



**HONEYWELL SECOND 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.*

# OVERVIEW

- **Improving Top-Line And Continued Margin Expansion**
  - Sales Of \$9.8B, +3% Core Organic\* Driven By Commercial Aero, ESS And Advanced Materials
  - Reported Sales Decline 5% Resulting From F/X And Friction Materials Divestiture
  - Segment Margin Up 170 bps To 18.4%; ~110 bps Driven By Operational Improvement
  - EPS \$1.51, Up 10% Normalized For Tax\*\*
- **Remain Confident In 2015 Outlook**
  - 2H15 Core Organic Growth Acceleration
  - Continued Margin Expansion – HOS Gold, Ongoing Restructuring Benefits
  - Raising Low End Of 2015 EPS Guidance Range To \$6.05 - \$6.15, Up 9% - 11% YoY\*\*\*
- **On Track To Achieve Long-Term Targets**
  - Conservative Planning Mitigates Top-Line Headwinds
  - Benefits From Growth Investments – High ROI CapEx, HGR, New Products
  - Traction On Key Process Initiatives Delivering Significant Productivity Improvements

*\*Throughout this presentation, core organic sales growth refers to reported sales growth less the impacts from foreign currency movement, M&A and raw materials 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 necessarily tied to volume growth. A reconciliation of core organic sales growth to reported sales growth is provided in the Appendix.*

*\*\* Normalized EPS V% Adjusted to Expected Full Year 2015 Tax Rate of 26.5% Before Any Pension Mark-to-Market Adjustment*

