

May 23, 2017

## ELECTRICAL PRODUCTS GROUP CONFERENCE

Darius Adamczyk, President And CEO

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

## 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 materially 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 Annual Report on Form 10-K and other filings with the Securities and Exchange Commission.*

## Non-GAAP Financial Measures

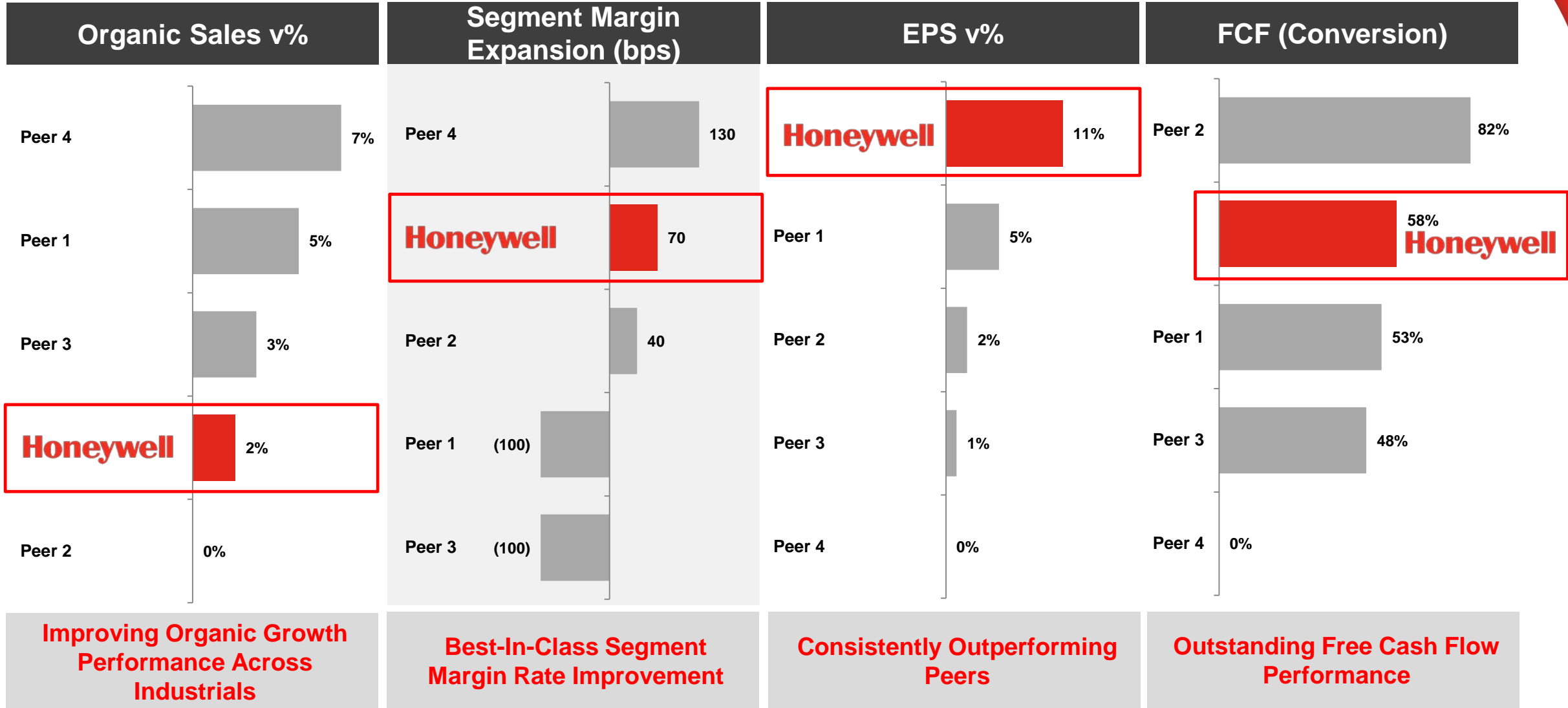
*This presentation contains financial measures presented on a non-GAAP basis. Honeywell’s non-GAAP financial measures used in this presentation are as follows: segment profit, on an overall Honeywell basis, a measure by which we assess operating performance, which we define as operating income adjusted 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; 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 full-year tax rate, 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.*



