking Statements

*This presentation contains certain statements that may be deemed “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by our management in light of their experience and their perception of historical trends, current economic and industry conditions, expected future developments and other factors they believe to be appropriate. The forward-looking statements included in this release are also subject to a number of material risks and uncertainties, including but not limited to economic, competitive, governmental, and technological factors affecting our operations, markets, products, services and prices, as well as the ability to effect the separations. Such forward-looking statements are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements, including with respect to any changes in or abandonment of the proposed separations. 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.*

## Non-GAAP Financial Measures

*This presentation contains financial measures presented on a non-GAAP basis. Honeywell’s non-GAAP financial measures used in this presentation are as follows: segment profit, on an overall Honeywell basis, a measure by which we assess operating performance, which we define as operating income adjusted for certain items as presented in the Appendix; segment margin, on an overall Honeywell basis, which we define as segment profit divided by sales; organic sales growth, which we define as sales growth less the impacts from foreign currency translation and acquisitions and divestitures for the first 12 months following transaction date; free cash flow, which we define as cash flow from operations less capital expenditures; free cash flow conversion, which we define as free cash flow divided by net income attributable to Honeywell; and earnings per share, which we adjust to exclude pension mark-to-market expenses and to normalize quarterly earnings per share measures for the expected effective tax rate as previously guided for the most recently completed fiscal quarter, as well as for other components, such as divestitures and debt refinancings, as noted in the reconciliations presented in the Appendix. Other than references to reported earnings per share, all references to earnings per share in this presentation are so adjusted. The respective tax rates applied when adjusting earnings per share for these items are identified in reconciliations presented in the Appendix. Management believes that, when considered together with reported amounts, these measures are useful to investors and management in understanding our ongoing operations and in the analysis of ongoing operating trends. These metrics should be considered in addition to, and not as replacements for, the most comparable GAAP measure. Refer to the Appendix attached to this presentation for reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures.*

# Strong Third Quarter

	<u>Guidance</u>	<u>Actual</u>
<b>+16% EPS Growth, High End Of Guidance</b>	\$1.70 - \$1.75	<b>\$1.75</b>
<b>Organic Sales Growth Momentum Continues</b>	2% - 4%	<b>5%</b>
<b>Strong Operational Performance In All Businesses</b>	120 - 160 bps Segment Margin Expansion	<b>120 bps</b>
<b>~90% Conversion, On Track To Full-Year Guidance</b>		<b>\$1.2B</b> Free Cash Flow

*EPS V% Excludes 2016 Divestitures And Additional 3Q17 Restructuring, Normalized For Tax At 26%*



# Recent Highlights

## Aerospace



- KLM, Brussels Airlines, And Air Serbia Adopted **GoDirect™ Fuel Efficiency** Software
- In Partnership With Intel, Launched **Honeywell InView** Unmanned Aerial Vehicle Inspection Service For The Utility, Energy, Infrastructure, And Oil & Gas Industries

## Home And Building Technologies



- Kuala Lumpur International Airport Selected Honeywell Building Solutions To Upgrade **Lighting Control And Monitoring System**
- **Smart Energy** Selected To Provide Up To 600K Water Meters To The Largest Water Utility In The Netherlands

## Performance Materials And Technologies



- China's Nanjing Chengzhi Yongqing Energy Technology Co. Ltd. Will Build Second Coal-To-Plastics Plant Using **UOP MTO Technology**
- Kuwait Paraxylene Production Co. Will Use **Honeywell Connected Plant** Services To Improve Plant Performance

## Safety And Productivity Solutions

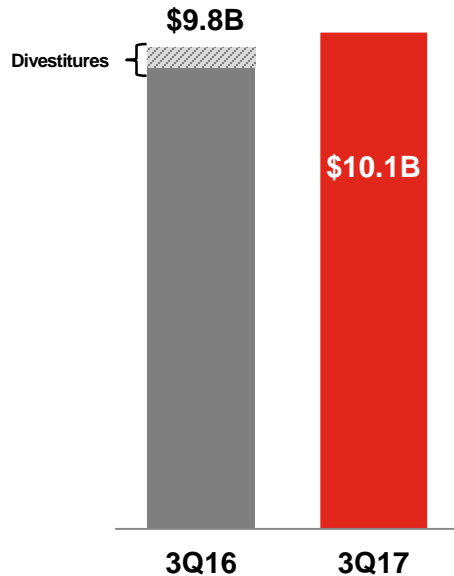


- Launched **Android-Based Mobility Edge Hardware And Software Platform**
- **Donated ~\$2.5M** In Personal Protective Equipment And Safety Products To Aid In Recovery Efforts Following Recent Natural Disasters