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

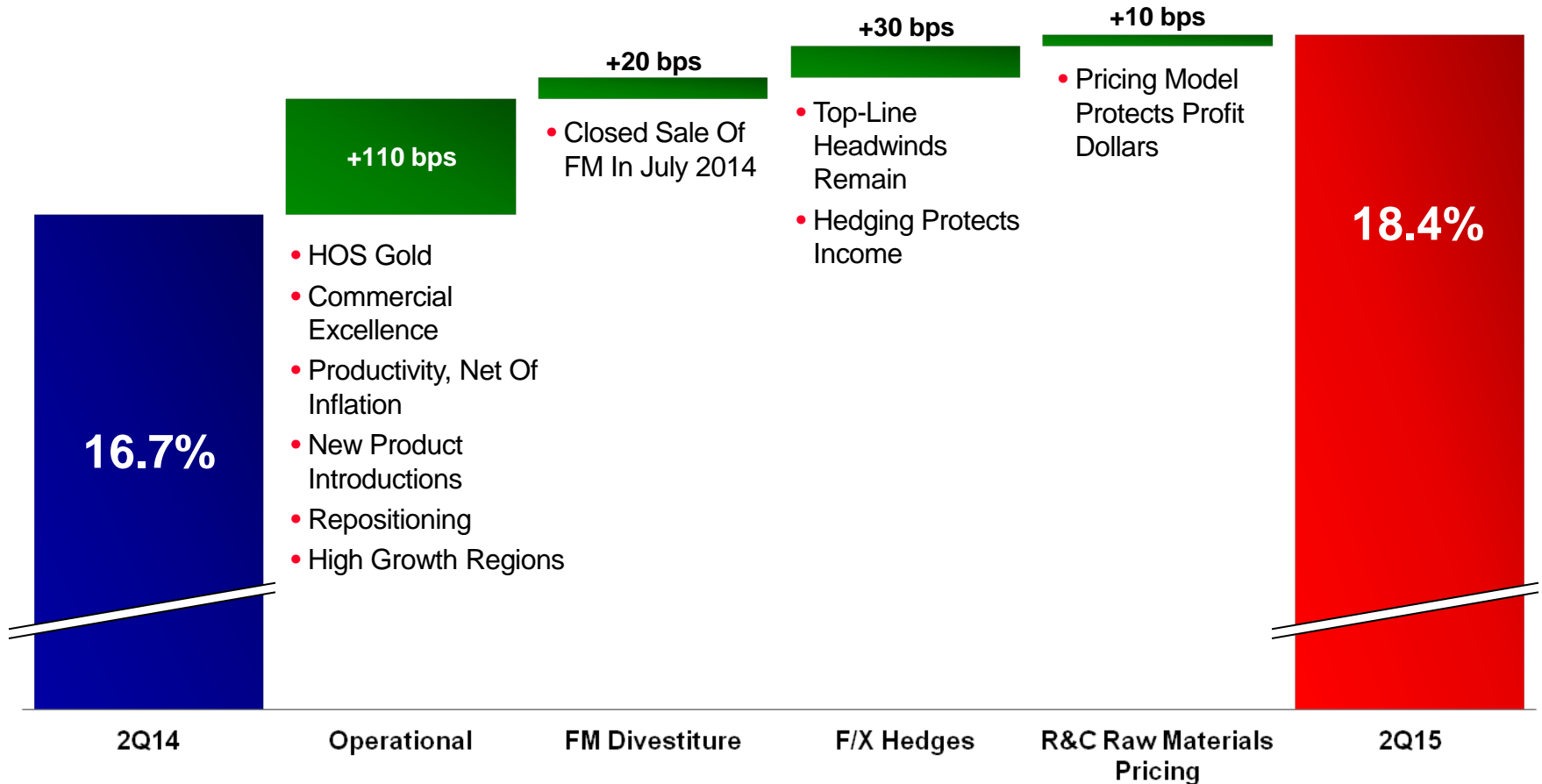
# 2Q 2015 FINANCIAL SUMMARY

*(\$M except per share amounts)*

	<u>2Q14</u>	<u>2Q15</u>	
<b>Sales</b>	\$10,253	\$9,775	<ul style="list-style-type: none"> <li>• <b>5% Decrease</b> <ul style="list-style-type: none"> <li>◆ Core Organic Up 3%</li> </ul> </li> </ul>
<b>Segment Profit</b>	\$1,709	\$1,803	<ul style="list-style-type: none"> <li>• <b>6% Increase</b> <ul style="list-style-type: none"> <li>◆ 170 bps Margin Expansion</li> </ul> </li> </ul>
<i>Margin %</i>	16.7%	18.4%	
<b>Net Income</b>	\$1,099	\$1,194	<ul style="list-style-type: none"> <li>• <b>9% Increase</b></li> </ul>
<i>Attributable to Honeywell</i>			
<b>EPS</b>	\$1.38	\$1.51	<ul style="list-style-type: none"> <li>• <b>9% Increase</b> <ul style="list-style-type: none"> <li>◆ Up 10% Normalized For Tax</li> </ul> </li> </ul>
<i>Tax Rate</i>	26.1%	26.5%	
<b>Free Cash Flow <sup>(1)</sup></b>	\$1,112	\$1,165	<ul style="list-style-type: none"> <li>• <b>98% Conversion</b></li> </ul>

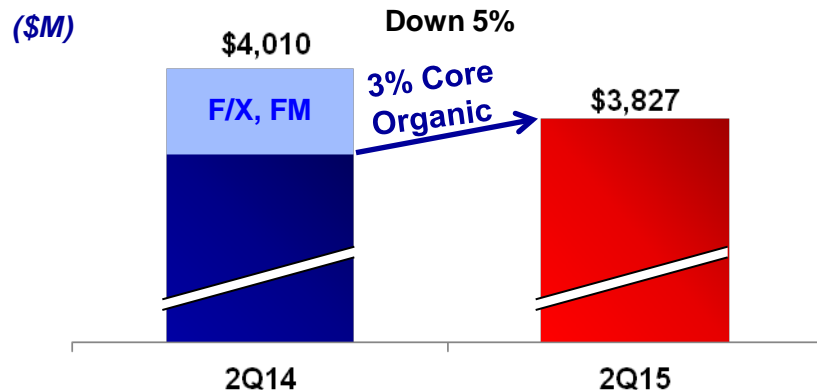
1) Cash Flow from Operations Less Capital Expenditures

