



HONEYWELL 2016 OUTLOOK

December 16th, 2015

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.

2015 Financial Summary

Sales

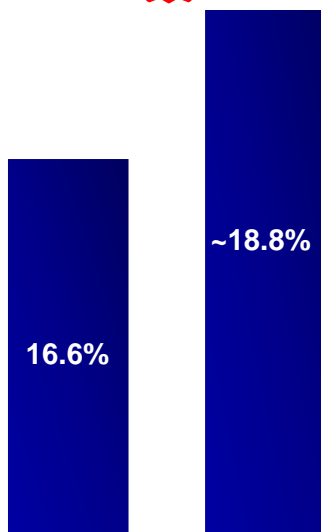
Up ~1% Core Organic



2014 2015E

Segment Margin

Up ~220 bps



2014 2015E

EPS

Up ~10%



2014 2015E

FCF

Up 8%-10%



2014 2015E

FY15 Update

4Q15 Update

- Core Organic Sales Growth Down (~1%)
- Aero In-Line
- ACS / PMT Weaker Than Expected

- Segment Margin ~18.9%, Expansion Continues
- Productivity Gains
- Proactive Cost Management

- EPS Reaffirmed ~\$1.58
- Up ~10% YoY
- No Significant Pension MTM Adjustment Expected

- Free Cash Flow ~\$1.4B
- FCF Conversion ~115%

EPS, % Exclude Any Pension Mark-to-Market Adjustment; FCF = Cash Flow From Operations Less Capital Expenditures

2015 Highlights



- *Segment Margin Expansion Of 220 bps To ~18.8%*
- *On Track To Deliver 6th Consecutive Year Of Double-Digit Earnings Growth*



- *Announced Five Acquisitions For Total Consideration Of Over \$5.5B*
- *Continued To Invest For Growth With Over \$1B In Capital Expenditures*



- *~\$2B R&D Spend At 5% Of Sales, Plus ~\$1B In Customer-Funded R&D*
- *Funded Over \$100M Of New Restructuring Projects*



- *15% Dividend Rate Increase In Oct 2015...11th Rate Increase In Past 10 Years*
- *Opportunistic Share Repurchases Of \$1.9B*



- *Including Announced M&A, Will Deploy ~\$10B Of Capital*
- *100% Of Software Divisions CMMI Level 5 Compatible*

M&A Momentum



Announced November 5th

A Leading Global
Manufacturer Of Space-
Based Communications
Components And Related
Subsystems



Announced November 16th

A Leading Provider Of On
Board Communications
Routing Software, And
Provider Of In-Flight Airtime
And Consulting Services



Announced July 28th

**A Global Leader In Gas Heating, Controls,
Metering, And Advanced Technologies**

*Differentiated Gas Technologies
Attractive Smart Metering Capabilities*

End-To-End Software As A
Service Solution To
Reduce Airline Fuel
Consumption

European Based Inorganics
And Solvents Business
Focused On High-Purity
Research Chemicals,
Including Industry Leading
Fluka Brand



Announced September 17th



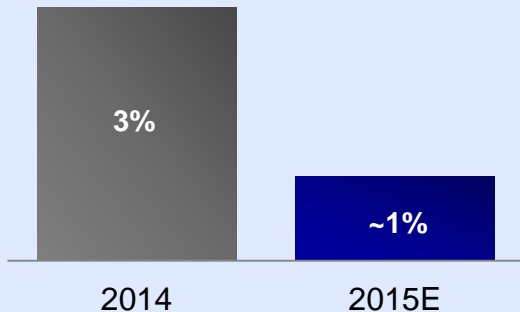
Announced October 20th

Five Year Plan Update

Sales

(Core Organic v%)

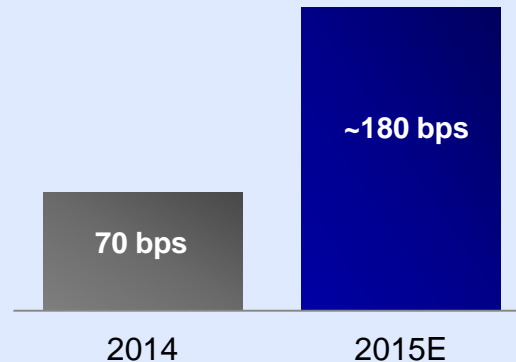
2018 Target
4%-6%



Segment Margin*

(Basis Point Expansion)