# 3Q17 Financial Summary

## Sales

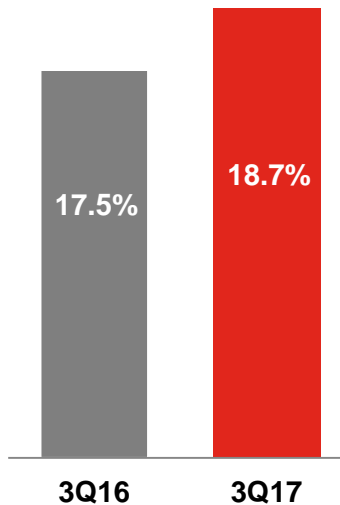
Up 5%  
Organic



- Reported Sales Up 3%
- + Aero Commercial Aftermarket, UOP, Advanced Materials, Intelligrated
- Productivity Products, International Defense

## Segment Margin

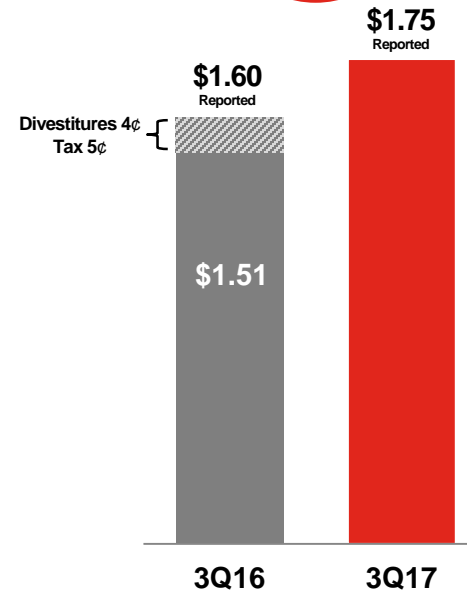
Up 120  
bps



- Segment Profit Up 13% Ex-Divestitures
- + Productivity Net Of Inflation, Restructuring Benefits
- + Commercial Excellence