# Priority Update

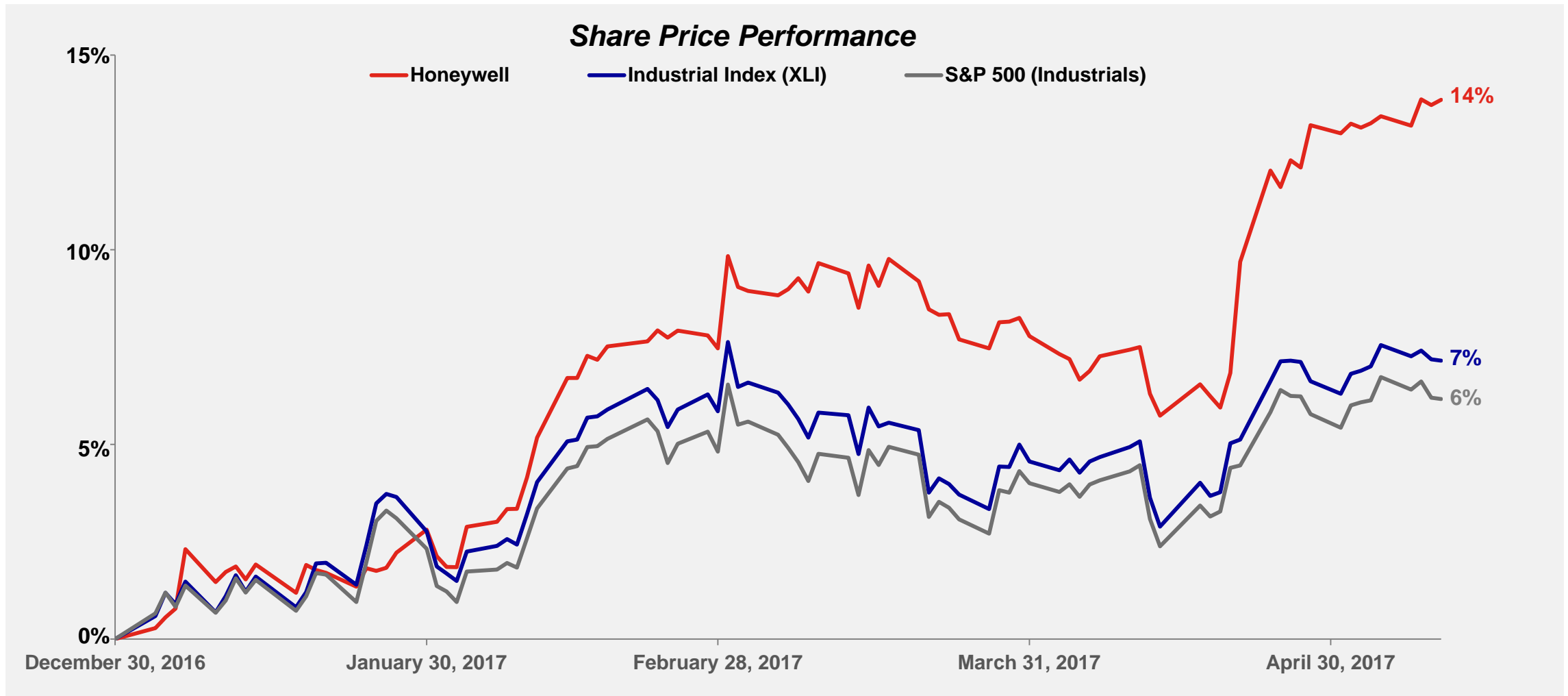
	Priority	1Q17 Update
✓	1. Accelerate Organic Growth	2%+
✓	2. Expand Margins Via Productivity Rigor	+70 bps
✓	3. Become A Software-Industrial Company	20%+ Standalone Software YoY Sales Growth (2017E)
✓	4. More Aggressive Capital Deployment – Improve Cash Conversion	Strong M&A Pipeline, 6X+ YoY Increase In FCF

# 1Q 2017 Performance Versus Peers



HON EPS V% Excludes 2016 Divestitures, Normalized For Full-Year 2017E Tax Rate

# Outperforming Our Peers And The Market



# 2017 Guidance Summary

## 2Q17 Guidance

**Sales** **\$9.7B - \$9.9B**  
(1%) - (3%) Reported  
*Flat - 2% Organic*

**Segment Margin** **19.0% - 19.3%**  
Up 50 - 80 bps

**EPS** **\$1.75 - \$1.80**  
Up 7% - 10%  
Ex-Divestitures

## April Commentary

- **Strong Performance At Performance Materials And Technologies, Aerospace**
- **Lower Conversion In Home And Building Technologies**
- **Anticipate Lower Than Planned 2Q17 Tax Rate**

