

Honeywell

First Quarter 2015

Earnings Release

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.

• Strong Earnings Growth In Challenging Environment

- Sales Of \$9.2B, +2% Core Organic*
- Reported Sales Decline 5% Resulting From F/X And Friction Materials Divestiture
- Segment Margin Up 220 bps To 18.7%; ~140 bps Driven By Operational Improvement
- EPS \$1.41, Up 10% YoY
- Momentum Heading Into 2Q

• Remain Confident In 2015 Outlook

- Conservative Planning Mitigates Impact Of Slow Start, F/X, Oil & Gas
- Continued Margin Expansion – Ongoing Restructuring Benefits, HOS Gold
- Raising Low End Of 2015 EPS Guidance Range To \$6.00 - \$6.15, Up 8% - 11% YoY**

• On Track To Achieve Long-Term Targets

- Seed Planting Benefits From Growth Investments – High ROI Capex, HGR, New Products
- Traction On Key Process Initiatives Delivering Significant Productivity Improvements
- Positioning For 2016...Repositioning, F/X Hedging

**Throughout this presentation, core organic growth refers to reported 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 growth to organic growth is provided in the Appendix.*

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

Strong Start To 2015

1Q 2015 Financial Summary

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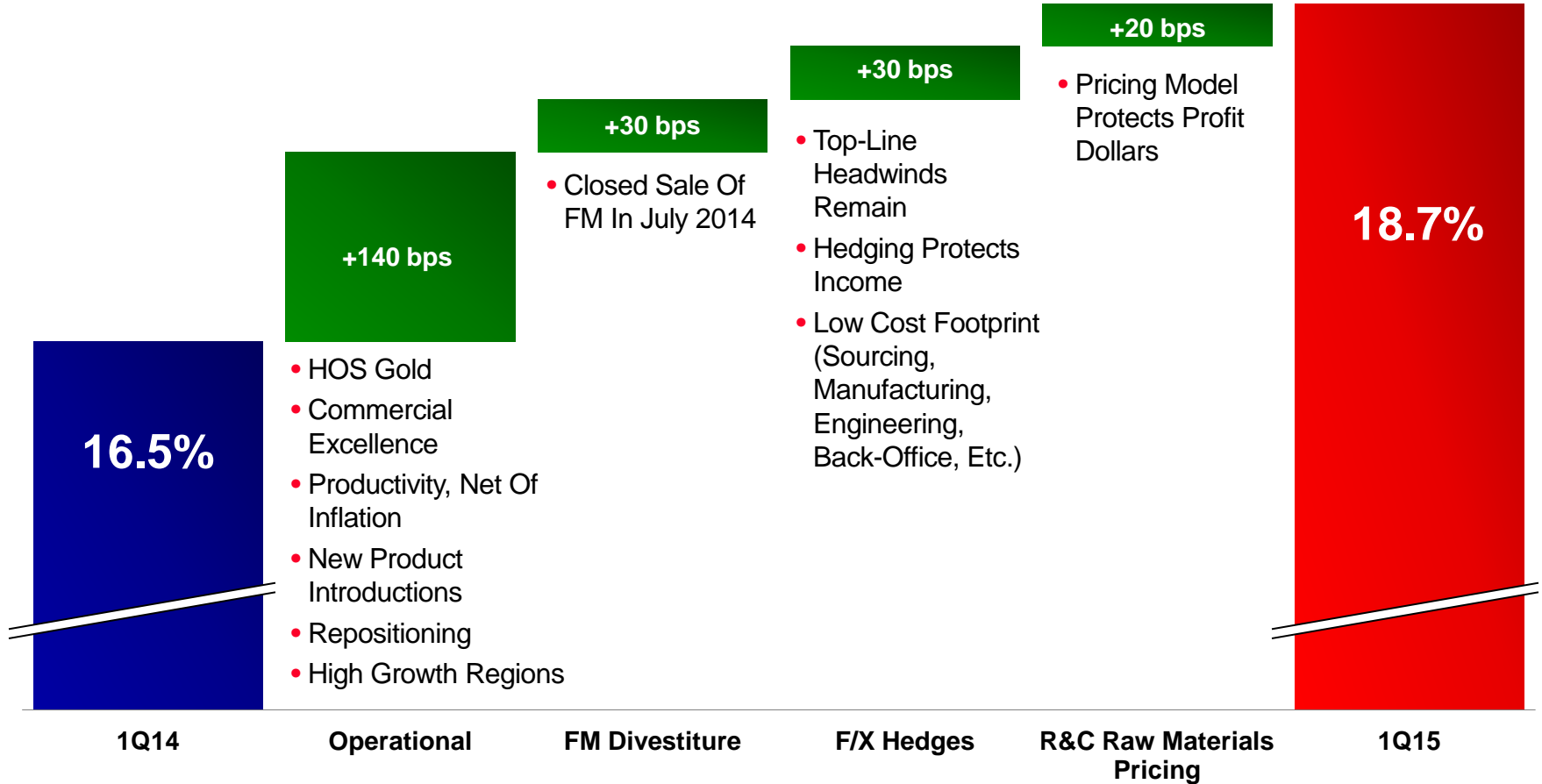
(\$M except per share amounts)