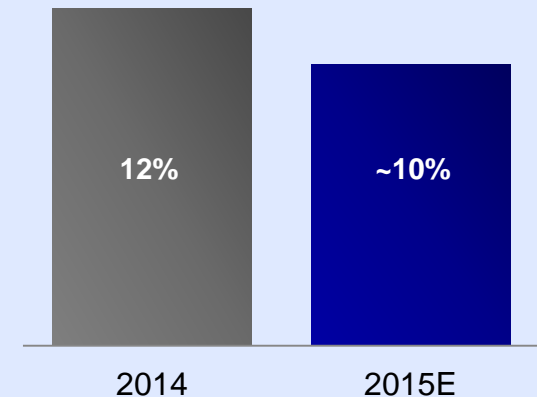
2018 Target
45-75 bps/yr



EPS Growth

(Ex-Pension MTM)

2018 Target
Double-Digit



- Slower Global Growth In Most Segments
- Oil & Gas Related Headwinds
- Fluorines, TS, HGRs Outperforming
- Reported Sales Impacted By F/X

- Commercial Excellence
- Productivity, Restructuring Tailwinds
- Favorable Sourcing Environment
- Longer-Term Margin Targets Intact
 - Aero: ~25%, ACS: ~20%, PMT: ~25%

- Operational Improvements Drive Earnings Growth
- HOS Gold Acceleration
- Continued Restructuring Funding
- Opportunistic Share Repurchases

*Reflects Segment Margin Expansion ex-4Q14 OEM Incentives (\$184M)

2016 End Market Planning Approach

| | % HON Sales | Environment - Neutral + | Planning Approach |
|--|-------------|----------------------------|-------------------|
|--|-------------|----------------------------|-------------------|

| | | | |
|---|--|---|---|
| Non-Residential | | ✓ | |
| Commercial Aftermarket | | ✓ | |
| Defense & Space | | ✓ | |
| Oil & Gas | | ✓ | |
| Vehicles | | | ✓ |
| All Other (Aero OE, Advanced Materials, Resi) | | | ✓ |

- **Supporting Growth**
 - Continued Seed Planting In New Products And Technologies
 - R&D Spend Remains At 5% Of Sales
 - High ROI CapEx (UOP Catalysts, Solstice)
 - Investment In HGR Sales, Marketing, NPI

- **Conservative Sales Planning**
 - Flexibility To Quickly Right-Size Cost Structure
 - Demonstrated Performance In Tough Environments

- **Continued Productivity Focus**
 - Calibrating Variable Costs To Sales
 - Controlling Fixed Costs, Restructuring Pipeline

2016 Financial Guidance Summary

Sales

~\$38.5B

\$39.9 - \$40.9B

Up 4 - 6%

1 - 2% Core Organic

Segment Margin

~18.8%

18.9%-19.3%

10 - 50 bps

80 - 110 bps ex-M&A

EPS ⁽¹⁾

~\$6.10

\$6.45 - \$6.70

Up 6 - 10%

Free Cash Flow

\$4.2 -
\$4.3B

\$4.6 - \$4.8B

Up 8 - 13%

- Expect Slow Global Growth Environment
- Pockets Of Outperformance...TS, Fluorine Products, HGRs
- Conservative Planning Continues

- Productivity Improvements From HOS Gold, FT, OEF
- Ongoing Restructuring Benefits
- Seed Planting Continues

- Euro F/X Rate Hedged At ~1.10, (~\$0.15) EPS Impact
- Below The Line Stable
- Expect Full Year 2016 Tax Rate Of 26.5%
- Generally Holding Share Count ~Flat To FY15 Avg

