

Honeywell

Fourth Quarter / Full Year 2014

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.

• Honeywell Delivers Again In 2014

- 4Q14: 4% Organic Sales Growth; EPS⁽¹⁾ \$1.43, Up 15% YoY
- FY14: 3% Organic Sales Growth; EPS⁽¹⁾ \$5.56, Up 12% YoY
- BEAV Gains Fully Deployed – Positions HON Well For Future Growth And Profitability

• Confident In 2015 Outlook

- Short Cycle Improvement, Long Cycle Momentum
- Continued Margin Expansion, On Track To Achieve Long Term Targets
- Conservative Cost And F/X Planning In Continued Slow Growth Environment

• Ongoing Seed Planting Driving Top Tier Performance

- High ROI Capex, New Products And High Growth Region Investments Paying Off
- Traction On Key Process Initiatives, Executing Sustainable Productivity Actions
- March 4th Investor Day Focused On Innovation, Execution, And HOS Gold Evolution

1) EPS, V% Excludes Pension Mark-To-Market Adjustment

Continuing To Deliver Above Expectations

4Q14 Guidance Vs. Results

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	<u>Guidance</u>	<u>Results</u>	
Sales	\$10.1-\$10.2B	\$10.3B	✓
<i>Reported Growth</i>	<i>~(2%)</i>	<i>(1%)</i>	✓
<i>Organic Growth</i>	<i>~3%</i>	<i>4%</i>	✓
Segment Profit	~\$1.6B	\$1.6B	✓
<i>Margin Change</i>	<i>~(20) bps</i>	<i>(20) bps</i>	✓
Below The Line			
BEAV Share Sale	~\$116M	\$116M	
Tax Benefit	~\$68M	\$68M	
Net Income (Ex-Pension MTM)	~\$1.1B	\$1.1B	✓
<i>Attributable To Honeywell</i>			
EPS (Ex-Pension MTM)	\$1.37-\$1.42	\$1.43	✓
<i>EPS V%</i>	<i>Up 10-15%</i>	<i>Up 15%</i>	

Exceeded Guidance

4Q14 Results (Ex-4Q14 OEM Incentives/BEAV Gain)

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(\$M except per share amounts)

	<u>4Q13</u>	<u>4Q14</u>	
Sales	\$10,387	\$10,450	<ul style="list-style-type: none"> • 1% Increase <ul style="list-style-type: none"> ◆ <i>Organic Up 4%</i>
Segment Profit	\$1,669	\$1,816	<ul style="list-style-type: none"> • 9% Increase <ul style="list-style-type: none"> ◆ <i>130 bps Margin Expansion</i>
<i>Margin %</i>	<i>16.1%</i>	<i>17.4%</i>	
Net Income (Ex-Pension MTM)	\$985	\$1,135	<ul style="list-style-type: none"> • 15% Increase
<i>Attributable to Honeywell</i>			
EPS (Ex-Pension MTM)	\$1.24	\$1.43	<ul style="list-style-type: none"> • 15% Increase <ul style="list-style-type: none"> ◆ <i>(\$0.23) Primarily Int'l Plan MTM Adjustment</i>
<i>EPS, Reported</i>	<i>\$1.19</i>	<i>\$1.20</i>	
Free Cash Flow ⁽¹⁾	\$1,268	\$1,348	<ul style="list-style-type: none"> • 119% Conversion

1) Cash Flow from Operations Less Capital Expenditures

Strong Finish To The Year

4Q14 Results

Honeywell

(\$M except per share amounts)

	<u>4Q13</u>	<u>4Q14</u>	
Sales	\$10,387	\$10,266	<ul style="list-style-type: none"> • (1%) Decrease <ul style="list-style-type: none"> ◆ Organic Up 4% ◆ 4Q14 OEM Incentives (\$184M)
Segment Profit	\$1,669	\$1,632	<ul style="list-style-type: none"> • (2%) Decrease <ul style="list-style-type: none"> ◆ (20) bps Margin Contraction ◆ 4Q14 OEM Incentives (\$184M)
<i>Margin %</i>	16.1%	15.9%	
Net Income (Ex-Pension MTM)	\$985	\$1,135	<ul style="list-style-type: none"> • 15% Increase <ul style="list-style-type: none"> ◆ Up 11% Normalized For Tax ⁽¹⁾
<i>Attributable to Honeywell</i>			
EPS (Ex-Pension MTM)	\$1.24	\$1.43	<ul style="list-style-type: none"> • 15% Increase <ul style="list-style-type: none"> ◆ Up 11% Normalized For Tax ⁽¹⁾ ◆ (\$0.23) Primarily Int'l Plan MTM Adjustment
<i>EPS, Reported</i>	\$1.19	\$1.20	
Free Cash Flow ⁽²⁾	\$1,268	\$1,348	<ul style="list-style-type: none"> • 119% Conversion