# 2Q 2015 SEGMENT MARGIN EXPANSION

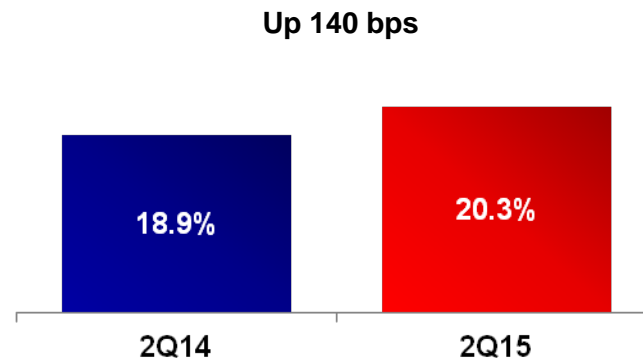


# AEROSPACE

## Sales



## Segment Margin



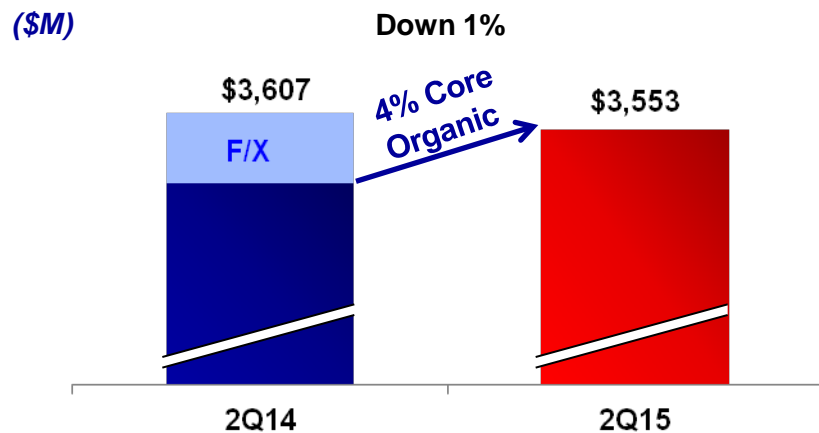
- **Commercial OE +6%, Core Organic +6%**
  - Strong BGA Engine Shipments
- **Commercial AM +2%, Core Organic +3%**
  - Continued R&O Growth; ATR Spares Strength
- **D&S Flat, Core Organic Up 1%**
  - Continued International Growth
- **TS Down 25%, Core Organic Up 5%**
  - Strong Global Gas Turbo Demand
  - F/X Headwinds, FM Divestiture

- **Segment Profit Up 2%**
- **Segment Margin Up 140 bps**
  - + Commercial Excellence
  - + FM Divestiture
  - + Foreign Currency Hedges
  - + Productivity Net Of Inflation
  - OE / Aftermarket Mix



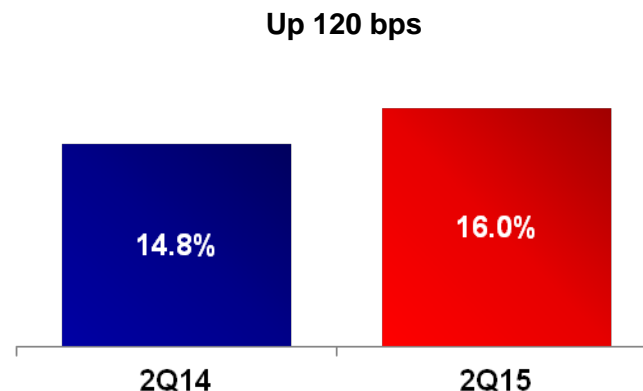
# AUTOMATION AND CONTROL SOLUTIONS

## Sales



- **ESS ~Flat, Core Organic Up 5%**
  - Scanning & Mobility Volume From Key Wins
  - Fire Safety And Security Growth Globally
  - Continued Momentum In China And India
- **BSD Down 4%, Core Organic Up 3%**
  - Continued Americas Distribution Strength
  - Backlog And Service Bank Organic Growth

