



HONEYWELL THIRD QUARTER 2015
Earnings Release

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.

Definition Of Core Organic Growth

Throughout this presentation, core organic sales growth refers to reported sales growth less the impacts from foreign currency translation, M&A and raw materials pass-through pricing in the Resins & Chemicals business of PMT. The raw materials pricing impact is excluded in instances where raw materials costs are passed through to customers, which drives fluctuations in selling prices not tied to volume growth. A reconciliation of core organic sales growth to reported sales growth is provided in the Appendix.

Overview

• Another Quarter Of Strong Earnings Growth

- Sales Of \$9.6B, +1% Core Organic
- Reported Sales Decline 5% Resulting From F/X And R&C Pass-Through Pricing Impact
- Segment Margin Up 190 bps To 19.3%; ~140 bps Driven By Operational Improvement
- EPS Up 10% Normalized For Tax ⁽¹⁾, Funded \$34M Net Restructuring Through Operations

• Remain Confident In 2015 Earnings Outlook

- Confirming 2015 EPS Guidance Range At ~\$6.10, Up 10% YoY ⁽²⁾
- Continued Margin Expansion – HOS Gold, Ongoing Restructuring Benefits
- Expected 2015 Reported Sales ~\$38.7B, Up ~2% Core Organic

• 2016: Path To Earnings Outperformance, Modest Sales Growth

- Continued Benefits From Growth Investments – High ROI CapEx, HGR, New Products
- Traction On Key Process Initiatives And Restructuring Drives Productivity Improvements
- Announced Elster Acquisition, On Track To Close By 1Q 2016

1) Normalized EPS V% Adjusted to Expected Full Year 2015 Tax Rate of 26.5%

2) EPS, V% Exclude Pension Mark-To-Market Adjustment

3Q 2015 Financial Summary

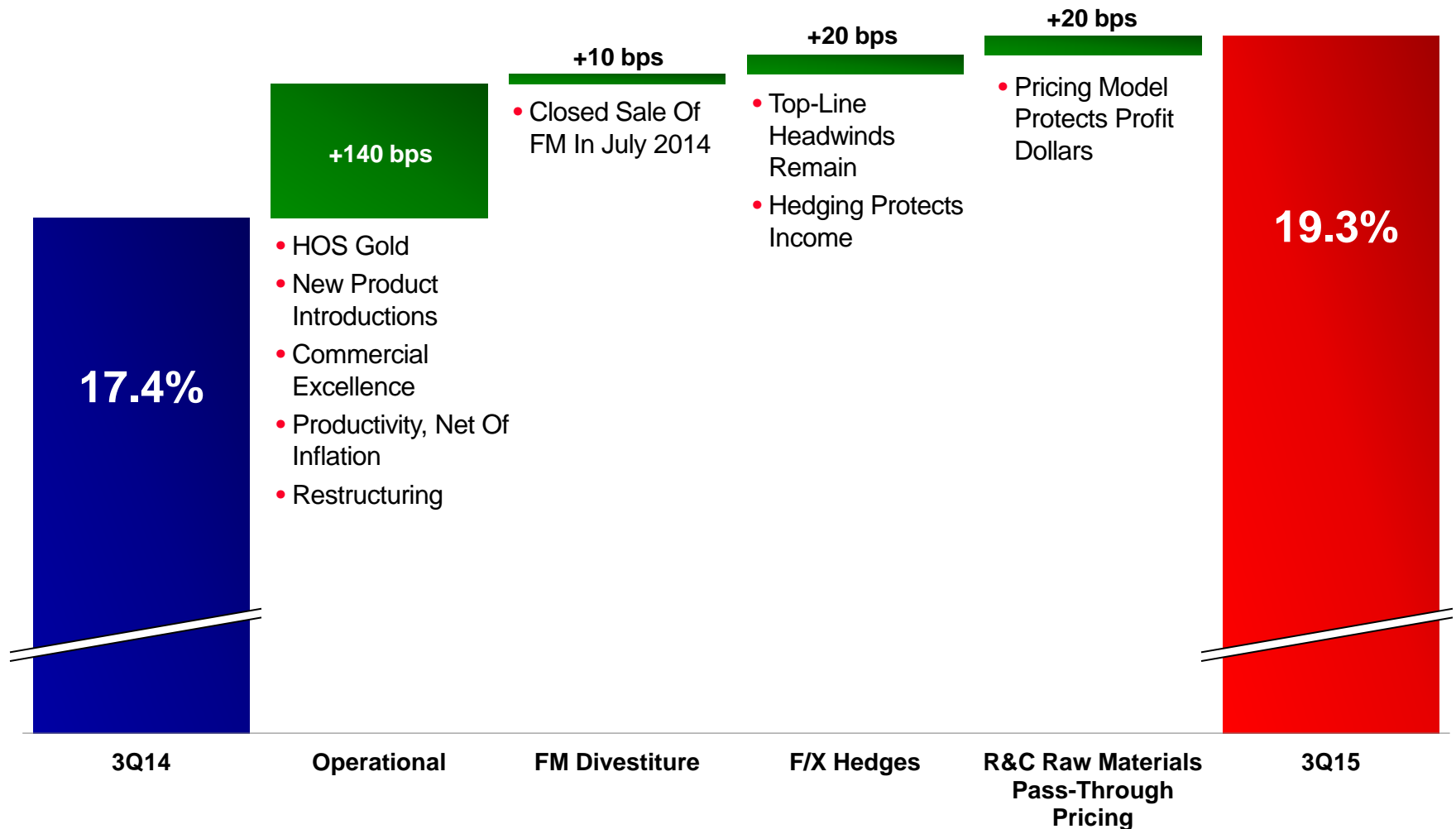
(\$M except per share amounts)