## EPS

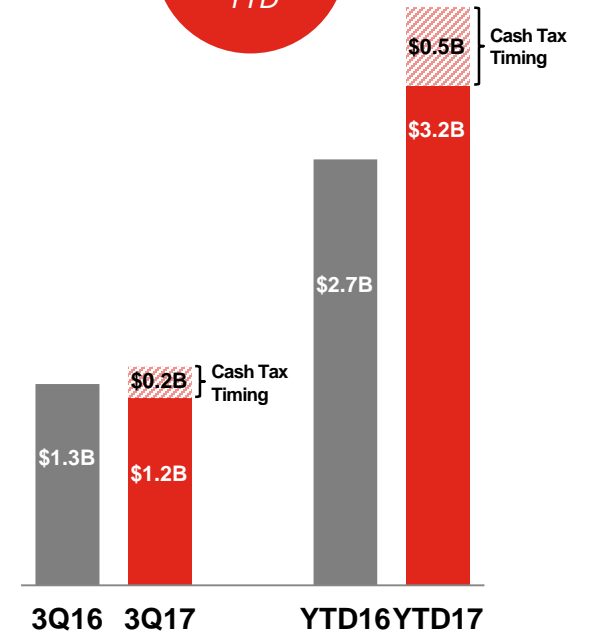
Up 16%



- Reported EPS Of \$1.75, Up 9%
- Lower Tax Rate, Higher Restructuring

## FCF

Up 18%  
YTD



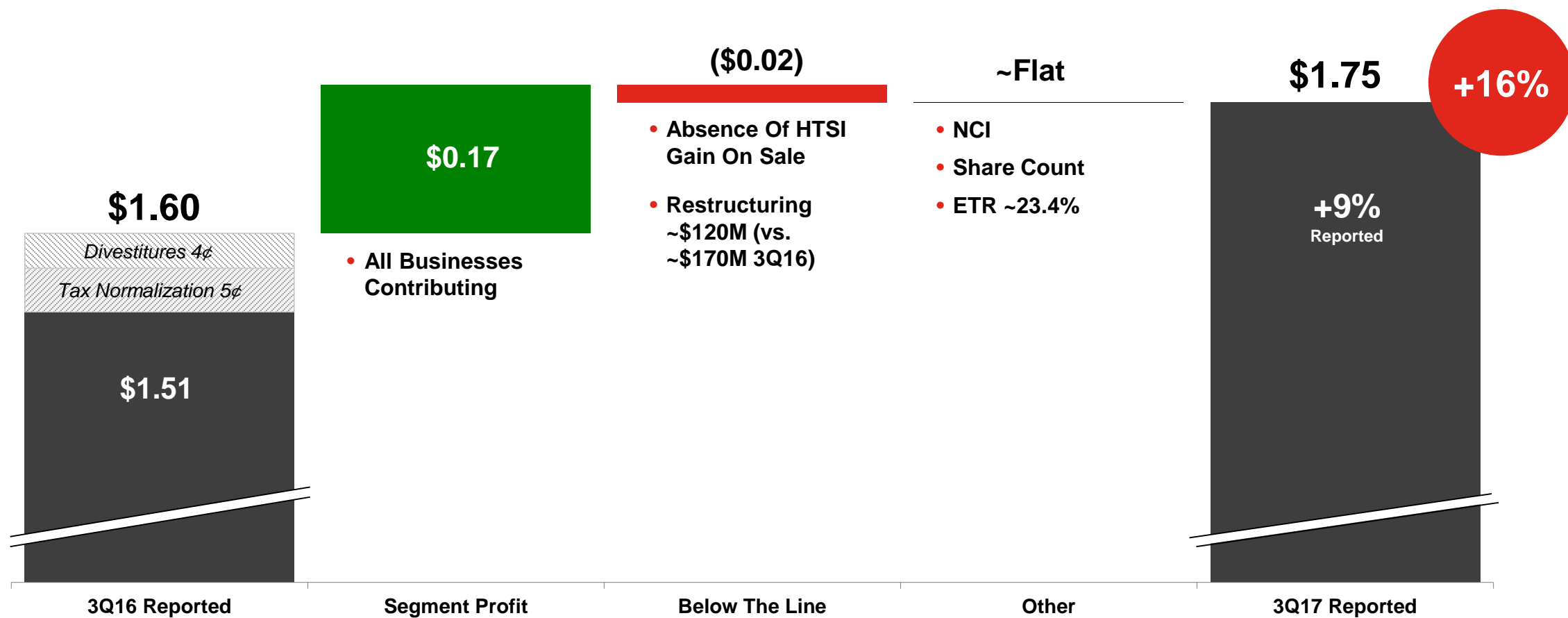
- + Strong Operational Performance
- + ~90% Conversion In 3Q
- Cash Tax Timing Impact – 3Q: ~\$0.2B, YTD: ~\$0.5B

16% EPS V% Excludes 2016 Divestitures And Additional 3Q17 Restructuring, Normalized For Tax At 26%