## Segment Margin

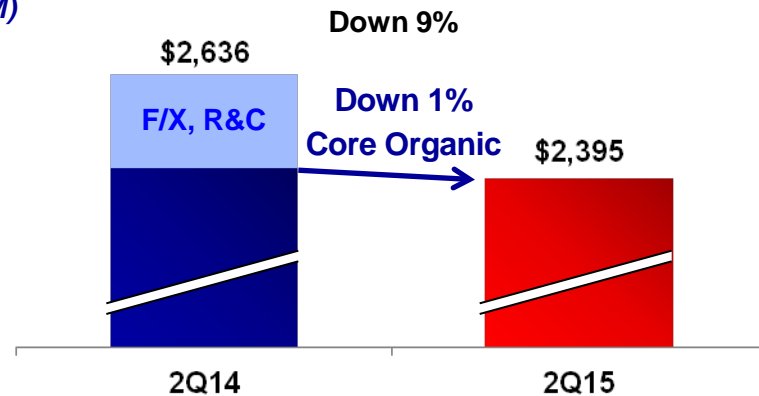


- **Segment Profit Up 6%**
- **Segment Margin Up 120 bps**
  - + Productivity Net Of Inflation
  - + Volume
  - + Foreign Currency Hedges
  - Continued Growth Investments

# PERFORMANCE MATERIALS AND TECHNOLOGIES

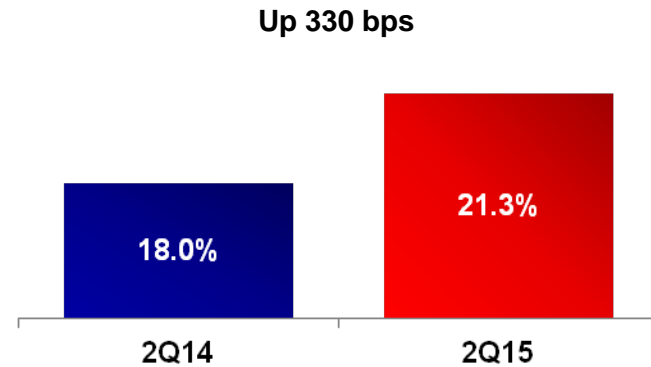
## Sales

(\$M)



- **UOP Down 10%, Core Organic Down 8%**
  - Difficult Catalyst Shipments Comps
  - Engineering/Equipment, Gas Processing Delays
- **HPS Down 13%, Core Organic Down 4%**
  - Customer Project Delays And Products Weakness
  - Growth In Higher Margin Software And Services
  - Organic Orders Down 2%, Strong Backlog
- **Adv Mat Down 6%, Core Organic Up 8%**
  - R&C Volume Growth, Raws Pricing Headwind
  - FP Double-Digit Growth As Solstice Ramps

## Segment Margin



- **Segment Profit Up 7%**
- **Segment Margin Up 330 bps**
  - + Productivity Net Of Inflation
  - + Commercial Excellence
  - + R&C Raw Materials Pricing
  - + Foreign Currency Hedges
  - Continued Growth Investments



# 3Q15 PREVIEW

	<u>Sales Change</u>	<u>Margin Change</u>	<u>Comments</u>
<b>Aero</b>	<b>(2%) - Flat</b> <i>3 - 4% Core Organic</i>	<b>Up 80 - 100 bps</b>	<ul style="list-style-type: none"> <li>• BGA Engine Deliveries</li> <li>• Continued R&amp;O Growth</li> <li>• D&amp;S International Growth</li> <li>• Diesel, Gas Turbo Volumes</li> </ul>
<b>ACS</b>	<b>(2%) - Flat</b> <i>4 - 5% Core Organic</i>	<b>Up 50 - 70 bps</b>	<ul style="list-style-type: none"> <li>• Positive Momentum In ESS</li> <li>• High Growth Region Penetration</li> <li>• Growth Investments Ramp</li> </ul>
<b>PMT</b>	<b>(7%) - (9%)</b> <i>Flat - 1% Core Organic</i>	<b>Up 230 - 250 bps</b>	<ul style="list-style-type: none"> <li>• Continued Oil &amp; Gas Weakness</li> <li>• HPS Software And Services Growth</li> <li>• Advanced Materials Momentum</li> <li>• Proactive Cost Management</li> </ul>
<b>Honeywell</b>	<b>(2%) - (4%)</b> <i>3 - 4% Core Organic</i>	<b>Up 120 - 140 bps</b>	<ul style="list-style-type: none"> <li>• Sales \$9.7-\$9.9B</li> </ul>

\* V% Adjusted to Expected Full Year 2015 Tax Rate of 26.5% Before Any Pension Mark-to-Market Adjustment