	<u>3Q14</u>	<u>3Q15</u>	
Sales	\$10,108	\$9,611	<ul style="list-style-type: none"> • 5% Decrease <ul style="list-style-type: none"> ◆ Core Organic Up 1%
Segment Profit	\$1,759	\$1,852	<ul style="list-style-type: none"> • 5% Increase <ul style="list-style-type: none"> ◆ 190 bps Margin Expansion
<i>Margin %</i>	17.4%	19.3%	
Net Income	\$1,167	\$1,264	<ul style="list-style-type: none"> • 8% Increase
<i>Attributable to Honeywell</i>			
EPS	\$1.47	\$1.60	<ul style="list-style-type: none"> • 9% Increase <ul style="list-style-type: none"> ◆ Up 10% Normalized For Tax ⁽¹⁾ ◆ Accelerated Planned Share Repurchase
<i>Tax Rate</i>	24.6%	25.2%	
Free Cash Flow ⁽²⁾	\$974	\$1,389	<ul style="list-style-type: none"> • 110% Conversion

1) Normalized EPS V% Adjusted to Expected Full Year 2015 Tax Rate of 26.5%

2) Cash Flow from Operations Less Capital Expenditures

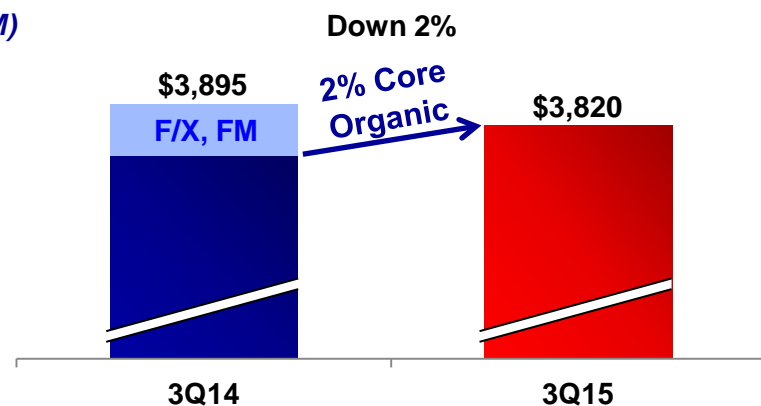
3Q 2015 Segment Margin Expansion



Aerospace

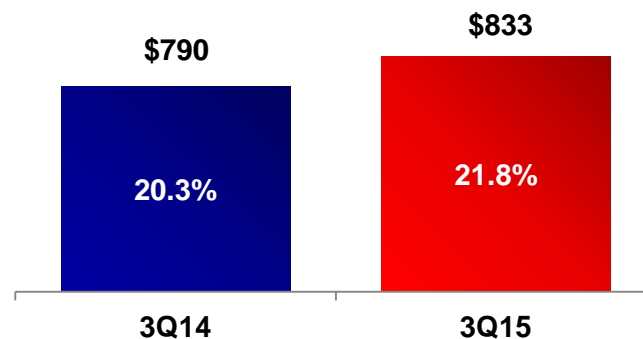
Sales

(\$M)