# 3Q 2017 Segment Results

(\$M)	Sales	Segment Margin Change (bps)	Commentary
Aero	<b>\$3,657</b> Up 2% Up 4% Organic	<b>21.3%</b> Up 290	<ul style="list-style-type: none"> <li>+ Commercial Aftermarket Growth; Lower OE Incentives</li> <li>+ Commercial Vehicles And Light Vehicle Gas Strength</li> <li>± Strong U.S. Defense Volumes; Weak Space; Int'l Defense Timing</li> </ul>
HBT	<b>\$2,790</b> Up 3% Up 2% Organic	<b>16.4%</b> Up 10	<ul style="list-style-type: none"> <li>+ Growth In China And Global Distribution</li> <li>+ Smart Meter Rollouts In North America And EMEA</li> <li>- Lower Volumes In Products</li> </ul>
PMT	<b>\$2,260</b> Down (3%) Up 10% Organic	<b>23.3%</b> Up 170	<ul style="list-style-type: none"> <li>+ 25% UOP Growth, Driven By Double-Digit Growth In All UOP LOBs</li> <li>+ Continued Demand For Solstice® Low-Global-Warming Products</li> <li>+ Orders And Backlog Up High Single-Digits</li> </ul>
SPS	<b>\$1,414</b> Up 21% Up 3% Organic	<b>15.1%</b> Up 40 Up 190 bps ex-M&A	<ul style="list-style-type: none"> <li>+ Double-Digit Sales Growth At Intelligrated</li> <li>+ Higher Volumes In Safety, Workflow Solutions, And Sensing</li> <li>- Continued Mobility Sales Softness In Productivity Products</li> </ul>

# 3Q 2017 EPS



16% EPS V% Excludes 2016 Divestitures And Additional 3Q17 Restructuring, Normalized For Tax At 26%

# 4Q 2017 Preview

**\$10.5B -  
\$10.7B**  
Total HON  
Sales

	Sales	Segment Margin	Assumptions
Aero	<b>2% - 4%</b> <i>1% - 3% Organic</i>	<b>Up 70 - 90 bps</b>	<ul style="list-style-type: none"> <li>• U.S. Defense Strength; Growth In Commercial Aftermarket</li> <li>• EU Diesel And Light Vehicle Gas Launches</li> </ul>
HBT	<b>3% - 5%</b> <i>2% - 3% Organic</i>	<b>Down (10) - (30) bps</b>	<ul style="list-style-type: none"> <li>• Growth In Smart Energy And Distribution Continues</li> <li>• Strong HBS Backlog Conversion; Security And Fire Improve</li> </ul>
PMT	<b>11% - 13%</b> <i>10% - 12% Organic</i>	<b>Down (110) - (120) bps</b>	<ul style="list-style-type: none"> <li>• Double-Digit UOP Growth, Continued Solstice® Demand</li> <li>• Tough Margin Comparison (Up 500+ bps In 4Q16)</li> <li>• Unfavorable Mix Of Equipment Vs. Catalyst Sales In UOP</li> </ul>
SPS	<b>6% - 8%</b> <i>5% - 7% Organic</i>	<b>Up 110 - 130 bps</b>	<ul style="list-style-type: none"> <li>• Strong Safety, Retail, And Sensing Growth</li> <li>• Double-Digit Intelligrated Growth</li> </ul>
HON	<b>5% - 7%</b> <i>4% - 6% Organic</i>	<b>Up 30 - 50 bps</b>	<ul style="list-style-type: none"> <li>• Effective Tax Rate ~21%</li> <li>• Anticipate Higher Restructuring</li> </ul>



# 2017 Financial Guidance Summary

## Total Honeywell

### Sales

**\$40.2B - \$40.4B**

Up 2% - 3%

**3% - 4% Organic**

### Segment Margin

**~19.0%**

Up 70 bps

### EPS

**\$7.05 - \$7.10**

Up 9% - 10%

Ex-Divestitures,  
Debt Refinancing

### FCF

**\$4.6 - \$4.7B**

Up 5% - 7%

## By Segment

### Sales

### Margin

Aero

**\$14.6B - \$14.7B**

~(1%)

~2% Organic

**21.7% - 21.8%**

Up 140 - 150

HBT

**\$10.9B - \$11.0B**

~3%

~3% Organic

**15.9% - 16.0%**

Up 10 - 20

PMT

**~\$9.1B**

~(2%)

~8% Organic

**~23.5%**

Up ~140

SPS

**~\$5.6B**

~20%

~3% Organic

**15.0% - 15.1%**

Up 30 - 40

Up 160+ ex- M&A

Full-Year Effective Tax Rate Expected To Be ~22%

# Summary

- **Outstanding Third Quarter – Clean Beat In All Segments**
- **Strong Orders And Backlog Growth Across The Business**
- **Expect Fourth Quarter Organic Sales Growth Of 4% - 6%, Earnings Of \$1.79 - \$1.84**
- **Previously Raised Low-End Of 2017 EPS Guidance By 5¢ To \$7.05 - \$7.10**
- **Investments To Drive Future Profitable Growth Continue**