	<u>1Q14</u>	<u>1Q15</u>	
Sales	\$9,679	\$9,213	<ul style="list-style-type: none"> • (5%) Decrease <ul style="list-style-type: none"> ◆ Core Organic Up 2%
Segment Profit	\$1,596	\$1,721	<ul style="list-style-type: none"> • 8% Increase <ul style="list-style-type: none"> ◆ 220 bps Margin Expansion
<i>Margin %</i>	<i>16.5%</i>	<i>18.7%</i>	
Net Income	\$1,017	\$1,116	<ul style="list-style-type: none"> • 10% Increase
<i>Attributable to Honeywell</i>			
EPS	\$1.28	\$1.41	<ul style="list-style-type: none"> • 10% Increase
<i>Tax Rate</i>	<i>26.6%</i>	<i>26.7%</i>	
Free Cash Flow ⁽¹⁾	\$496	\$256	<ul style="list-style-type: none"> • (\$240M) Decrease <ul style="list-style-type: none"> ◆ Payment Of 4Q14 OEM Incentives ◆ Higher Cash Taxes ◆ Working Capital Timing

1) Cash Flow from Operations Less Capital Expenditures

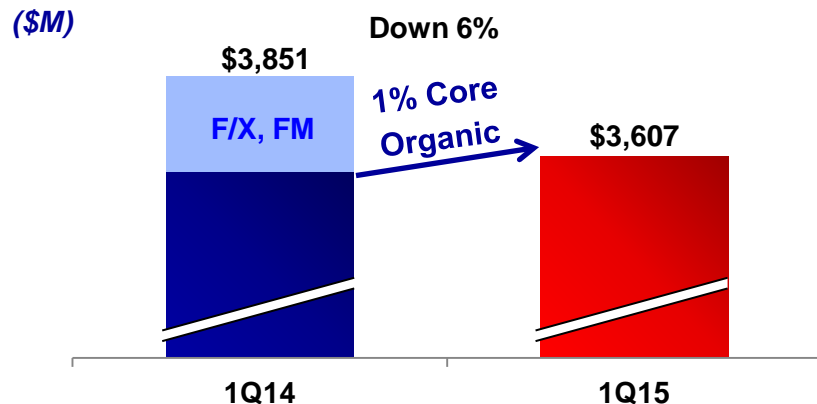
Strong Margin Expansion And Earnings Growth