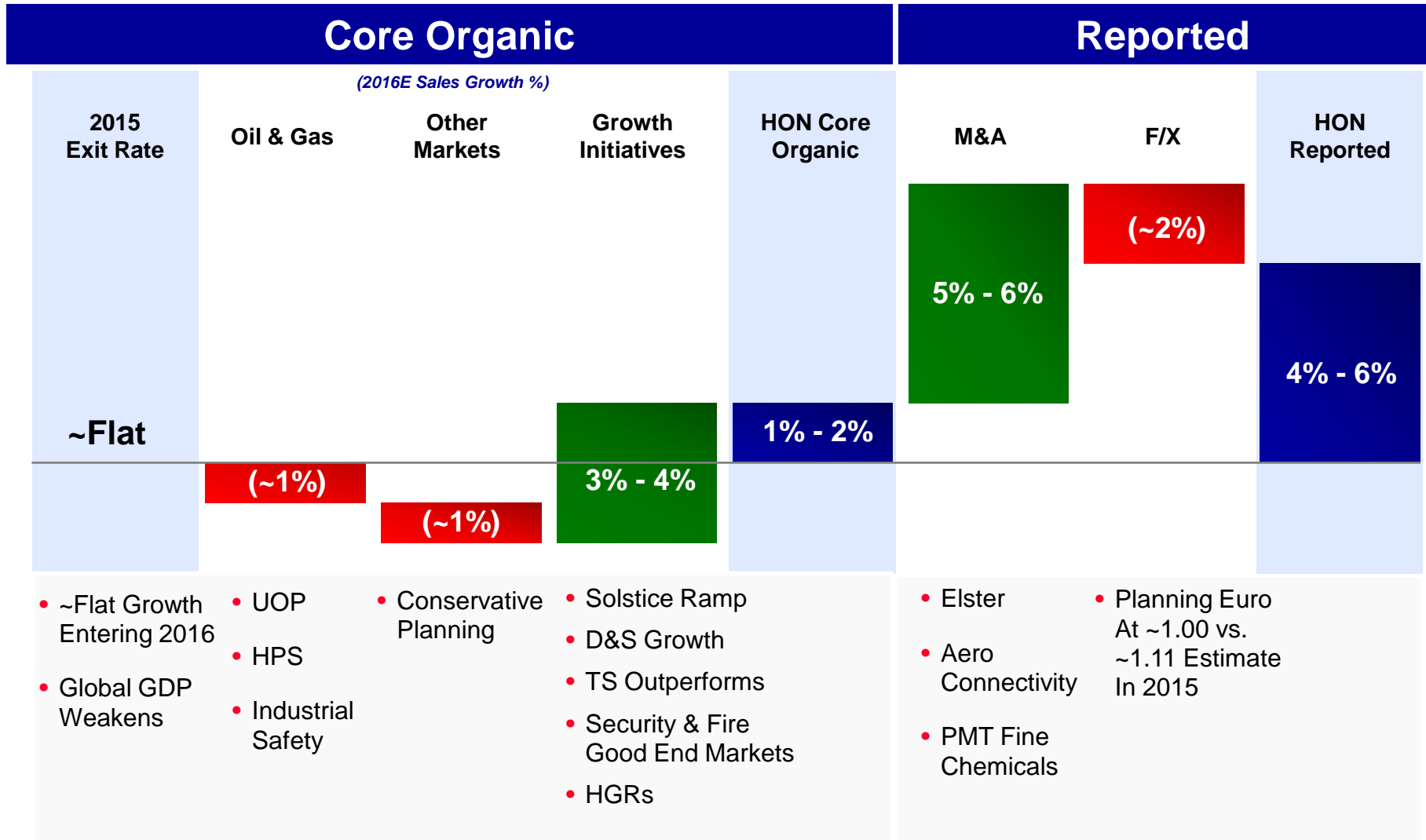
- ~90% FCF Conversion (~100% By 2017)
- CapEx ~Flat YoY
- Working Capital Improvements