# *Appendix*

# 3Q17 Segment Sales Results

	Reported	Organic
<b>Aerospace</b>	<b>2%</b>	<b>4%</b>
Commercial Aviation Original Equipment	10%	10%
Commercial Aviation Aftermarket	8%	7%
Defense & Space	(12%)	(2%)
Transportation Systems	5%	3%
<b>Home And Building Technologies</b>	<b>3%</b>	<b>2%</b>
Products	4%	2%
Distribution	3%	2%
<b>Performance Materials And Technologies</b>	<b>(3%)</b>	<b>10%</b>
UOP	25%	25%
Honeywell Process Solutions	6%	5%
Advanced Materials	(28%)	6%
<b>Safety And Productivity Solutions</b>	<b>21%</b>	<b>3%</b>
Safety	2%	1%
Productivity Solutions	36%	4%

## Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margins

(\$M)	3Q16	4Q16	2016	3Q17
Aerospace	\$663	\$739	\$2,991	\$780
Home and Building Technologies	441	470	1,683	458
Performance Materials and Technologies	503	566	2,050	526
Safety and Productivity Solutions	172	185	680	213
Corporate	(59)	(61)	(218)	(82)
<b>Segment Profit</b>	<b>\$1,720</b>	<b>\$1,899</b>	<b>\$7,186</b>	<b>\$1,895</b>
Stock Compensation Expense <sup>(1)</sup>	(49)	(39)	(184)	(39)
Repositioning and Other <sup>(2,3)</sup>	(290)	(136)	(679)	(244)
Pension Ongoing Income <sup>(1)</sup>	146	154	601	183
Pension Mark-to-Market Expense <sup>(1)</sup>	-	(273)	(273)	-
Other Postretirement Income <sup>(1)</sup>	7	8	32	6
<b>Operating Income</b>	<b>\$1,534</b>	<b>\$1,613</b>	<b>\$6,683</b>	<b>\$1,801</b>
<b>Segment Profit</b>	<b>\$1,720</b>	<b>\$1,899</b>	<b>\$7,186</b>	<b>\$1,895</b>
÷ Sales	<b>\$9,804</b>	<b>\$9,985</b>	<b>\$39,302</b>	<b>\$10,121</b>
<b>Segment Profit Margin %</b>	<b>17.5%</b>	<b>19.0%</b>	<b>18.3%</b>	<b>18.7%</b>
<b>Operating Income</b>	<b>\$1,534</b>	<b>\$1,613</b>	<b>\$6,683</b>	<b>\$1,801</b>
÷ Sales	<b>\$9,804</b>	<b>\$9,985</b>	<b>\$39,302</b>	<b>\$10,121</b>
<b>Operating Income Margin %</b>	<b>15.6%</b>	<b>16.2%</b>	<b>17.0%</b>	<b>17.8%</b>

(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) Included in cost of products and services sold, selling, general and administrative expenses, and other income/expense.

We define segment profit as operating income, excluding stock compensation expense, pension ongoing income or expense, pension mark-to-market expense, other postretirement income or expense, and repositioning and other charges. We believe these measures are useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

A quantitative reconciliation of segment profit, on an overall Honeywell basis, to operating income has not been provided for forward-looking measures of segment profit and segment margin included herewithin. Management cannot reliably predict or estimate, without unreasonable effort, the impact and timing on future operating results arising from items excluded from segment profit, particularly pension mark-to-market expense as it is dependent on macroeconomic factors, such as interest rates and the return generated on invested pension plan assets. The information that is unavailable to provide a quantitative reconciliation could have a significant impact on our reported financial results.