Segment Margin

Up 150 bps



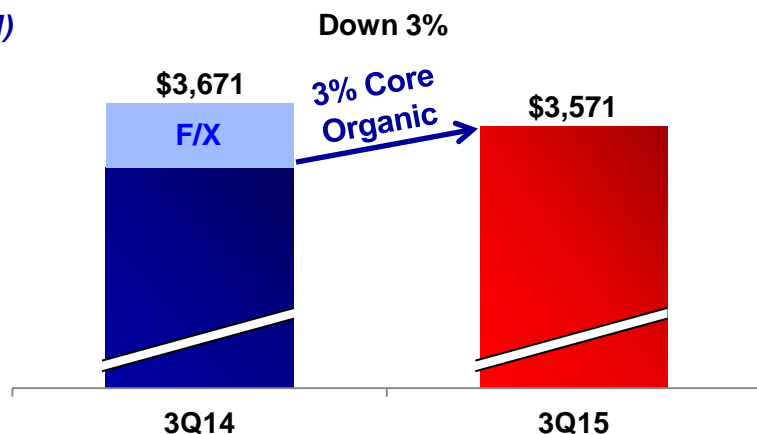
- **Commercial OE +3%, Core Organic +4%**
 - Strong BGA Engine Shipments
- **Commercial AM +2%, Core Organic +3%**
 - Continued R&O Momentum – ATR, BGA
- **D&S +1%, Core Organic Up 2%**
 - International Up Double-Digit Core Organic
- **TS Down 16%, Core Organic Up 1%**
 - Strong Gas Turbo Demand, CV Weak
 - F/X Headwinds, FM Divestiture

- **Segment Profit Up 5%**
- **Segment Margin Up 150 bps**
 - + Commercial Excellence
 - + Productivity Net Of Inflation
 - + Foreign Currency Hedges
 - + FM Divestiture
 - OE / Aftermarket Mix
 - Continued Growth Investments

Automation and Control Solutions

Sales

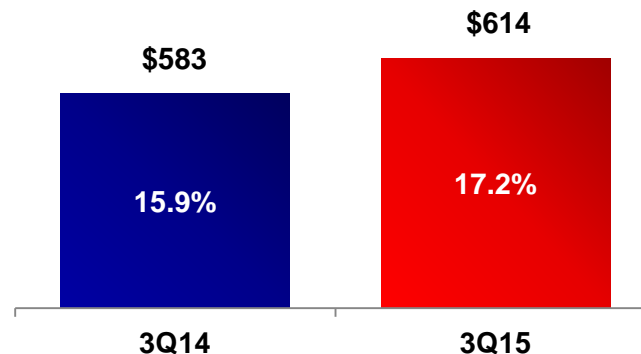
(\$M)



- **ESS Down 1%, Core Organic Up 4%**
 - Security And Fire Growth Across All Regions
 - Sensing & Productivity Solutions Volume Growth
 - China Up Double-Digit
- **BSD Down 6%, Core Organic Up 1%**
 - Continued Americas Distribution Strength
 - Slower Backlog Conversion