# 2015 PLANNING UPDATE

	% HON Sales	2H YoY Outlook		What We're Seeing / Expecting
		- Neutral	+	
<b>Non-Residential</b>	29% 		✓	<ul style="list-style-type: none"> <li>Continued Commercial Growth (Fire, Security)</li> <li>Good Growth Americas And APAC, Europe Stable</li> <li>Building Solutions Backlog And Service Bank Organic Growth</li> </ul>
<b>Commercial Aftermarket</b>	12% 		✓	<ul style="list-style-type: none"> <li>2Q Momentum; 2H15 Growth In-Line With Utilization</li> <li>Continued R&amp;O Growth; BGA Spares Sales Improve</li> </ul>
<b>Defense &amp; Space</b>	12% 		✓	<ul style="list-style-type: none"> <li>U.S. DoD Budgets ~Flat To Down – Consistent With Forecast</li> <li>Int'l Budgets Growing 3%-4%; Growth Continues But Tough Comp 4Q</li> </ul>
<b>Oil &amp; Gas</b>	11% 	✓		<ul style="list-style-type: none"> <li>No Major Cancellations; Ongoing CapEx Cuts, Delays, China Slowing</li> <li>UOP Orders Down 2Q; Int'l Gas Processing Opportunities</li> <li>HPS Strong Backlog; Software Growth</li> <li>Global Project Quoting Activity Encouraging</li> </ul>
<b>Aero OE, Turbo, Resi, Advanced Materials</b>	36% 		✓	<ul style="list-style-type: none"> <li>Strong BGA Engine Shipments</li> <li>Steady Short-Cycle Growth – Turbo, Residential</li> <li>Advanced Materials Continued Momentum</li> </ul>

# 2015 FINANCIAL GUIDANCE SUMMARY

(\$B except per share amounts)

	<u>2014</u>	<u>2015E</u>	<u>V%</u>	<u>Comments</u>
<b>Sales</b>	\$40.3	\$39.0 - 39.6	(2) - (3)%	• <b>Core Organic Up ~3%</b>
<b>Segment Profit</b>	\$6.7	\$7.2 - 7.4	8 - 10%	
<i>Margin %</i>	16.6%	18.4 - 18.6%	180 - 200 bps	• <b>140-160 bps<sup>(1)</sup> ex-4Q14 OEM Incentives</b>
<b>Net Income (Ex-Pension MTM)</b>	\$4.4	\$4.8 - 4.9	9 - 11%	
<i>Attributable to Honeywell</i>				
<b>EPS (Ex-Pension MTM)</b>	\$5.56	\$6.05 - 6.15	9 - 11%	
<b>Free Cash Flow</b>	\$3.9	\$4.2 - 4.3	8 - 10%	• <b>Capex Reinvestment Ratio<sup>(2)</sup> ~190%</b>

1) Excludes 4Q14 \$184M OEM Incentives

2) Capex Reinvestment Ratio = Capital Expenditures / Depreciation

## 2H15 Planning Assumptions

- **Core Organic Sales Growth Acceleration**
- **Top-Line Headwinds From F/X, Hedging Strategy Protects Income**
- **Volume, Productivity, And Restructuring Benefits Drive Continued Margin Expansion**

# SUMMARY

- **Another Quarter Of Double-Digit Earnings Growth**
  - Earnings At High End Of Guidance Range
  - Continued Margin Expansion In All Businesses
- **Expect Continued Outperformance In 2015**
  - Core Organic Sales Growth Momentum
  - Maintaining Cost Discipline While Investing In Future Growth
- **On Track To Achieve Long-Term Targets**
  - Seed Planting Benefits From HOS Gold, New Products, HGR, High ROI Capex
  - Aligned To Favorable Macro Trends
  - Restructuring Benefits Support Margin Expansion

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# ***Appendix***

## ***Reconciliation of non-GAAP Measures to GAAP Measures***

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## RECONCILIATION OF SEGMENT PROFIT TO OPERATING INCOME AND CALCULATION OF SEGMENT PROFIT AND OPERATING INCOME MARGINS