## Full Year 2017 Guidance

**Sales**  
**\$38.6 - \$39.5B**  
Down (2%) - Flat  
*1% - 3% Organic*

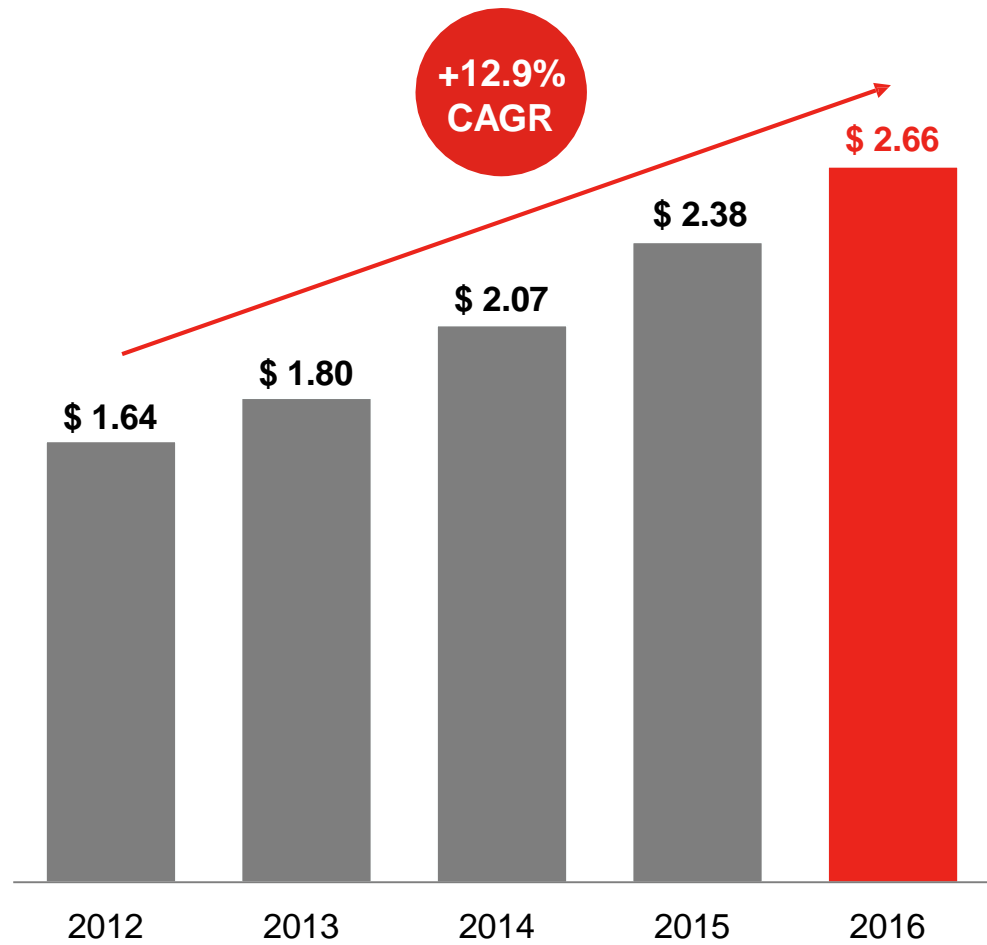
**Segment Margin**  
**19.0% - 19.4%**  
Up 70 - 110 bps

**EPS**  
**\$6.90 - \$7.10**  
Up 7% - 10%  
Ex-Divestitures,  
Debt Refinancing

**FCF**  
**\$4.6 - \$4.7B**  
Up 5% - 7%

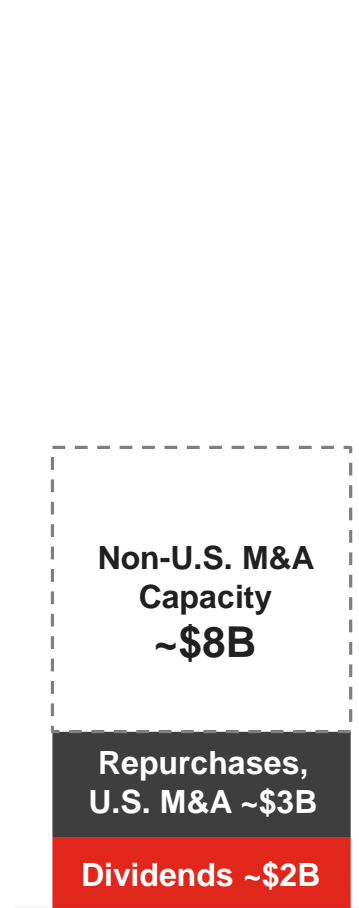
# Robust Return Of Capital To Shareholders