1Q 2015 Segment Margin Expansion

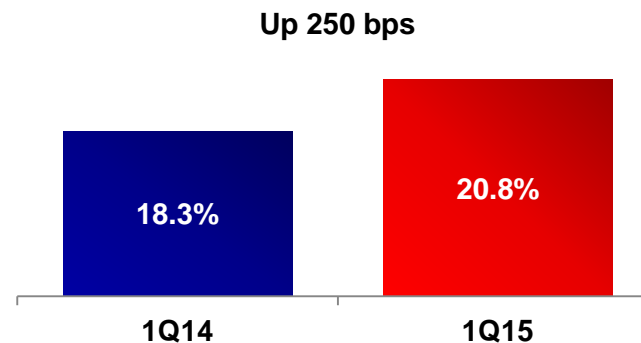


Strong Quarter Of Margin Expansion

Sales



Segment Margin



- **Commercial OE, AM: ~Flat, Core Organic +1%**
 - Large ATR OEM Strong, BGA Slower Start
 - Continued R&O Growth, Lower Spares Sales
- **D&S Down 2%, Core Organic Down 1%**
 - Lower U.S. Government Deliveries, Timing
 - International Up Double-Digit
- **TS Down 23%, Core Organic Up 5%**
 - F/X Headwinds, FM Divestiture
 - Strong Global Gas Turbo Demand

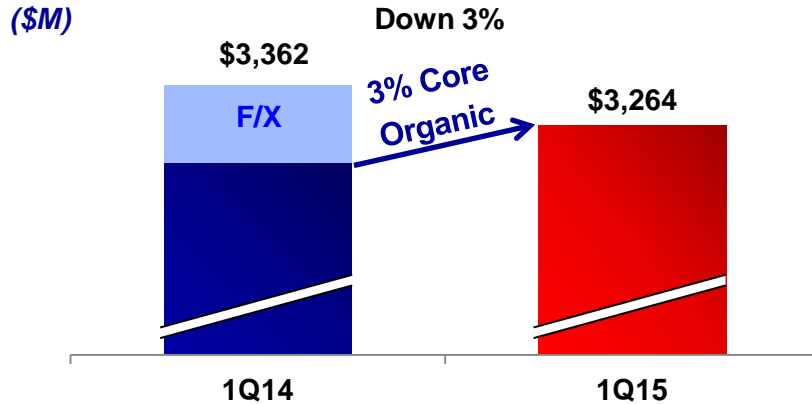
- **Segment Profit Up 7%**
- **Segment Margin Up 250 bps**
 - + Productivity Net Of Inflation
 - + FM Divestiture
 - + Commercial Excellence
 - + Foreign Currency

Strong Margin Expansion On Modest Volumes

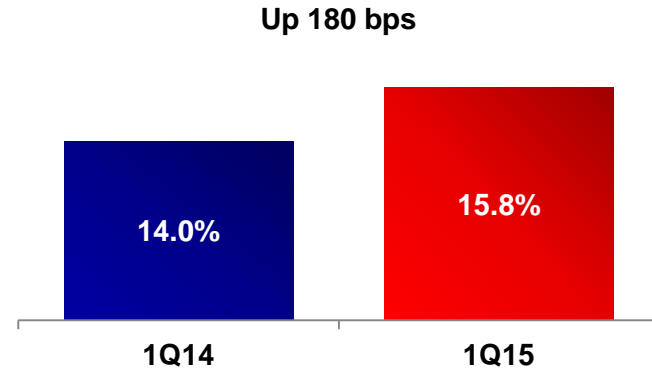
Automation and Control Solutions

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Sales



Segment Margin



- **ESS Down 3%, Core Organic Up 3%**
 - Scanning & Mobility Volume From Key Wins
 - Continued Growth In Fire Safety And Security
 - China And India Up Double-Digit
- **BSD Down 3%, Core Organic Up 3%**
 - Continued Americas Distribution Strength
 - Growth In Higher Margin Service Business

- **Segment Profit Up 10%**
- **Segment Margin Up 180 bps**
 - + Productivity Net Of Inflation
 - + Volume
 - + Foreign Currency
 - Continued Growth Investments