## Calculation of Segment Profit Excluding Divestitures

(\$M)

**Segment Profit**  
**Less: Segment Profit From Divestitures**  
**Segment Profit Excluding Divestitures**

**3Q16**

**\$1,720**

**\$41**

**\$1,679**

## Calculation of Segment Profit Margin Excluding Mergers and Acquisitions

<i>(\$M)</i>	<u>3Q17</u>
<b>Safety and Productivity Solutions</b>	
Segment Profit Excluding Mergers and Acquisitions	\$202
÷ Sales Excluding Mergers and Acquisitions	<u>\$1,219</u>
Segment Profit Margin Excluding Mergers and Acquisitions %	<u>16.6%</u>

## Reconciliation of Organic Sales % Change

<b>Honeywell</b>	<b>3Q17</b>
Reported Sales % Change	3%
Less: Foreign Currency Translation	1%
Less: Acquisitions and Divestitures, Net	(3%)
<b>Organic Sales % Change</b>	<b>5%</b>
<b>Aerospace</b>	
Reported Sales % Change	2%
Less: Foreign Currency Translation	1%
Less: Acquisitions and Divestitures, Net	(3%)
<b>Organic Sales % Change</b>	<b>4%</b>
<b>Home and Building Technologies</b>	
Reported Sales % Change	3%
Less: Foreign Currency Translation	1%
Less: Acquisitions and Divestitures, Net	-
<b>Organic Sales % Change</b>	<b>2%</b>
<b>Performance Materials and Technologies</b>	
Reported Sales % Change	(3%)
Less: Foreign Currency Translation	1%
Less: Acquisitions and Divestitures, Net	(14%)
<b>Organic Sales % Change</b>	<b>10%</b>
<b>Safety and Productivity Solutions</b>	
Reported Sales % Change	21%
Less: Foreign Currency Translation	1%
Less: Acquisitions and Divestitures, Net	17%
<b>Organic Sales % Change</b>	<b>3%</b>

We define organic sales percent as the year-over-year change in reported sales relative to the comparable period, excluding the impact on sales from foreign currency translation and acquisitions, net of divestitures. We believe this measure is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

A quantitative reconciliation of reported sales percent change to organic sales percent change has not been provided for forward-looking measures of organic sales percent change because management cannot reliably predict or estimate, without unreasonable effort, the fluctuations in global currency markets that impact foreign currency translation, nor is it reasonable for management to predict the timing, occurrence and impact of acquisition and divestiture transactions, all of which could significantly impact our reported sales percent change.

## Reconciliation of Cash Provided by Operating Activities to Free Cash Flow

(\$M except for 2017E in \$B)

Cash Provided by Operating Activities  
Expenditures for Property, Plant and Equipment  
Free Cash Flow

	<u>3Q16</u>	<u>3Q17</u>	<u>YTD3Q16</u>	<u>YTD3Q17</u>	<u>2016</u>	<u>2017E</u>
	\$1,554	\$1,407	\$3,456	\$3,794	\$5,498	\$5.7 - \$5.8
	(274)	(212)	(749)	(613)	(1,095)	~(1.1)
	<u>\$1,280</u>	<u>\$1,195</u>	<u>\$2,707</u>	<u>\$3,181</u>	<u>\$4,403</u>	<u>\$4.6 - \$4.7</u>

## Reconciliation of Cash Provided by Operating Activities to Free Cash Flow and Calculation of Free Cash Flow Conversion

<i>(\$M)</i>	<b>3Q17</b>
Cash Provided by Operating Activities	<u>\$1,407</u>
Expenditures for Property, Plant and Equipment	<u>(212)</u>
Free Cash Flow	<u><u>\$1,195</u></u>
Cash Provided by Operating Activities	<u>\$1,407</u>
÷ Net Income Attributable to Honeywell	<u>\$1,348</u>
Operating Cash Flow Conversion %	<u><u>104%</u></u>
Free Cash Flow	<u>\$1,195</u>
÷ Net Income Attributable to Honeywell	<u>\$1,348</u>
Free Cash Flow Conversion %	<u><u>89%</u></u>