1) % Adjusted to Normalize Tax Rate for BEAV Gain in Both Periods

2) Cash Flow from Operations Less Capital Expenditures

Strong Finish To The Year

FY14 Results (Ex-4Q14 OEM Incentives/BEAV Gain)

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(\$M except per share amounts)

	<u>FY13</u>	<u>FY14</u>	
Sales	\$39,055	\$40,490	<ul style="list-style-type: none"> • 4% Increase <ul style="list-style-type: none"> ◆ <i>Organic Up 3%</i>
Segment Profit	\$6,351	\$6,880	<ul style="list-style-type: none"> • 8% Increase <ul style="list-style-type: none"> ◆ <i>70 bps Margin Expansion</i>
<i>Margin %</i>	16.3%	17.0%	
Net Income (Ex-Pension MTM)	\$3,962	\$4,418	<ul style="list-style-type: none"> • 12% Increase
<i>Attributable to Honeywell</i>			
EPS (Ex-Pension MTM)	\$4.97	\$5.56	<ul style="list-style-type: none"> • 12% Increase <ul style="list-style-type: none"> ◆ <i>(\$0.23) Primarily Int'l Plan MTM Adjustment</i>
<i>EPS, Reported</i>	\$4.92	\$5.33	
Free Cash Flow ⁽¹⁾	\$3,388	\$3,930	<ul style="list-style-type: none"> • 16% Increase

1) Cash Flow from Operations Less Capital Expenditures

5th Consecutive Year Of Double-Digit Earnings Growth

FY14 Results

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(\$M except per share amounts)

	<u>FY13</u>	<u>FY14</u>	
Sales	\$39,055	\$40,306	<ul style="list-style-type: none"> • 3% Increase <ul style="list-style-type: none"> ◆ Organic Up 3% ◆ 4Q14 OEM Incentives (\$184M)
Segment Profit	\$6,351	\$6,696	<ul style="list-style-type: none"> • 5% Increase <ul style="list-style-type: none"> ◆ 30 bps Margin Expansion ◆ 4Q14 OEM Incentives (\$184M)
<i>Margin %</i>	16.3%	16.6%	
Net Income (Ex-Pension MTM)	\$3,962	\$4,418	<ul style="list-style-type: none"> • 12% Increase
<i>Attributable to Honeywell</i>			
EPS (Ex-Pension MTM)	\$4.97	\$5.56	<ul style="list-style-type: none"> • 12% Increase <ul style="list-style-type: none"> ◆ (\$0.23) Primarily Int'l Plan MTM Adjustment
<i>EPS, Reported</i>	\$4.92	\$5.33	
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1) Cash Flow from Operations Less Capital Expenditures

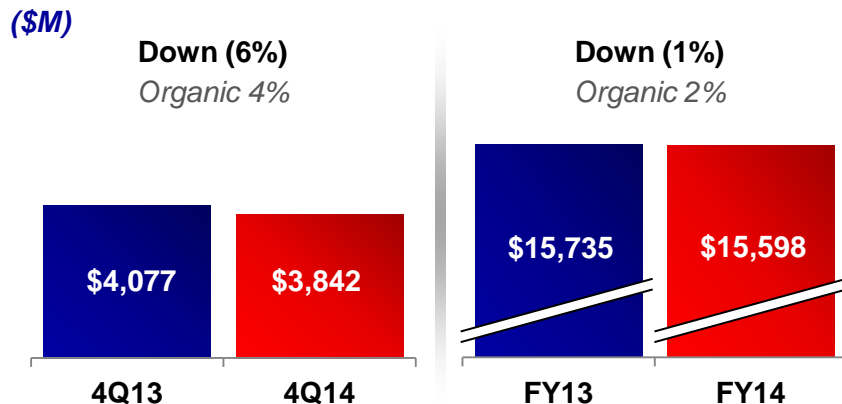
5th Consecutive Year Of Double-Digit Earnings Growth