Segment Margin

Up 130 bps

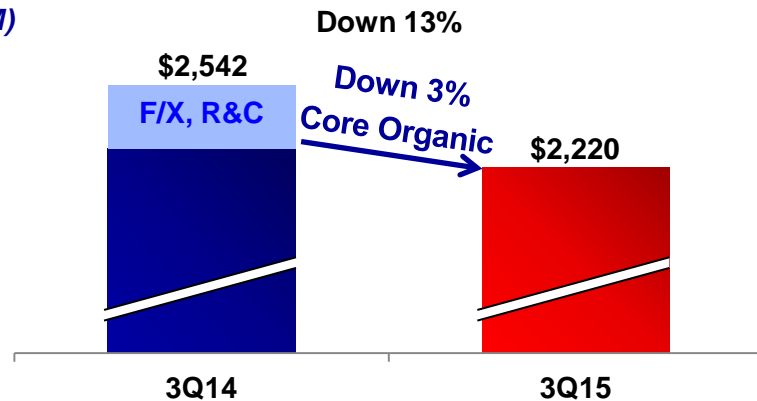


- **Segment Profit Up 5%**
- **Segment Margin Up 130 bps**
 - + Productivity Net Of Inflation
 - + Volume
 - + Commercial Excellence
 - Continued Growth Investments

Performance Materials and Technologies

Sales

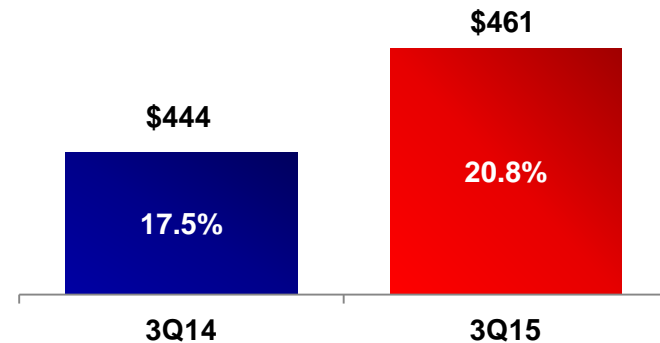
(\$M)



- **UOP Down 16%, Core Organic Down 15%**
 - Gas Processing, Equip./Licensing Declines
 - Higher Catalyst Shipments, Strong Orders
- **HPS Down 15%, Core Organic Down 5%**
 - Projects And Field Products Weakness
 - Software And Services Flat
- **Adv Mat Down 8%, Core Organic Up 8%**
 - FP Double-Digit Growth As Solstice Ramps
 - R&C Lower Pass-Through Pricing, Lower Volume

Segment Margin

Up 330 bps



- **Segment Profit Up 4%**
- **Segment Margin Up 330 bps**
 - + Productivity Net Of Inflation
 - + Commercial Excellence
 - + R&C Raw Materials Pass-Through Pricing
 - + Higher UOP Catalyst Sales
 - Continued Growth Investments

4Q15 Preview

	<u>Sales Change</u>	<u>Margin Change</u>	<u>Comments</u>
Aero	3% - 4% <i>1 - 2% Core Organic</i>	Up 410 - 430 bps <i>Up 40 - 60 bps ex-4Q14 \$184M OEM Incentives</i>	<ul style="list-style-type: none"> • 4Q14 \$184M OEM Incentives • BGA Engine Deliveries • Continued R&O Growth • D&S Tough International Comp • Strong Gas Turbo Volume
ACS	(2%) - (3%) <i>2 - 3% Core Organic</i>	Up 70 - 90 bps	<ul style="list-style-type: none"> • Short Cycle Comm'l Products Growth • High Growth Region Penetration • ESS Tougher Comp (S&PS) • BSD Slow Backlog Conversion
PMT	(9%) - (10%) <i>(2%) - (3%) Core Organic</i>	Up 300 - 320 bps	<ul style="list-style-type: none"> • Continued Oil & Gas Weakness • UOP Catalyst Growth • Fluorine Products Timing • Proactive Cost Management
Honeywell	(1%) - (2%) <i>1 - 2% Core Organic</i>	Up 270 - 290 bps <i>Up 120 - 140 bps ex-4Q14 \$184M OEM Incentives</i>	<ul style="list-style-type: none"> • Sales \$10.0-\$10.2B