5-Year Year-End Annualized Cash Dividend



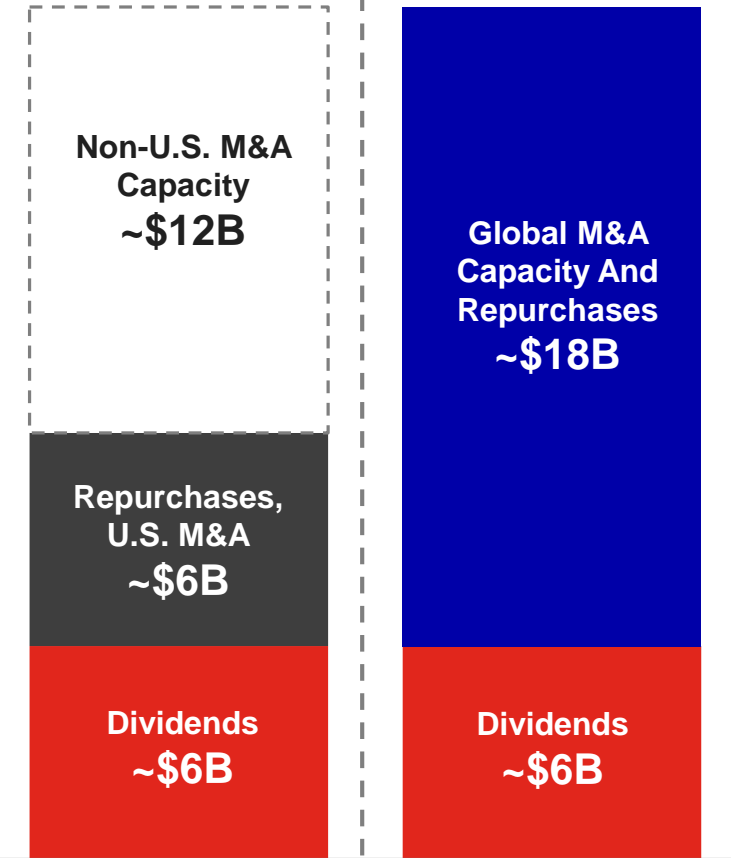
Dividend Growth > EPS Growth

Without Tax Reform



2017E

With Tax Reform



2017E - 2019E

Target 2.3X - 2.5X Leverage (Per Moody's)

# The Power Of Honeywell In Action - Recent Highlights

## Technology



- **Honeywell-Equipped COMAC C919 Takes Wing** – Four Critical Honeywell Systems On Board (Wheels And Brakes, APU, Flight Control, And Navigation) Improves The Flying Experience For C919 Operators, Flight Crews, And Passengers

## Global Capacity



- **UOP Technology And HPS Controls Selected By ZPC For Largest Crude-To-Chemicals Complex In China** – The Complex Will Help China Meet Its Goal Of Self-Sufficiency In Paraxylene And Serve As A Major New Source Of Propylene, Jet Fuel, And Other Products

## Software



- **Honeywell Software Will Improve Fuel Efficiency For Thomas Cook Airlines Scandinavia** – Connected Aircraft GoDirect™ Software Will Help The Charter Airline Identify And Communicate Ways To Improve Fuel Savings Across Its Fleet Of 14 Aircraft

## Capital Deployment



- **Honeywell Starts Up \$300 Million Automotive Refrigerant Production Facility In Louisiana** – The Plant Is The World's Largest Producer Of HFO-1234yf Low-Global-Warming Refrigerant



# Becoming A Software-Industrial Company

## Honeywell Sentience™







Common IT Stack  
Used By All Enterprises



Single Platform That All Honeywell  
Businesses Are Using To Build  
Software For Connected Offerings