4Q14 Aerospace Sales Performance

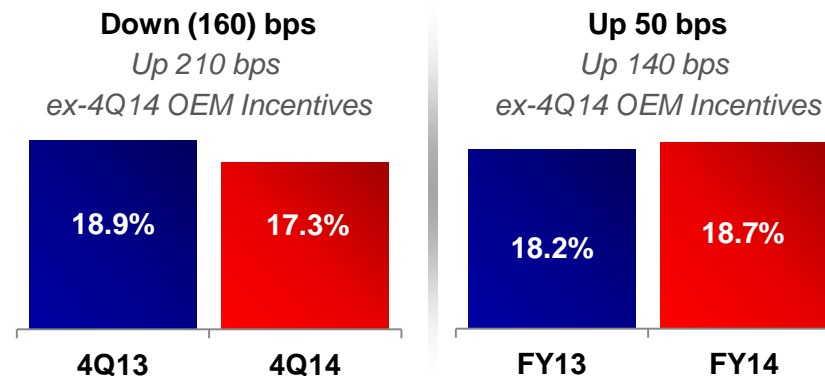
	4Q14 Sales Growth		Key Drivers
	<u>Reported</u>	<u>Organic</u>	
Commercial OE	(14%)	7%	<ul style="list-style-type: none"> • (\$184M) 4Q14 ATR OEM Incentives • (\$67M) 4Q13 BGA OEM Incentives
Commercial AM	4%	4%	<ul style="list-style-type: none"> • ATR Spares Growth • R&O Improvement
Defense & Space	(3%)	2%	<ul style="list-style-type: none"> • \$63M 4Q13 Licensing Royalty Gain • International Growth 17%
Transportation Systems	(16%)	4%	<ul style="list-style-type: none"> • Friction Materials Divestiture (July 2014) • F/X Headwind
Total Aerospace	(6%)	4%	<ul style="list-style-type: none"> • 2H14 Organic Growth Acceleration

Aerospace Underlying Business Trends Positive

Sales



Segment Margin



- **Commercial OE: FY Organic Up 3%**
 - FY Reported Down (2%)
- **Commercial AM: FY Organic Up 3%**
 - FY Reported Up 3%
- **D&S: FY Organic Down (1%)**
 - FY Reported Down (2%)
- **TS: FY Organic Up 5%**
 - FY Reported Down (3%)

- **Segment Profit: 4Q Down (14%), FY Up 2%**
 - 4Q14 OEM Incentives (\$184M)
 - 4Q Up 10% Ex-4Q14 OEM Incentives
- **Segment Margins: 4Q (160) bps, FY +50 bps**
 - + Productivity Net Of Inflation
 - + Commercial Excellence
 - + Friction Materials Divestiture
 - 4Q14 OEM Incentives

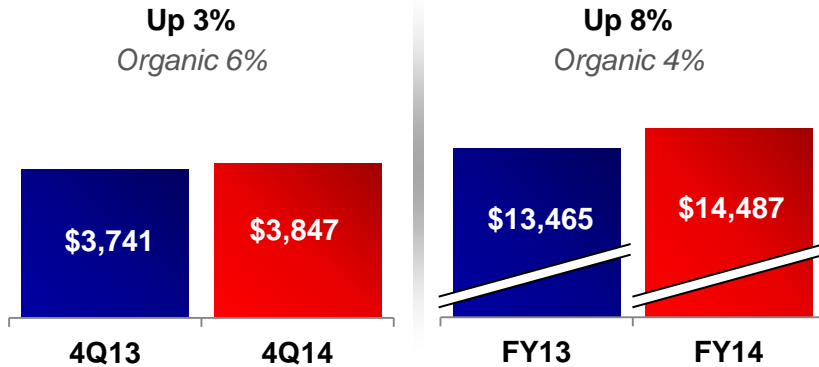
OEM Incentives Position Aero For Future Growth