2015E

2016E

1) Exclude Any Pension Mark-To-Market Adjustment

Sales Planning



Seed Planting

| | Highlight | Commentary |
|---------------|-------------------------|---|
| R&D | 5 Yr Avg ~5% Of Sales | <ul style="list-style-type: none"> • HOS Gold Breakthrough Growth • Drive Value Engineering, Component Engineering |
| CapEx | 30%+ IRR Projects | <ul style="list-style-type: none"> • UOP Catalysts/Fluorine Products Solstice Ramp Drive PMT Inflection • Meaningful Reinvestment Ratio Of ~165% In 2015 To ~150% In 2016 |
| HGR | ~44% Total HON Census | <ul style="list-style-type: none"> • Localized Competitor – Localized Decisions • ACS One China Organization Driving Double Digit Growth |
| Restructuring | ~\$300M Funded | <ul style="list-style-type: none"> • Incremental Savings \$150M - \$175M YoY • Connected ACS, HPS/UOP Optimization, Aero Core/Non-Core Mfg |
| M&A | ~\$5.5B Announced Deals | <ul style="list-style-type: none"> • Great Positions In Good Industries • Robust Pipeline Across Three Segments |

Segment Margin Drivers

Commercial

- Commercial Excellence, Software, HUE – Value To HON And Customers
- Investment In New Products, HGR Sales And Marketing

Supply Chain

- Improved Plant And Purchasing Performance
- Favorable Deflationary And F/X Environment