Positive Momentum, Strong Margin Expansion

Impact Of Oil Price Declines

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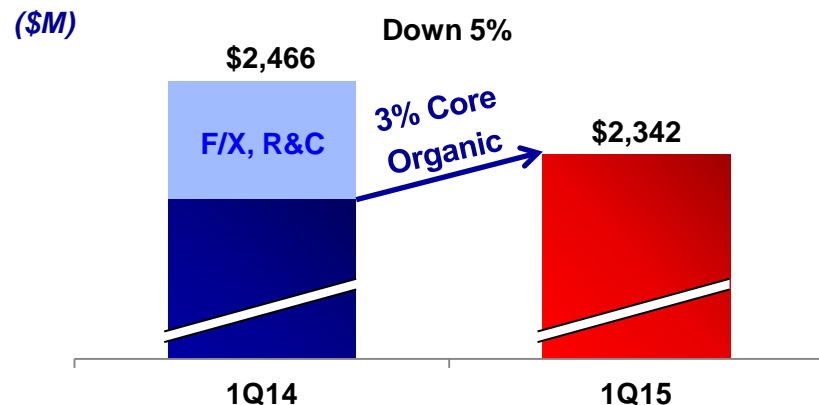
Vertical		% HON Sales	Impact - Neutral +		What We're Seeing / Expecting
First Derivative	Upstream (E&P)	1%	✓		<ul style="list-style-type: none"> • Backlog Firm Despite Continued CapEx Budget Reductions • Customers Delaying Decisions; No Cancellations To Date
	Midstream	4%	✓		<ul style="list-style-type: none"> • Near To Mid-Term New Project Delays Impacting 2016 • Int'l Opportunities Partially Mitigate U.S. Softness In 2016 • One Cancellation In U.S. (~\$35M) In 2015
	Downstream	6%	✓		<ul style="list-style-type: none"> • Momentum in China MTO, Oleflex; Catalyst Demand Firm • HPS Growth On Large Project Wins, But IOC Activity Slow • India Strong, ME Progressing, China Refining Pick Up • Near Term Delays In Other Regions Due To Market Volatility
	Resins & Chemicals	4%	✓		<ul style="list-style-type: none"> • Sales Headwinds Continue As Raw Material Prices Drop • ~\$0.4B Sales Impact In 2015 • Pricing Model Protects Profit Dollars
	ACS - Industrial Safety	1%	✓		<ul style="list-style-type: none"> • Gas Detection, Safety Products Demand Impacted (Upstream)
	Operating Expenses	NA		✓	<ul style="list-style-type: none"> • Favorable Impact To Freight, Utilities, Indirect Spend • Indirect Favorable Impact To Other Material Spend
Second Derivative	Comm'l Aero, Turbo, Other ACS	NA	✓		<ul style="list-style-type: none"> • Improved Airline Profitability, Potential Incr. In Discretionary Spend • Lower Prices At The Pump Drives Demand For Autos • Overall Demand Side Favorability • Net Neutral Impact To Other Short Cycle Businesses

Continue To Closely Monitor, Proactively Addressing Cost Position

Performance Materials and Technologies

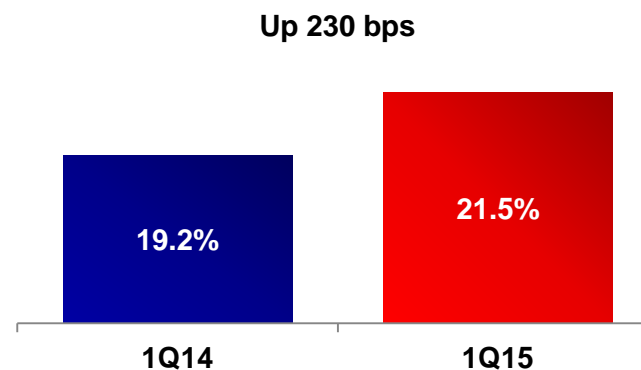
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Sales



- **UOP Up 8%, Core Organic Up 9%**
 - Strong Gas Processing Growth
 - Higher Equipment Sales
- **HPS Down 11%, Core Organic Down 3%**
 - Near To Mid-Term New Project Delays
 - Short-Cycle Product Declines
- **Adv Mat Down 12%, Core Organic Up 2%**
 - R&C Headwinds: Raws Pricing, Unplanned Outages
 - FP Double Digit Growth Due To Solstice Ramp

Segment Margin



- **Segment Profit Up 6%**
- **Segment Margin Up 230 bps**
 - + Commercial Excellence
 - + Productivity Net Of Inflation
 - + UOP, FP Volumes
 - + Foreign Currency
 - R&C Unplanned Plant Outages
 - Continued Growth Investments