Automation and Control Solutions

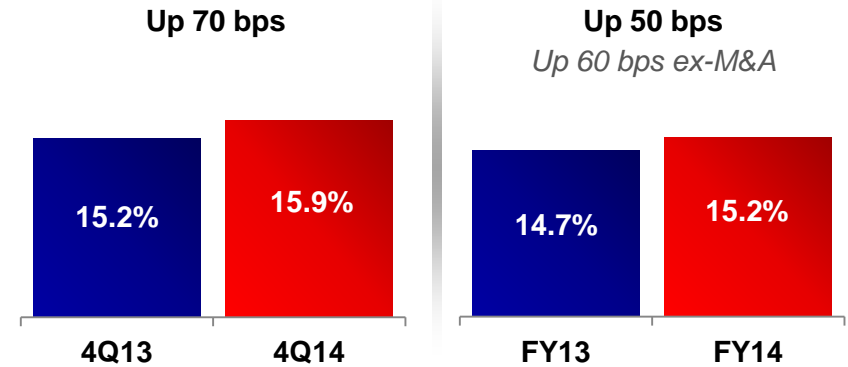
Honeywell

Sales

(\$M)



Segment Margin



- **ESS: 4Q Up 4%, FY Up 11%**
 - Organic: 4Q Up 7%, FY Up 4%
 - Scanning & Mobility Volume And New Wins
 - Fire And Industrial Safety, Security Strong Growth
- **BSD: 4Q Up 1%, FY Up 1%**
 - Organic: 4Q Up 4%, FY Up 2%
 - Strong Organic Orders And Backlog Growth
 - Growth In Higher Margin Service Business

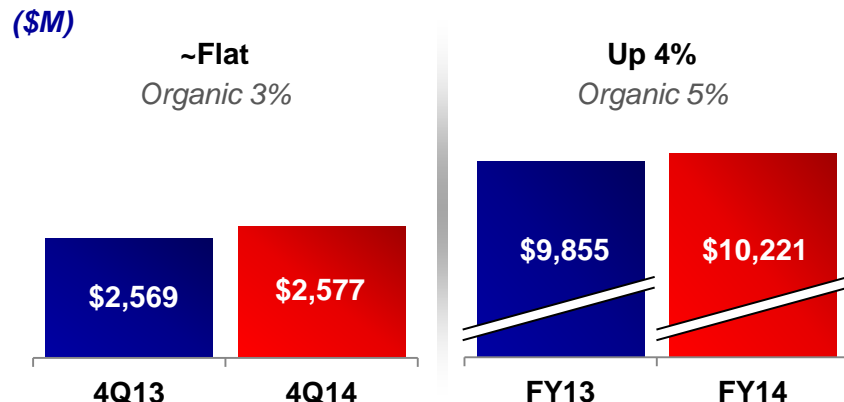
- **Segment Profit: 4Q Up 8%, FY Up 11%**
- **Segment Margins: 4Q +70 bps, FY +50 bps**
 - + Volume
 - + Productivity Net Of Inflation
 - + M&A Integration Execution
 - Growth Investments

Continued Strong Growth And Execution

Performance Materials and Technologies

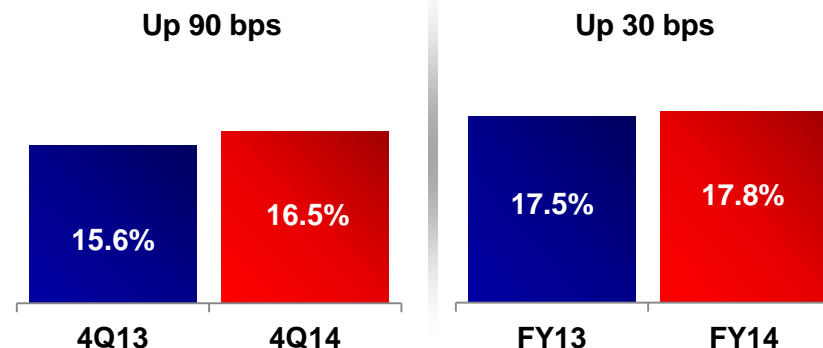
Honeywell

Sales



- **UOP: 4Q Down (2%), FY Up 8%**
 - Organic: 4Q Down (1%), FY Up 8%
 - 4Q13 Tough Comps; Licensing Revenue Growth
- **HPS: 4Q ~Flat, FY Up 1%**
 - Organic: 4Q Up 6%, FY Up 4%
 - Higher Margin Software And Services Growth
- **Adv. Materials: 4Q Up 2%, FY Up 3%**
 - Organic: 4Q Up 4%, FY Up 3%
 - FP Double Digit Growth, Solstice Ramp

Segment Margin



- **Segment Profit: 4Q Up 6%, FY Up 5%**
- **Segment Margins: 4Q +90 bps, FY +30 bps**
 - + Volume
 - + Productivity Net Of Inflation
 - + UOP Licensing Revenues
 - Growth Investments