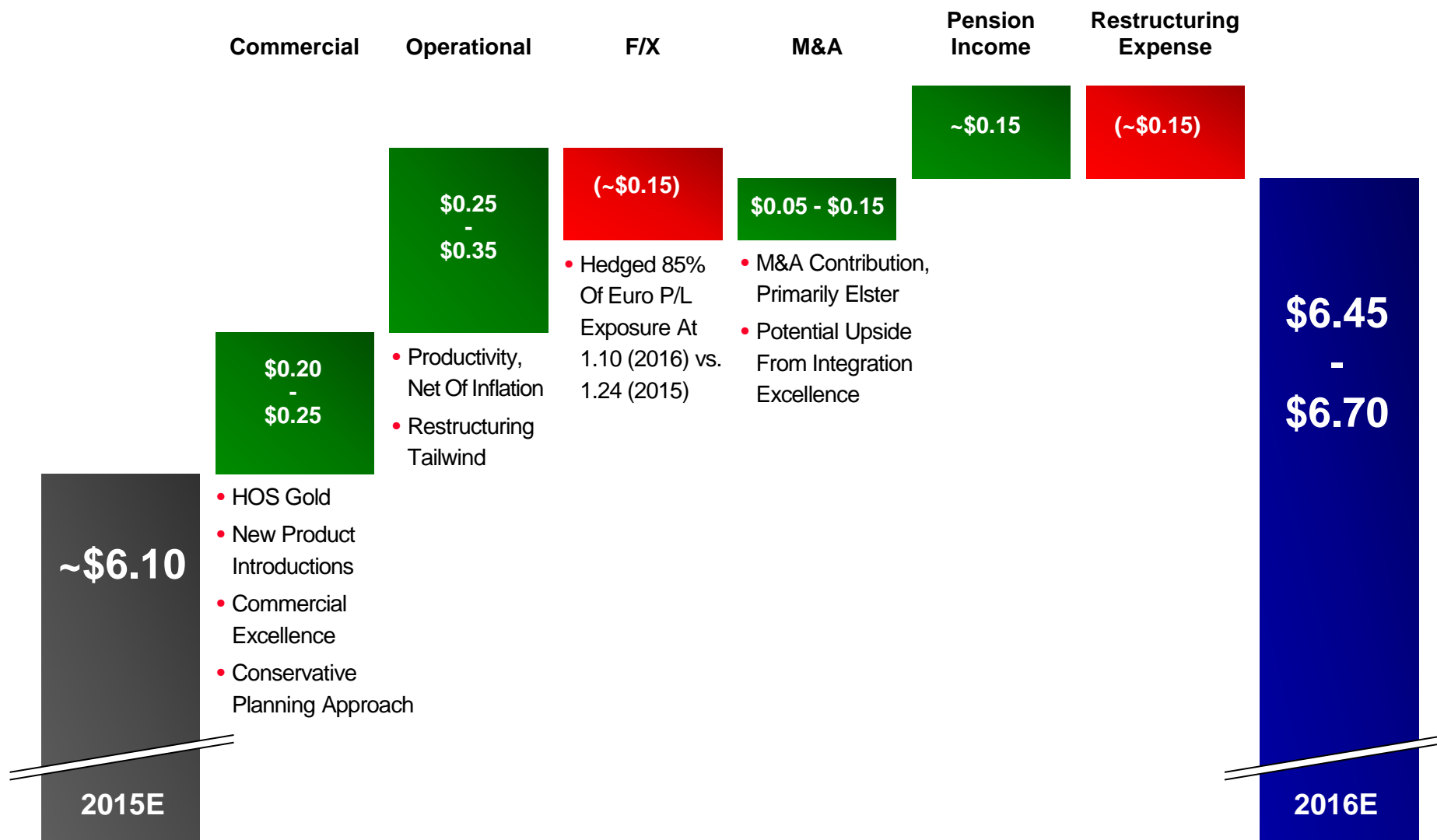
OEF

- Continued Process Improvement (Functional Transformation)
- Robust Funded Restructuring Pipeline

Indirect Spend

- Consumption Focus
- Disciplined Cost Management

2016 EPS Bridge

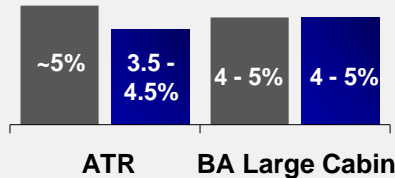


* EPS, V% Exclude Pension Mark-To-Market Adjustment

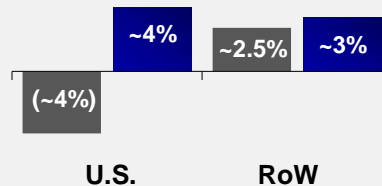
2016 Aerospace Outlook

Market Outlook

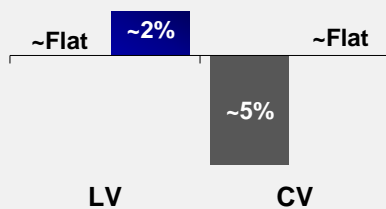
Aero Global Flight Hours (YoY Growth)



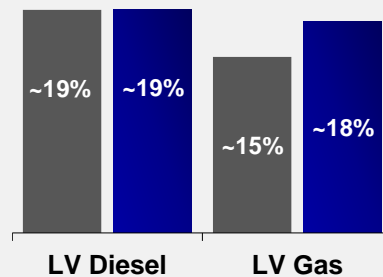
Defense Spending (YoY Growth)



Global Vehicle Production (YoY Growth)



Global Turbo Penetration %



Key: **2015E** **2016E**

Source: Global Insight and Company Estimates

Sales

\$15.3 - \$15.6B

1% - 2% Core Organic

1% - 2% Reported

- **Comm'l OE (Down Mid Single Digit)** - Up Low Single Digit ex-2016 OEM Incentives; ATR Ramp On New Platforms, BGA Growth Moderates
- **Comm'l AM (Up Low Single Digit)** - R&O Momentum (ATR, BGA), Spares In-Line With Flight Hours
- **D&S (Up Low Single Digit)** - U.S., Int'l Growth
- **TS (Up Low To Mid Single Digit)** - Global Gas Turbo Penetration, New Launches / Wins

** All Variances Represent Core Organic Growth Unless Otherwise Noted*

Segment Margin

21.7% - 22.1%

80 - 120 bps ex-M&A

60 - 100 bps Reported

~25%

Longer Term Target

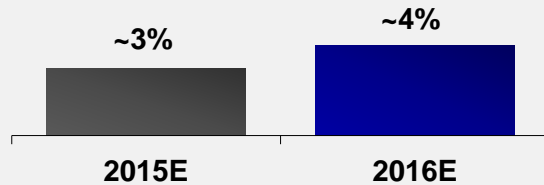
- + Productivity Net Of Inflation
- + Commercial Excellence
- OEM Incentives
- Continued Growth Investments

2016 ACS Outlook

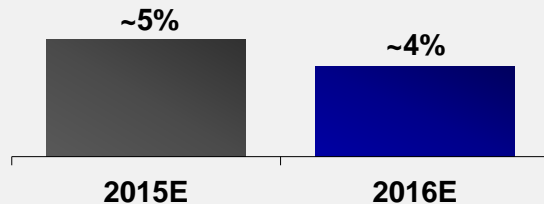
Market Outlook

(Projected Real YoY Growth)