## Enables Connectivity Advantage

Value Propositions Aligned And Iterated  
With End Customers

- 
**AIRCRAFT + CONNECTED**  
 130K Total Aircraft + *JetWave™*
- 
**AUTOMOBILES + CONNECTED**  
 100M Installed Base + *Software*
- 
**HOMES + CONNECTED**  
 150M Installed Base + *Lyric®*
- 
**BUILDINGS + CONNECTED**  
 10M Installed Base + *Smart Building*
- 
**SUPPLY CHAIN + CONNECTED**  
 10K Warehouses + *Vocollect*
- 
**PLANTS + CONNECTED**  
 10K Installed Base + *CPS*

**11K+**  
Software  
Engineers

# Establishment Of Honeywell Ventures

## Why It Exists

- Recognized Need To Gain Better Access To New And Innovative Ideas And Technologies
- Leverage Honeywell R&D Capabilities And Customer Access
- New Source Of Innovation Ideas
- Opportunity To Invest And Participate In Areas Of Technology Gaps

## Objective And Charter

- Enhance Access And Insights To Emerging Technologies
- Incubate And Accelerate Innovation And Growth For Honeywell
- \$100 Million Initial Fund Size

## Benefits To Honeywell

- ✓ Gain Critical Insight And Early Access To New And Adjacent Technologies, Markets, And Business Models
- ✓ Add Value To HON's Existing Portfolio Of Software And Connected Devices
- ✓ Serve To Strengthen HON's Overall Growth Profile Over The Long Term
- ✓ Enable Knowledge Transfer And Access To Intellectual Property
- ✓ Enhance Culture Of Innovation And Entrepreneurialism

## Benefits To Companies We Invest In

- ✓ Access To Honeywell Customers
- ✓ Access To Honeywell's Installed Base
- ✓ Access To Honeywell Intellectual Property
- ✓ Advanced Manufacturing Capabilities
- ✓ Ability To Leverage Honeywell's Global Presence And R&D Capabilities

# Third Point Update

## Key Arguments

- **Aerospace Will Perform Better As A Separate Company**
- **Honeywell (Ex-Aerospace) Price To Earnings Multiple Will Re-Rate**

## Honeywell's Actions

1. **Continuing The Previously Initiated Strategic Portfolio Review**
2. **Engaging Advisers And Board Of Directors**
3. **Modeling Various Scenarios As Part Of Ongoing Portfolio Review**

## Timing

**Expect To Complete Assessment By Fall**

# Recent Acquisitions Meet Criteria

## M&A Principles

- ✓ **Enhance Growth Profile**
- ✓ **Technology Differentiation Critical**
  - Hybrid Software / Physical Assets Preferred
- ✓ **Low Cyclicity**
- ✓ **Strong Alignment To Mega Trends**
- ✓ **Don't Overpay**
- ✓ **No Change To Returns Criteria**
  - Double-Digit Year-5 ROI
  - Accretive “All-In” By Year 2
  - IRR > 10%
- ✓ **Proven Ability To Integrate:**  
CEO Personally Committed To Tracking Process And Financials

<sup>1</sup>Source: Strategy& And Honeywell Estimates

## Consistently Enhancing The Portfolio

### Intelligrated®

- Aligns To e-Commerce, Software / Automation Global Megatrends
- \$20B Warehouse Automation Market, Growing 8% - 10% Per Year<sup>1</sup>

### COM DEV

- Augmented Honeywell's Strong Position In Satellite Navigation With Communication Technology
- Ability To Access New Customers In Europe

### elster

- Strong Global Market Forces Favorable To Natural Gas
- Differentiated Smart Metering Technology In \$11B Segment; Strong Gas And Electricity Positions