UOP Strength, Significant Margin Expansion

2Q15 Preview

Honeywell

	<u>Sales Change</u>	<u>Margin Change</u>	<u>Comments</u>
Aero	(5%) - (7%) <i>1 - 2% Core Organic</i>	Up 140 - 160 bps	<ul style="list-style-type: none">• BGA Engine Deliveries• Continued R&O Growth• D&S International Growth• Strong Gas Turbo Volume
ACS	(1%) - (3%) <i>4 - 5% Core Organic</i>	Up 80 - 100 bps	<ul style="list-style-type: none">• Positive Momentum In ESS, BSD• Double-Digit Sales Growth In China• Growth Investments Continue
PMT	(7%) - (9%) <i>(1%) - Flat Core Organic</i>	Up 240 - 260 bps	<ul style="list-style-type: none">• UOP Catalyst Comps• R&C Pricing Headwinds (Protects Profit Dollars)• HPS ~Flat Core Organic Growth• Solstice Sales Ramp
Honeywell	(4%) - (6%) <i>2 - 3% Core Organic</i>	Up 130 - 150 bps	<ul style="list-style-type: none">• Sales \$9.6-\$9.8B

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

EPS \$1.46 - \$1.51, Up 7 - 10%*

2015 Financial Guidance Summary

Honeywell

(\$B except per share amounts)

	<u>2014</u>	<u>2015E</u>	<u>V%</u>	<u>Comments</u>
Sales	\$40.3	\$39.0 - 39.6	(2) - (3)%	• Core Organic Up ~3%
Segment Profit	\$6.7	\$7.2 - 7.4	7 - 10%	
<i>Margin %</i>	16.6%	18.3 - 18.6%	170 - 200 bps	• 130-160 bps⁽¹⁾ ex-4Q14 OEM Incentives
Net Income (Ex-Pension MTM)	\$4.4	\$4.8 - 4.9	8 - 11%	
<i>Attributable to Honeywell</i>				
EPS (Ex-Pension MTM)	\$5.56	\$6.00 - 6.15	8 - 11%	
Free Cash Flow	\$3.9	\$4.2 - 4.3	8 - 10%	• Capex Reinvestment Ratio⁽²⁾ ~190%

1) Excludes 4Q14 \$184M OEM Incentives

2) Capex Reinvestment Ratio = Capital Expenditures / Depreciation

What's Changed

- **Continued USD Strengthening...~\$1.7B Top-Line Impact YoY**
- **Hedging Strategy Protecting Income From Further Foreign Currency Movement**
- **Margin Favorability: Operations (100-130 bps); FM, F/X, R&C Raws Pricing (~70 bps)**
- **Positioning For 2016...Repositioning, F/X Hedging**

Raising EPS Guidance To \$6.00 - \$6.15

2015 Planning Update

	End Market	Outlook	Commentary
Aero	<i>Commercial Aero</i>	Same	<ul style="list-style-type: none"> • OE Build Rates Ramp, Strong Flight Hours
	<i>Defense & Space</i>	Same	<ul style="list-style-type: none"> • U.S. Stabilizing, Int'l Growth Continues
	<i>Turbo / Autos</i>	Better	<ul style="list-style-type: none"> • Gas Turbo Pen., EU LV Production Positive
ACS	<i>Residential</i>	Same	<ul style="list-style-type: none"> • HGR Urbanization, Connected Home Investments
	<i>Commercial</i>	Same	<ul style="list-style-type: none"> • Commercial Construction Spend Growing
	<i>Industrial</i>	Same	<ul style="list-style-type: none"> • Increasing Activity In U.S. And HGRs
PMT	<i>UOP, HPS</i>	Worse	<ul style="list-style-type: none"> • Oil & Gas Impacts More Pronounced As Volatility Persists • Proactively Addressing PMT Cost Position
	<i>Advanced Materials</i>	Same	<ul style="list-style-type: none"> • Robust Demand For LGWP Products