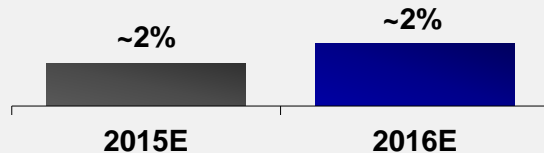
Residential



Commercial



Industrial



Source: Global Insight; Global Resi and Comm'l Construction, Industrial Production

Sales

\$15.3 - \$15.8B

1% - 2% Core Organic

9% - 12% Reported

- Low Single Digit Growth In ESS And BSD
- ESS Products Growth Steady, Addition Of Elster
- Double Digit Growth In China
- Building Solutions Backlog And Service Growth
- Americas Distribution Continued Growth

* All Variances Represent Core Organic Growth Unless Otherwise Noted

Segment Margin

16.3% - 16.6%

110 - 140 bps ex-M&A

Down (10) - Up 20 bps Reported

~20%
Longer
Term Target

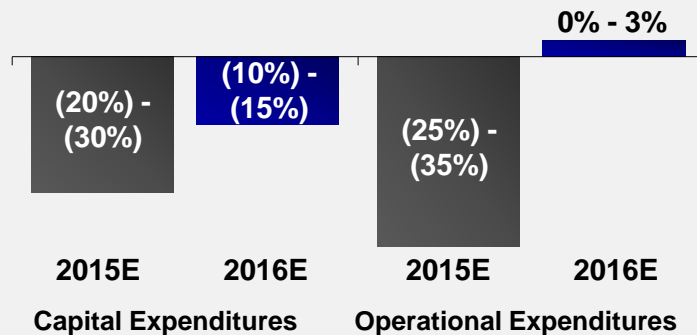
- + Productivity Net Of Inflation
- + Commercial Excellence
- + Connected ACS
- Continued Growth Investments
- M&A

2016 PMT Outlook

Market Outlook

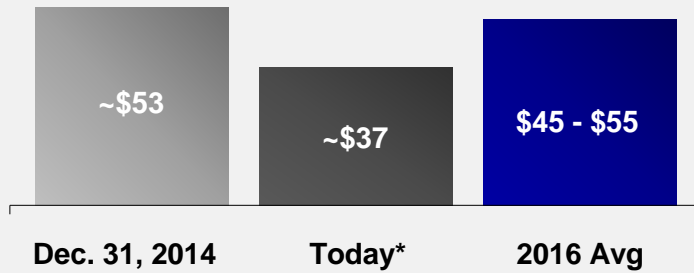
Oil & Gas Expenditures

V% YoY



WTI Crude Oil

(\$ Per Barrel)



Source: IHS October 2015 Update, Company Estimates; *As Of December 15, 2015

Sales

\$9.3 - \$9.5B

(1%) - 1% Core Organic

1% - 4% Reported

- **UOP Down Mid Single Digit**
 - Continued Catalyst Demand (Refining, Petrochemical)
 - Impact Of 2015 Equipment Order Declines
 - Int'l GPH Wins Convert, U.S. Business Still Slow
- **Process Solutions ~Flat**
 - Better Conversion Of Global Mega Projects
 - Orders Improve In Software / Services
- **Advanced Materials Up Mid Single Digit**
 - Solstice Ramp, New Product Commercialization

*All Variances Represent Core Organic Growth Unless Otherwise Noted

Segment Margin

20.8% - 21.1%

30 - 60 bps ex-M&A

Down (20) - Up 10 bps Reported

~25%
Longer
Term Target

- + Productivity Net Of Inflation
- + Commercial Excellence, New Products
- Continued Growth Investments
- M&A

Summary

Finishing Another Strong Year Despite Macro Headwinds



*Delivering On 2015 Segment Margin, Earnings And FCF Commitments
Sixth Consecutive Year Of Double-Digit Earnings Growth
Capital Allocation Momentum... M&A, Dividend Rate Increase, Share Repurchases*

Staying Flexible Given Uncertain Outlook



*Prudent Planning Assumptions, Good Visibility To Potential Headwinds
Tight Cost Discipline While Continuing To Invest In Future Growth
Funded Significant Restructuring, Execution Continues*