# Honeywell Aerospace - A Great Position In A Growing Industry

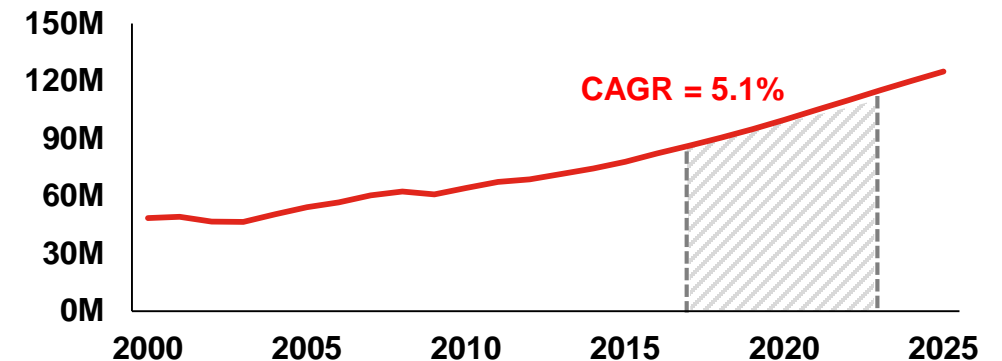
## Great Position

- **Invested Heavily, Winning Positions On New Platforms**
  - Won 75% Of Aero Platform Competitions In Last 4 Years
- **Leading Technologies With Nose-To-Tail Offerings**
  - Integrated Cockpits Install Base >10X Closest Competitor
  - Largest Installed Base Of Auxiliary Power Units
  - Navigation On 130,000 Aircraft
  - Pioneers And Leaders Of The Connected Aircraft
- **Global Presence In All Verticals - Including China**
- **Margin Expansion Track Record And Further Runway**
- **Continue To Refine Portfolio - Sale Of HTSI, Friction Materials**

## Growing Industry

- **Increasing Global Flight Hours**
- **Next Generation Of Platforms Ramping**
- **Improving Global Defense Budgets**