*EPS, V% Exclude Pension Mark-To-Market Adjustment; Assumes 27.5% ETR In 4Q15

2015 Financial Guidance Summary

	Sales		Segment Margin	
	\$	<u>Change</u>	%	<u>Change</u>
Aero	~\$15.2B	(~2%) ~2% Core Organic	~21.1%	Up ~240 bps Up ~150 bps ex-4Q14 \$184M OEM Incentives
ACS	~\$14.1B	(~2%) ~3% Core Organic	~16.4%	Up ~120 bps
PMT	~\$9.3B	(~9%) (~1%) Core Organic	~20.8%	Up ~300 bps
HON	~\$38.7B	(~4%) ~2% Core Organic	~18.8%	Up ~220 bps Up ~180 bps ex-4Q14 \$184M OEM Incentives

* EPS, V% Exclude Pension Mark-To-Market Adjustment

2016 Initial Planning Framework

Business		% of Sales (2015E)	2016 YoY Outlook - Neutral +		Highlights
Aero	Commercial OE	7%		✓	<ul style="list-style-type: none"> Continued BGA Growth, ATR New Wins Ramp
	Commercial AM	12%		✓	<ul style="list-style-type: none"> R&O Momentum, Growth In-Line With Flight Hours
	Defense & Space	12%		✓	<ul style="list-style-type: none"> U.S. Stabilizing, Int'l Growing But Tougher Comps
	Transportation Systems	8%		✓	<ul style="list-style-type: none"> Global Gas Turbo Penetration, New Launches
ACS	Energy, Safety And Security	25%		✓	<ul style="list-style-type: none"> Products Growth Steady + Elster
	Building Solutions & Dist.	12%		✓	<ul style="list-style-type: none"> Backlog And Service Growth, Slower Conversion
PMT	UOP	8%	✓		<ul style="list-style-type: none"> Equip. Declines Taper; Continuing Catalyst Demand
	Process Solutions	7%		✓	<ul style="list-style-type: none"> Encouraging Backlog, Service Bank
	Advanced Materials	9%		✓	<ul style="list-style-type: none"> New Product Commercialization, Solstice Ramp
Corp	Other Corp	N/A		✓	<ul style="list-style-type: none"> Productivity, Restructuring Drive Margin Expansion Pension Income Roughly Neutral F/X Headwind ~\$0.15 EPS Impact

Summary

- **Another Quarter Of Strong Performance**

- Earnings At High End Of Guidance Range, Up 10% ⁽¹⁾
- Continued Margin Expansion And +100% Cash Conversion

- **Expecting Strong Finish To Year**

- Full Year Earnings Guidance Up ~10% ⁽²⁾
- Sixth Consecutive Year Of Double-Digit Earnings Growth

- **Confidence In Delivering 5-Year Plan**

- Outpacing Margin Targets Despite Sluggish Markets And Sales
- Planning For Similar 2016 Environment – Conservative On Costs, Maintaining Investments For Growth

1) Normalized V% Adjusted to Expected Full Year 2015 Tax Rate of 26.5%

2) V% Excludes Pension Mark-To-Market Adjustment

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

(\$M)	3Q14	3Q15
Aerospace	\$790	\$833
Automation and Control Solutions	583	614
Performance Materials and Technologies	444	461
Corporate	(58)	(56)
Segment Profit	\$1,759	\$1,852
Stock Based Compensation ⁽¹⁾	(41)	(41)
Repositioning and Other ^(1, 2)	(132)	(142)
Pension Ongoing Income ⁽¹⁾	62	96
OPEB Expense ⁽¹⁾	(12)	(10)
Operating Income	\$1,636	\$1,755
Segment Profit	\$1,759	\$1,852
÷ Sales	\$10,108	\$9,611
Segment Profit Margin %	17.4%	19.3%
Operating Income	\$1,636	\$1,755
÷ Sales	\$10,108	\$9,611
Operating Income Margin %	16.2%	18.3%