## Calculation of Earnings Per Share at 26% Tax Rate Excluding 3Q17 Additional Restructuring and 2016 Divestitures

	Three Months Ended	
	3Q16	3Q17
<i>(\$M except per share amounts)</i>		
Income Before Taxes	\$1,632	\$1,783
Taxes at 26%	424	464
Net Income at 26% Tax Rate	\$1,208	\$1,319
Less: Net Income Attributable to the Noncontrolling Interest	8	17
Net Income Attributable to Honeywell at 26% Tax Rate	<u>\$1,200</u>	<u>\$1,302</u>
Weighted Average Number of Shares Outstanding - Assuming Dilution	<u>774.4</u>	<u>771.4</u>
Earnings Per Share at 26% Tax Rate	\$1.55	\$1.69
Less: Earnings Per Share Attributable to 2016 Divestitures <sup>(1)</sup>	0.04	-
Less: Earnings Per Share Attributable to Additional Restructuring <sup>(2)</sup>	-	(0.06)
Earnings Per Share of Common Stock - Assuming Dilution, at 26% Tax Rate, Excluding Additional Restructuring and 2016 Divestitures	<u>\$1.51</u>	<u>\$1.75</u>
Earnings Per Share of Common Stock - Assuming Dilution	\$1.60	\$1.75
Less: Earnings Per Share Impact of Normalizing to 26% Tax Rate	0.05	0.06
Less: Earnings Per Share Attributable to 2016 Divestitures <sup>(1)</sup>	0.04	-
Less: Earnings Per Share Attributable to Additional Restructuring <sup>(2)</sup>	-	(0.06)
Earnings Per Share of Common Stock - Assuming Dilution, at 26% Tax Rate, Excluding Additional Restructuring and 2016 Divestitures	<u>\$1.51</u>	<u>\$1.75</u>

(1) Earnings per share attributable to 2016 divestitures utilizes weighted average shares of 774.4 million and a blended tax rate of 32.9% for the three months ended September 30, 2016.

(2) The Company has and continues to have an ongoing level of restructuring activities, for which there is a planned amount of restructuring-related charges. For the three months ended September 30, 2017, the Company funded approximately \$60 million of additional restructuring enabled by a lower than expected effective tax rate for the period. We believe that the exclusion of this additional restructuring provides a more comparable measure of year-on-year results. Earnings per share attributable to additional restructuring uses a tax rate of 26% for three months ended September 30, 2017.

We believe earnings per share adjusted to normalize for the expected effective tax rate of 26% for the most recently completed fiscal quarter (as presented in prior guidance for such quarter) and to exclude the 2016 divestitures is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

## Reconciliation of EPS to EPS, Excluding Pension Mark-to-Market Expense, Debt Refinancing Expense and Earnings Attributable to 2016 Divestitures

	<b>2016</b> <sup>(1)</sup>	<b>2017E</b> <sup>(2)</sup>
<b>Earnings Per Share of Common Stock - Assuming Dilution (EPS)</b>	<b>\$6.20</b>	<b>TBD</b>
<b>Pension Mark-to-Market Expense</b>	<b>0.28</b>	<b>TBD</b>
<b>Debt Refinancing Expense</b>	<b>0.12</b>	<b>-</b>
<b>EPS Attributable to 2016 Divestitures</b>	<b>(0.14)</b>	<b>-</b>
<b>EPS, Excluding Pension Mark-to-Market Expense, Debt Refinancing Expense and 2016 Divestitures</b>	<b>\$6.46</b>	<b>\$7.05 - \$7.10</b>

(1) Utilizes weighted average shares of 775.3 million. Pension mark-to-market expense uses a blended tax rate of 21.3%. Debt refinancing expense uses a tax rate of 26.5%. Earnings attributable to 2016 divestitures uses a blended tax rate of 33.9%.

(2) Utilizes weighted average shares of approximately 772 million and an expected effective tax rate of approximately 22%.

We believe EPS, excluding pension mark-to-market expense, debt refinancing expense and earnings attributable to 2016 divestitures is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends. Management cannot reliably predict or estimate, without unreasonable effort, the pension mark-to-market expense as it is dependent on macroeconomic factors, such as interest rates and the return generated on invested pension plan assets. We therefore do not include an estimate for the pension mark-to-market expense in this reconciliation. Management is not currently forecasting an impact to earnings per share arising from a debt refinancing or divestiture transaction. Based on economic and industry conditions, future developments and other relevant factors, these assumptions are subject to change.