Strong Margin Expansion In 4Q14

2015 Planning Update

Topic	HON Exposure	Impact			What We're Seeing / Expecting
		-	Neutral	+	
Oil Price Declines	Medium		✓		<ul style="list-style-type: none"> • CapEx Budgets Declining But Firm Refining Demand • No Major Project Cancellations; R&C Sales Headwind • Net Positive Impact To Costs Overall
Currency	Medium	✓			<ul style="list-style-type: none"> • Planning Euro F/X Rate At ~1.20 At The Mid Point • Hedged Over 80% Of Euro P&L Exposure • Continued Volatility In Other Currencies
High Growth Regions	Medium		✓		<ul style="list-style-type: none"> • Expecting China Growth Up High Single Digit In 2015 • Middle East Infrastructure Investment Continues • Russia Exposure, Impact Limited
Non-Residential	Medium			✓	<ul style="list-style-type: none"> • Commercial And Industrial Increasing Momentum • Building Solutions Backlog And Service Bank Growth
Pension	Medium		✓		<ul style="list-style-type: none"> • ~\$125M Upside Offset By Incremental Restructuring • No U.S. Cash Contributions Required

Balanced Outlook For 2015

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	\$40.5 - 41.1	1 - 2%	• Organic Up ~4%
Segment Profit	\$6.7	\$7.1 - 7.4	6 - 10%	
<i>Margin %</i>	16.6%	17.6 - 17.9%	100 - 130 bps	• 60-90 bps ex-4Q14 OEM Incentives
Net Income (Ex-Pension MTM)	\$4.4	\$4.7 - 4.9	7 - 11%	
<i>Attributable to Honeywell</i>				
EPS (Ex-Pension MTM)	\$5.56	\$5.95 - 6.15	7 - 11%	
Free Cash Flow	\$3.9	\$4.2 - 4.3	8 - 10%	• Capex Reinvestment Ratio⁽¹⁾ ~190%

1) Capex Reinvestment Ratio = Capital Expenditures / Depreciation

Planning Assumptions

- **Planning Euro F/X Rate At ~1.20 At The Mid Point; Over 80% Euro P&L Exposure Hedged**
- **Below The Line Stable – Pension Upside Offset By Restructuring**
- **Ongoing Restructuring Benefits, Continued Productivity From HOS Gold, FT, OEF**
- **Expecting Full Year 2015 Tax Rate Of 26.5%**
- **Holding Share Count ~Flat To 2014 Levels**

Confident In Outlook

1Q15 Preview

Honeywell

	<u>Sales Change</u>	<u>Margin Change</u>	<u>Comments</u>
Aero	(2%) - (4%) <i>3 - 4% Organic</i>	Up 100 - 120 bps	<ul style="list-style-type: none">• BGA OE New Platform Wins• Spares And R&O Growth• D&S International Growth• Strong Turbo Gas Demand
ACS	Flat - 2% <i>4 - 5% Organic</i>	Up 100 - 120 bps	<ul style="list-style-type: none">• ESS And BSD Steady Growth• Positive End Market Trends• Growth Investments Continue
PMT	(1%) - (3%) <i>~Flat Organic</i>	Up 100 - 120 bps	<ul style="list-style-type: none">• UOP Gas Processing Growth• HPS Orders And Backlog Growth• Solstice Sales Ramp• R&C Pricing Headwinds (No Income Impact)
Honeywell	(1%) - (2%) <i>3 - 4% Organic</i>	Up ~110 bps	<ul style="list-style-type: none">• Sales \$9.4-\$9.6B

EPS \$1.36 - \$1.41, Up 6 - 10% YoY

- **2014 Another Year Of Outperformance**
 - Set High Expectations And Delivered
 - Achieved Record Margins While Investing For Growth
- **Confident In 2015 Outlook**
 - Short- And Long-Cycle Order Trends Improving, Backlog Remains Strong
 - HON Playbook – Continue To Plan Conservatively, Operating Discipline Provides Tailwinds
- **Multi-Year Tailwinds**
 - Seed Planting Benefits From Growth Investments
 - Restructuring Benefits Support Productivity And Margin Expansion
- **March 4th Investor Conference**
 - On Track To Achieve Long Term Targets
 - HOS Gold Evolution Encompasses Complete Business Enterprise