Foundation In Place For Strong Performance In 2016



*Continued Benefit From Growth Investments – High ROI CapEx, HGRs, NPIs
Traction On Key Process Initiatives Drives Productivity Improvements
Upside From Acquisition Integration Overdrive*

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) | <u>2013</u> | <u>2014</u> |
|--|-----------------|-----------------|
| Aerospace | \$2,870 | \$2,915 |
| Automation and Control Solutions | 1,983 | 2,200 |
| Performance Materials and Technologies | 1,725 | 1,817 |
| Corporate | <u>(227)</u> | <u>(236)</u> |
| Segment Profit | \$6,351 | \$6,696 |
| Stock Based Compensation ⁽¹⁾ | (170) | (187) |
| Repositioning and Other ^(1, 2) | (699) | (634) |
| Pension Ongoing Income ⁽¹⁾ | 90 | 254 |
| Pension Mark-to-Market Adjustment ⁽¹⁾ | (51) | (249) |
| OPEB Expense ⁽¹⁾ | <u>(20)</u> | <u>(49)</u> |
| Operating Income | <u>\$5,501</u> | <u>\$5,831</u> |
| | | |
| Segment Profit | \$6,351 | \$6,696 |
| ÷ Sales | <u>\$39,055</u> | <u>\$40,306</u> |
| Segment Profit Margin % | <u>16.3%</u> | <u>16.6%</u> |
| | | |
| Operating Income | \$5,501 | \$5,831 |
| ÷ Sales | <u>\$39,055</u> | <u>\$40,306</u> |
| Operating Income Margin % | <u>14.1%</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

| (\$M) | <u>4Q14</u> |
|--|------------------------------|
| Aerospace | \$663 |
| Automation and Control Solutions | 613 |
| Performance Materials and Technologies | 425 |
| Corporate | <u>(69)</u> |
| Segment Profit | \$1,632 |
| Stock Based Compensation ⁽¹⁾ | (44) |
| Repositioning and Other ^(1, 2) | (154) |
| Pension Ongoing Income ⁽¹⁾ | 67 |
| Pension Mark-to-Market Adjustment ⁽¹⁾ | (249) |
| OPEB Expense ⁽¹⁾ | <u>(12)</u> |
| Operating Income | <u><u>\$1,240</u></u> |
| | |
| Segment Profit | \$1,632 |
| ÷ Sales | <u>\$10,266</u> |
| Segment Profit Margin % | <u><u>15.9%</u></u> |
| | |
| Operating Income | \$1,240 |
| ÷ Sales | <u>\$10,266</u> |
| Operating Income Margin % | <u><u>12.1%</u></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 | ~\$7.2 |
| 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 | ~\$7.2 |
| ÷ Sales | <u>~\$38.5</u> |
| Segment Profit Margin % | <u>~18.8%</u> |
| | |
| Operating Income | ~\$6.9 |
| ÷ Sales | <u>~\$38.5</u> |
| 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

(\$B)

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

2014

\$5.0

(1.1)

\$3.9

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

(\$B)

| | 4Q15E |
|--|---------------|
| Cash Provided by Operating Activities | ~\$1.8 |
| Expenditures for Property, Plant and Equipment | ~(0.4) |
| Free Cash Flow | <u>~\$1.4</u> |
| Free Cash Flow | ~\$1.4 |
| ÷ Net Income Attributable to Honeywell | <u>~1.2</u> |
| Free Cash Flow Conversion % | <u>~115%</u> |

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

| | 2013⁽¹⁾ | 4Q14⁽²⁾ | 2014⁽³⁾ |
|---|---------------------------|---------------------------|---------------------------|
| EPS | <u>\$4.92</u> | <u>\$1.20</u> | <u>\$5.33</u> |
| Pension Mark-to-Market Adjustment | <u>0.05</u> | <u>0.23</u> | <u>0.23</u> |
| EPS, Excluding Pension Mark-to-Market Adjustment | <u><u>\$4.97</u></u> | <u><u>\$1.43</u></u> | <u><u>\$5.56</u></u> |

(1) Utilizes weighted average shares of 797.3 million. Mark-to-market uses a blended tax rate of 25.5%.

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

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