(\$M)	<u>2Q14</u>	<u>3Q14</u>	<u>2Q15</u>
Aerospace	\$759	\$790	\$777
Automation and Control Solutions	533	583	567
Performance Materials and Technologies	475	444	509
Corporate	(58)	(58)	(50)
<b>Segment Profit</b>	<b>\$1,709</b>	<b>\$1,759</b>	<b>\$1,803</b>
Stock Based Compensation <sup>(1)</sup>	(50)	(41)	(39)
Repositioning and Other <sup>(1, 2)</sup>	(128)	(132)	(137)
Pension Ongoing Income <sup>(1)</sup>	64	62	103
OPEB Expense <sup>(1)</sup>	(13)	(12)	(11)
<b>Operating Income</b>	<b>\$1,582</b>	<b>\$1,636</b>	<b>\$1,719</b>
<b>Segment Profit</b>	<b>\$1,709</b>	<b>\$1,759</b>	<b>\$1,803</b>
÷ Sales	<b>\$10,253</b>	<b>\$10,108</b>	<b>\$9,775</b>
<b>Segment Profit Margin %</b>	<b>16.7%</b>	<b>17.4%</b>	<b>18.4%</b>
<b>Operating Income</b>	<b>\$1,582</b>	<b>\$1,636</b>	<b>\$1,719</b>
÷ Sales	<b>\$10,253</b>	<b>\$10,108</b>	<b>\$9,775</b>
<b>Operating Income Margin %</b>	<b>15.4%</b>	<b>16.2%</b>	<b>17.6%</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.



## RECONCILIATION OF SEGMENT PROFIT TO OPERATING INCOME AND CALCULATION OF SEGMENT PROFIT AND OPERATING INCOME MARGINS

<i>(\$M)</i>	<b>2014</b>
Aerospace	\$2,915
Automation and Control Solutions	2,200
Performance Materials and Technologies	1,817
Corporate	(236)
<b>Segment Profit</b>	<b>\$6,696</b>
Stock Based Compensation <sup>(1)</sup>	(187)
Repositioning and Other <sup>(1, 2)</sup>	(634)
Pension Ongoing Income <sup>(1)</sup>	254
Pension Mark-to-Market Adjustment <sup>(1)</sup>	(249)
OPEB Expense <sup>(1)</sup>	(49)
<b>Operating Income</b>	<b>\$5,831</b>
<b>Segment Profit</b>	<b>\$6,696</b>
÷ Sales	\$40,306
<b>Segment Profit Margin %</b>	<b>16.6%</b>
<b>Operating Income</b>	<b>\$5,831</b>
÷ Sales	\$40,306
<b>Operating Income Margin %</b>	<b>14.5%</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.

## RECONCILIATION OF SEGMENT PROFIT TO OPERATING INCOME AND CALCULATION OF SEGMENT PROFIT AND OPERATING INCOME MARGINS

<b>(\$B)</b>	<b>2015E</b>
<b>Segment Profit</b>	<b>\$7.2 - 7.4</b>
<b>Stock Based Compensation <sup>(1)</sup></b>	<b>~(0.2)</b>
<b>Repositioning and Other <sup>(1, 2)</sup></b>	<b>~(0.5)</b>
<b>Pension Ongoing Income <sup>(1)</sup></b>	<b>~0.4</b>
<b>Pension Mark-to-Market Adjustment <sup>(1)</sup></b>	<b>TBD</b>
<b>OPEB Expense <sup>(1, 3)</sup></b>	<b>~(0.0)</b>
<b>Operating Income</b>	<b><u>\$6.8 - 7.0</u></b>
<b>Segment Profit</b>	<b>\$7.2 - 7.4</b>
<b>÷ Sales</b>	<b><u>\$39.0 - 39.6</u></b>
<b>Segment Profit Margin %</b>	<b><u>18.4 - 18.6%</u></b>
<b>Operating Income</b>	<b>\$6.8 - 7.0</b>
<b>÷ Sales</b>	<b><u>\$39.0 - 39.6</u></b>
<b>Operating Income Margin %</b>	<b><u>17.5 - 17.7%</u></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) Amounts less than \$50M are rounded down to zero.

## RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW

<b>(\$M)</b>	<b>2Q14</b>	<b>2Q15</b>	<b>2014</b>
Cash Provided by Operating Activities	<u>\$1,341</u>	<u>\$1,408</u>	<u>\$5,024</u>
Expenditures for Property, Plant and Equipment	<u>(229)</u>	<u>(243)</u>	<u>(1,094)</u>
Free Cash Flow	<u><u>\$1,112</u></u>	<u><u>\$1,165</u></u>	<u><u>\$3,930</u></u>
Free Cash Flow	<u>\$1,112</u>	<u>\$1,165</u>	
÷ Net Income Attributable to Honeywell	<u>1,099</u>	<u>1,194</u>	
Free Cash Flow Conversion %	<u><u>101%</u></u>	<u><u>98%</u></u>	

## CALCULATION OF EPS AT TAX RATE OF 26.5%

*(\$M except per share amounts)*

	<b>2Q14</b>	<b>3Q14</b>	<b>2Q15</b>
Income Before Taxes	\$1,523	\$1,580	\$1,662
Taxes at 26.5%	404	419	440
Net Income at 26.5% Tax Rate	\$1,119	\$1,161	\$1,222
Less: Net Income Attributable to the Noncontrolling Interest	27	25	28
Net Income Attributable to Honeywell at 26.5% Tax Rate	\$1,092	\$1,136	\$1,194
Weighted Average Number of Shares Outstanding - Assuming Dilution	795.4	795.0	792.9
EPS at 26.5% Tax Rate	\$1.37	\$1.43	\$1.51

## RECONCILIATION OF EPS TO EPS, EXCLUDING PENSION MARK-TO-MARKET ADJUSTMENT

	<b>2014<sup>(1)</sup></b>
<b>EPS</b>	<b>\$5.33</b>
<b>Pension Mark-to-Market Adjustment</b>	<b>0.23</b>
<b>EPS, Excluding Pension Mark-to-Market Adjustment</b>	<b>\$5.56</b>

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

## RECONCILIATION OF NET INCOME TO NET INCOME, EXCLUDING PENSION MARK-TO-MARKET ADJUSTMENT

<i>(\$M)</i>	<b>2014<sup>(1)</sup></b>
<b>Net Income Attributable to Honeywell</b>	<u>\$4,239</u>
<b>Pension Mark-to-Market Adjustment, Net of Tax</b>	<u>179</u>
<b>Net Income Attributable to Honeywell Excluding Pension Mark-to-Market Adjustment</b>	<u><u>\$4,418</u></u>

(1) Mark-to-market uses a blended tax rate of 28.1%.



## NET CASH RECONCILIATION

<b>(\$M)</b>	<b>2Q15</b>	<b>2014</b>
<b>Cash and cash equivalents</b>	<u>\$5,954</u>	<u>\$6,959</u>
<b>Short term available for sale investments</b>	<u>3,162</u>	<u>1,463</u>
<b>Total</b>	<u>\$9,116</u>	<u>\$8,422</u>
<b>Commercial Paper</b>	\$2,795	\$1,647
<b>Current maturities of long-term debt</b>	1,337	939
<b>Long-term debt</b>	<u>5,562</u>	<u>6,046</u>
<b>Debt</b>	<u>\$9,694</u>	<u>\$8,632</u>
<b>Net Cash</b>	<u><u>(\$578)</u></u>	<u><u>(\$210)</u></u>

## CORE ORGANIC SALES GROWTH RECONCILIATIONS

### Honeywell

	<u>2Q15</u>
Reported sales growth	(5%)
Foreign currency, acquisitions, divestitures and other	7%
Raw Materials Pricing in R&C	1%
Core organic sales growth	<u>3%</u>

### PMT

	<u>2Q15</u>
Reported sales growth	(9%)
Foreign currency, acquisitions, divestitures and other	4%
Raw Materials Pricing in R&C	4%
Core organic sales growth	<u>(1%)</u>

### Advanced Materials

	<u>2Q15</u>
Reported sales growth	(6%)
Foreign currency, acquisitions, divestitures and other	4%
Raw Materials Pricing in R&C	10%
Core organic sales growth	<u>8%</u>

Throughout this presentation, core organic sales growth refers to reported sales growth less the impacts from foreign currency movement, M&A and raw materials 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 necessarily tied to volume growth.