Balanced Outlook For 2015

FY15 Segment Guidance

Honeywell

December Outlook Call

Current Outlook

Sales

Margin

Sales

Margin

Aero

\$15.4 - 15.7B
Core Organic 2 - 3%

20.2 - 20.5%
Up 50 - 80 bps*

\$15.0 - 15.3B
Core Organic 1 - 2%

20.8 - 21.1%
Up 120 - 150 bps*

ACS

\$14.7 - 14.9B
Core Organic 4 - 5%

15.8 - 16.1%
Up 60 - 90 bps

\$14.1 - 14.3B
Core Organic 3 - 4%

16.0 - 16.3%
Up 80 - 110 bps

PMT

\$10.3 - 10.5B
Core Organic 6 - 7%

18.6 - 18.9%
Up 80 - 110 bps

\$9.7 - 9.9B
Core Organic ~3%

20.0 - 20.3%
Up 220 - 250 bps

HON

\$40.5 - 41.1B
Core Organic ~5%

17.6 - 17.9%
Up 60 - 90 bps*

\$39.0 - 39.6B
Core Organic ~3%

18.3 - 18.6%
Up 130 - 160 bps*

Margin Expansion In 1Q Expected To Continue

- **Another Quarter Of Double-Digit Earnings Growth**
 - Earnings At High End Of Guidance Range
 - Continued Margin Expansion
 - Momentum Heading Into 2Q
- **Expect Continued Outperformance In 2015**
 - 2H15 Core Organic Sales Acceleration Despite Challenging Environment
 - Maintaining Cost Discipline While Continuing To Invest In Future Growth
- **On Track To Achieve Long-Term Targets**
 - Seed Planting Benefits From Growth Investments, HOS Gold, HGR, High ROI Capex
 - Aligned To Favorable Macro Trends
 - Restructuring Benefits Support Margin Expansion

Continuing To Outperform

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

<i>(\$M)</i>	1Q14	1Q15
Aerospace	\$703	\$752
Automation and Control Solutions	471	516
Performance Materials and Technologies	473	503
Corporate	(51)	(50)
Segment Profit	\$1,596	\$1,721
Stock Based Compensation ⁽¹⁾	(52)	(52)
Repositioning and Other ^(1, 2)	(220)	(139)
Pension Ongoing Income ⁽¹⁾	61	100
OPEB Expense ⁽¹⁾	(12)	(9)
Operating Income	\$1,373	\$1,621
Segment Profit	\$1,596	\$1,721
÷ Sales	\$9,679	\$9,213
Segment Profit Margin %	16.5%	18.7%
Operating Income	\$1,373	\$1,621
÷ Sales	\$9,679	\$9,213
Operating Income Margin %	14.2%	17.6%

(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

Honeywell

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

Honeywell

<i>(\$M)</i>	1Q14	1Q15	2014
Cash Provided by Operating Activities	\$688	\$421	\$5,024
Expenditures for Property, Plant and Equipment	(192)	(165)	(1,094)
Free Cash Flow	<u>\$496</u>	<u>\$256</u>	<u>\$3,930</u>

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

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

(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

Honeywell

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

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

Calculation Of EPS At Tax Rate Of 26.5%

Honeywell

(\$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

2Q14

\$1,523

404

\$1,119

27

\$1,092

795.4

\$1.37

Net Cash Reconciliation

Honeywell

<i>(\$M)</i>	1Q 2015	2014
Cash and cash equivalents	\$6,575	\$6,959
Short term available for sale investments	1,750	1,463
Cash	\$8,325	\$8,422
Commercial Paper	\$2,695	\$1,647
Current maturities of long-term debt	1,304	939
Long-term debt	5,661	6,046
Debt	\$9,660	\$8,632
Net Cash	<u><u>(\$1,335)</u></u>	<u><u>(\$210)</u></u>

Core Organic Sales Growth Reconciliations

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Honeywell	1Q 2015
Organic sales growth	1%
Raw Materials Pricing in R&C	1%
Core organic sales growth	2%
PMT	1Q 2015
Organic sales growth	(1%)
Raw Materials Pricing in R&C	4%
Core organic sales growth	3%
Advanced Materials	1Q 2015
Organic sales growth	(9%)
Raw Materials Pricing in R&C	11%
Core organic sales growth	2%

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