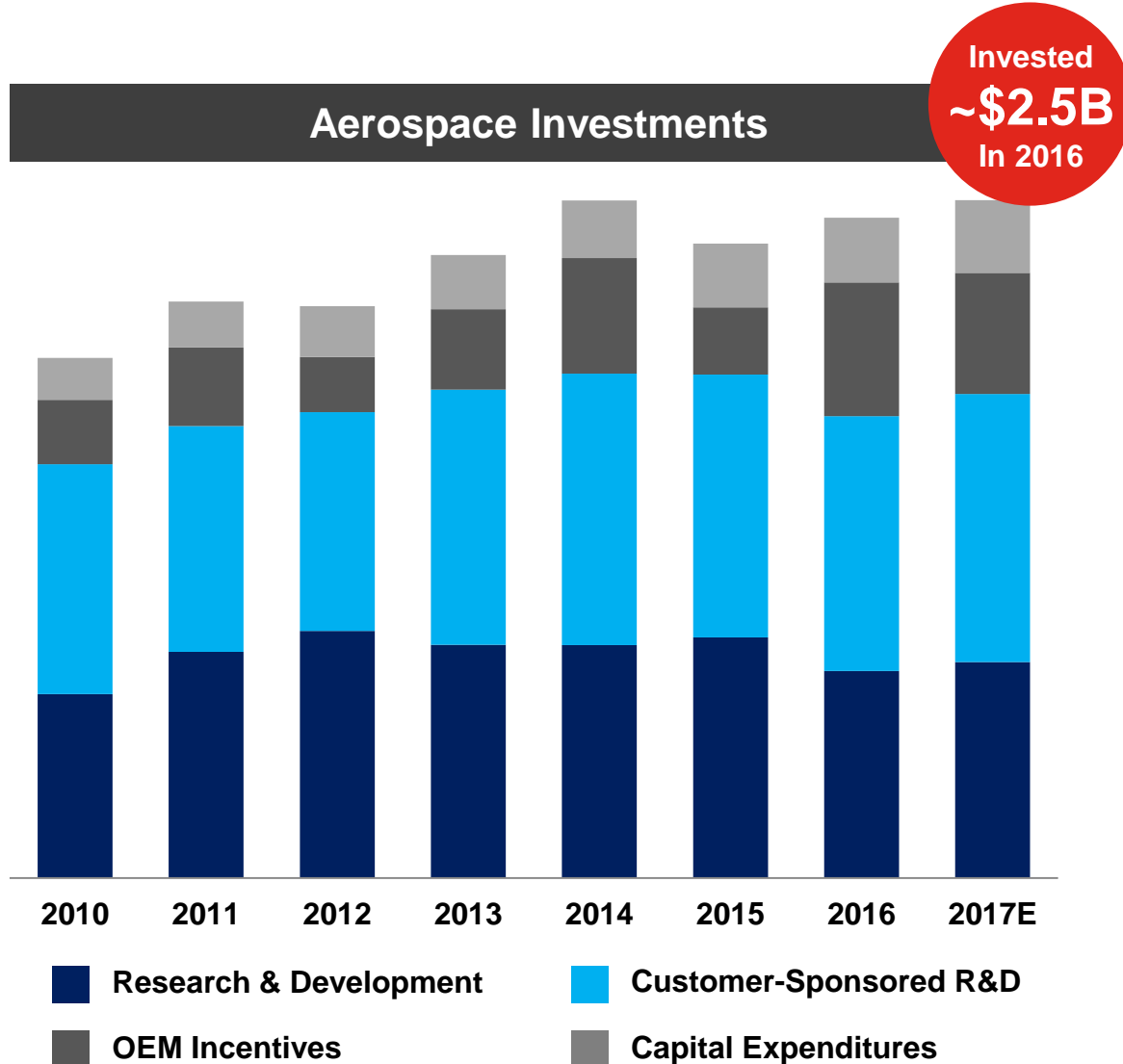
### Global Flight Hours



Data Reflects Air Transport & Regional Flight Hours, HON Estimates



# Strong Investments Track Record To Drive Growth



- Investing **Over 15%** Of Sales In Total R&D, **2X** As Many Dollars As Closest Key Competitor
- R&D Investments Support Both Long-Cycle And Short-Cycle Businesses
- OEM Incentives Secured Positions On Winning Platforms

# Summary

- **Strong Start To 2017**
- **Focused On Accelerating Organic Growth, Productivity Rigor, And Cash Flow Conversion**
- **Becoming Software-Industrial Company, More Aggressive Capital Deployment**
- **Ongoing Review Of Entire Portfolio**
- **Expect Superior Shareowner Returns To Continue In 2017 And Beyond**

# *Appendix*

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

(\$M)	1Q16	2Q16	2016	1Q17
Segment Profit	\$1,720	\$1,847	\$7,186	\$1,789
Stock Compensation Expense <sup>(1)</sup>	(53)	(43)	(184)	(50)
Repositioning and Other <sup>(1, 2)</sup>	(131)	(122)	(679)	(135)
Pension Ongoing Income <sup>(1)</sup>	150	151	601	179
Pension Mark-to-Market Expense <sup>(1)</sup>	-	-	(273)	-
Other Postretirement Income <sup>(1)</sup>	9	8	32	4
<b>Operating Income</b>	<b>\$1,695</b>	<b>\$1,841</b>	<b>\$6,683</b>	<b>\$1,787</b>
Segment Profit	\$1,720	\$1,847	\$7,186	\$1,789
÷ Sales	\$9,522	\$9,991	\$39,302	\$9,492
<b>Segment Profit Margin %</b>	<b>18.1%</b>	<b>18.5%</b>	<b>18.3%</b>	<b>18.8%</b>
Operating Income	\$1,695	\$1,841	\$6,683	\$1,787
÷ Sales	\$9,522	\$9,991	\$39,302	\$9,492
<b>Operating Income Margin %</b>	<b>17.8%</b>	<b>18.4%</b>	<b>17.0%</b>	<b>18.8%</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.

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. To the extent quantitative information becomes available without unreasonable effort in the future, and closer to the period to which the forward-looking measures pertain, a reconciliation of segment profit to operating income will be included within future filings.

## Reconciliation Of Organic Sales % Change

Honeywell	1Q17
Reported Sales % Change	-
Less: Foreign Currency Translation	(1%)
Less: Acquisitions and Divestitures, Net	(1%)
Organic Sales % Change	<u>2%</u>

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 And Calculation Of Free Cash Flow Conversion

<i>(\$M)</i>	<b>1Q17</b>
Cash Provided by Operating Activities	\$940
Expenditures for Property, Plant and Equipment	(168)
Free Cash Flow	<u>\$772</u>
Free Cash Flow	\$772
÷ Net Income Attributable to Honeywell	<u>1,326</u>
Free Cash Flow Conversion %	<u>58%</u>

## Reconciliation Of Cash Provided By Operating Activities To Free Cash Flow

(\$B)	<b>2016</b>	<b>2017E</b>
Cash Provided by Operating Activities	<u>\$5.5</u>	<u>\$5.7 - \$5.8</u>
Expenditures for Property, Plant and Equipment	<u>(1.1)</u>	<u>~ (1.1)</u>
Free Cash Flow	<u><u>\$4.4</u></u>	<u><u>\$4.6 - \$4.7</u></u>