(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

(\$M)	<u>4Q14</u>	<u>2014</u>
Aerospace	\$663	\$2,915
Automation and Control Solutions	613	2,200
Performance Materials and Technologies	425	1,817
Corporate	<u>(69)</u>	<u>(236)</u>
Segment Profit	\$1,632	\$6,696
Stock Based Compensation ⁽¹⁾	(44)	(187)
Repositioning and Other ^(1, 2)	(154)	(634)
Pension Ongoing Income ⁽¹⁾	67	254
Pension Mark-to-Market Adjustment ⁽¹⁾	(249)	(249)
OPEB Expense ⁽¹⁾	<u>(12)</u>	<u>(49)</u>
Operating Income	<u>\$1,240</u>	<u>\$5,831</u>
Segment Profit	\$1,632	\$6,696
÷ Sales	<u>\$10,266</u>	<u>\$40,306</u>
Segment Profit Margin %	<u>15.9%</u>	<u>16.6%</u>
Operating Income	\$1,240	\$5,831
÷ Sales	<u>\$10,266</u>	<u>\$40,306</u>
Operating Income Margin %	<u>12.1%</u>	<u>14.5%</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 Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margins

(\$B)	<u>2015E</u>
Segment Profit	~\$7.3
Stock Based Compensation ⁽¹⁾	~(0.2)
Repositioning and Other ^(1, 2)	~(0.5)
Pension Ongoing Income ⁽¹⁾	~0.4
Pension Mark-to-Market Adjustment ⁽¹⁾	TBD
OPEB Expense ^(1, 3)	~(0.0)
Operating Income	<u>~\$6.9</u>
Segment Profit	~\$7.3
÷ Sales	~\$38.7
Segment Profit Margin %	<u>~18.8%</u>
Operating Income	~\$6.9
÷ Sales	~\$38.7
Operating Income Margin %	<u>~17.9%</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

<i>(\$M)</i>	3Q14	3Q15
Cash Provided by Operating Activities	\$1,233	\$1,666
Expenditures for Property, Plant and Equipment	(259)	(277)
Free Cash Flow	<u>\$974</u>	<u>\$1,389</u>
Free Cash Flow	\$974	\$1,389
÷ Net Income Attributable to Honeywell	<u>1,167</u>	<u>1,264</u>
Free Cash Flow Conversion %	<u>83%</u>	<u>110%</u>

Calculation of EPS at Tax Rate of 26.5%

(\$M except per share amounts)

Income Before Taxes
Taxes at 26.5%
Net Income at 26.5% Tax Rate
Less: Net Income Attributable to the Noncontrolling Interest
Net Income Attributable to Honeywell at 26.5% Tax Rate
Weighted Average Number of Shares Outstanding - Assuming Dilution
EPS at 26.5% Tax Rate

	3Q14	3Q15
	<u>\$1,580</u>	<u>\$1,707</u>
	<u>419</u>	<u>452</u>
	<u>\$1,161</u>	<u>\$1,255</u>
	<u>25</u>	<u>12</u>
	<u>\$1,136</u>	<u>\$1,243</u>
	<u>795.0</u>	<u>789.5</u>
	<u>\$1.43</u>	<u>\$1.57</u>

Reconciliation of EPS to EPS, Excluding Pension Mark-to-Market Adjustment

	4Q14⁽¹⁾	2014⁽²⁾
EPS	<u>\$1.20</u>	<u>\$5.33</u>
Pension Mark-to-Market Adjustment	<u>0.23</u>	<u>0.23</u>
EPS, Excluding Pension Mark-to-Market Adjustment	<u><u>\$1.43</u></u>	<u><u>\$5.56</u></u>

(1) Utilizes weighted average shares of 794.1 million. Mark-to-market uses a blended tax rate of 28.1%.

(2) Utilizes weighted average shares of 795.2 million. Mark-to-market uses a blended tax rate of 28.1%.

Core Organic Sales Growth Reconciliations

Honeywell

	<u>3Q15</u>
Reported sales growth	(5%)
Foreign currency translation, acquisitions, divestitures and other	5%
Raw Materials Pricing in R&C	1%
Core organic sales growth	<u>1%</u>

PMT

	<u>3Q15</u>
Reported sales growth	(13%)
Foreign currency translation, acquisitions, divestitures and other	5%
Raw Materials Pricing in R&C	5%
Core organic sales growth	<u>(3%)</u>

Advanced Materials

	<u>3Q15</u>
Reported sales growth	(8%)
Foreign currency translation, acquisitions, divestitures and other	3%
Raw Materials Pricing in R&C	13%
Core organic sales growth	<u>8%</u>

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