## Calculation Of Earnings Per Share At 25% Tax Rate Excluding 2016 Divestitures

(\$M except per share amounts)

	1Q16 <sup>(1)</sup>	2Q16 <sup>(2)</sup>	1Q17
Income Before Taxes	\$1,628	\$1,755	\$1,724
Taxes at 25%	407	439	431
Net Income at 25% Tax Rate	\$1,221	\$1,316	\$1,293
Less: Net Income Attributable to the Noncontrolling Interest	10	8	6
Net Income Attributable to Honeywell at 25% Tax Rate	\$1,211	\$1,308	\$1,287
Weighted Average Number of Shares Outstanding - Assuming Dilution	779.6	772.4	773.9
Earnings Per Share at 25% Tax Rate	\$1.55	\$1.69	\$1.66
Earnings Per Share Attributable to 2016 Divestitures	0.05	0.05	-
Earnings Per Share of Common Stock - Assuming Dilution, at 25% Tax Rate, Excluding 2016 Divestitures	\$1.50	\$1.64	\$1.66
Earnings Per Share of Common Stock - Assuming Dilution	\$1.56	\$1.66	\$1.71
Earnings Per Share Impact of Normalizing to 25% Tax Rate	0.01	(0.03)	0.05
Earnings Per Share Impact Attributable to 2016 Divestitures	0.05	0.05	-
Earnings Per Share of Common Stock - Assuming Dilution, at 25% Tax Rate, Excluding 2016 Divestitures	\$1.50	\$1.64	\$1.66

(1) Earnings per share attributable to 2016 divestitures utilizes weighted average shares of 779.6 million and a blended tax rate of 36.0%.

(2) Earnings per share attributable to 2016 divestitures utilizes weighted average shares of 772.4 million and a blended tax rate of 32.3%.

We believe earnings per share adjusted to expected 2017 full-year tax rate at 25% 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

	<u>2012<sup>(1)</sup></u>	<u>2013<sup>(2)</sup></u>	<u>2014<sup>(3)</sup></u>	<u>2015<sup>(4)</sup></u>	<u>2016<sup>(5)</sup></u>
Earnings Per Share of Common Stock - Assuming Dilution (EPS)	\$3.69	\$4.92	\$5.33	\$6.04	\$6.20
Pension Mark-to-Market Expense	0.79	0.05	0.23	0.06	0.28
Debt Refinancing Expense	-	-	-	-	0.12
EPS, Excluding Pension Mark-to-Market Expense and Debt Refinancing Expense	<u>\$4.48</u>	<u>\$4.97</u>	<u>\$5.56</u>	<u>\$6.10</u>	<u>\$6.60</u>
EPS Attributable to 2016 Divestitures					(0.14)
EPS, Excluding Pension Mark-to-Market Expense, Debt Refinancing Expense and 2016 Divestitures					<u>\$6.46</u>

(1) Utilizes weighted average shares of 791.9 million. Pension mark-to-market expense uses a blended tax rate of 35.0%.

(2) Utilizes weighted average shares of 797.3 million. Pension mark-to-market expense uses a blended tax rate of 25.5%.

(3) Utilizes weighted average shares of 795.2 million. Pension mark-to-market expense uses a blended tax rate of 28.1%.

(4) Utilizes weighted average shares of 789.3 million. Pension mark-to-market expense uses a blended tax rate of 36.1%.

(5) Utilizes weighted average shares of 775.3 million. Pension mark-to-market expense uses a blended tax rate of 21.3%, debt refinancing expenses uses a tax rate of 26.5% and earnings attributable to 2016 divestitures uses a blended tax rate of 33.9%.

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.

## Reconciliation Of EPS To EPS, Excluding Pension Mark-To-Market Expense, Debt Refinancing Expense And Earnings Attributable To 2016 Divestitures

	<u>2017E<sup>(1)</sup></u>
Earnings Per Share of Common Stock - Assuming Dilution (EPS)	TBD
Pension Mark-to-Market Expense	TBD
Debt Refinancing Expense	-
EPS Attributable to 2016 Divestitures	-
EPS, Excluding Pension Mark-to-Market Expense, Debt Refinancing Expense and 2016 Divestitures	<u>\$6.90 - \$7.10</u>

(1) Utilizes weighted average shares of approximately 774 million and an expected effective tax rate of approximately 25%.

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.