Multi-Year Positive Outlook

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

Honeywell

(\$M)	4Q13	4Q14	2013	2014	1Q14
Aerospace	\$769	\$663	\$2,870	\$2,915	\$703
Automation and Control Solutions	570	613	1,983	2,200	471
Performance Materials and Technologies	400	425	1,725	1,817	473
Corporate	(70)	(69)	(227)	(236)	(51)
Segment Profit	\$1,669	\$1,632	\$6,351	\$6,696	\$1,596
Stock Based Compensation ⁽¹⁾	(41)	(44)	(170)	(187)	(52)
Repositioning and Other ^(1, 2)	(249)	(154)	(699)	(634)	(220)
Pension Ongoing Income ⁽¹⁾	22	67	90	254	61
Pension Mark-to-Market Adjustment ⁽¹⁾	(51)	(249)	(51)	(249)	-
OPEB Expense ⁽¹⁾	(13)	(12)	(20)	(49)	(12)
Operating Income	\$1,337	\$1,240	\$5,501	\$5,831	\$1,373
Segment Profit	\$1,669	\$1,632	\$6,351	\$6,696	\$1,596
÷ Sales	\$10,387	\$10,266	\$39,055	\$40,306	\$9,679
Segment Profit Margin %	16.1%	15.9%	16.3%	16.6%	16.5%
Operating Income	\$1,337	\$1,240	\$5,501	\$5,831	\$1,373
÷ Sales	\$10,387	\$10,266	\$39,055	\$40,306	\$9,679
Operating Income Margin %	12.9%	12.1%	14.1%	14.5%	14.2%

(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 And Calculation Of Cash Flow Conversion %

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<i>(\$M)</i>	4Q13	4Q14	2013	2014
Cash Provided by Operating Activities	\$1,668	\$1,762	\$4,335	\$5,024
Expenditures for Property, Plant and Equipment	(400)	(414)	(947)	(1,094)
Free Cash Flow	<u>\$1,268</u>	<u>\$1,348</u>	<u>\$3,388</u>	<u>\$3,930</u>
Net Income Attributable to Honeywell	\$947	\$956	\$3,924	\$4,239
Pension Mark-to-Market Adjustment, Net of Tax ⁽¹⁾	\$38	\$179	\$38	\$179
Net Income Attributable to Honeywell Excluding Pension Mark-to-Market Adjustment	<u>\$985</u>	<u>\$1,135</u>	<u>\$3,962</u>	<u>\$4,418</u>
Cash Provided by Operating Activities	\$1,668	\$1,762	\$4,335	\$5,024
÷ Net Income Attributable to Honeywell	947	956	3,924	4,239
Operating Cash Flow Conversion %	<u>176%</u>	<u>184%</u>	<u>110%</u>	<u>119%</u>
Free Cash Flow	\$1,268	\$1,348	\$3,388	\$3,930
÷ Net Income Attributable to Honeywell Excluding Pension Mark-to-Market Adjustment	<u>\$985</u>	<u>\$1,135</u>	<u>\$3,962</u>	<u>\$4,418</u>
Free Cash Flow Conversion %	<u>129%</u>	<u>119%</u>	<u>86%</u>	<u>89%</u>

(1) Mark-to-market uses a blended tax rate of 25.5% and 28.1% for 2013 and 2014, respectively.

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

	4Q13⁽¹⁾	4Q14⁽²⁾	2013⁽³⁾	2014⁽⁴⁾
EPS	\$1.19	\$1.20	\$4.92	\$5.33
Pension Mark-to-Market Adjustment	0.05	0.23	0.05	0.23
EPS, Excluding Pension Mark-to-Market Adjustment	\$1.24	\$1.43	\$4.97	\$5.56

(1) Utilizes weighted average shares of 797.0 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 797.3 million. Mark-to-market uses a blended tax rate of 25.5%.

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

Calculation Of EPS, Excluding Pension Mark-to-Market With BEAV Gain Normalized At Tax Rate Of 26.5%

	<u>4Q13⁽¹⁾</u>	<u>4Q14⁽²⁾</u>	<u>V %</u>
EPS	\$1.19	\$1.20	
Pension Mark-to-Market Adjustment	0.05	0.23	
Less: BEAV Gain as Reported	(0.16)	(0.14)	
BEAV Gain at 26.5% Tax Rate	0.18	0.11	
EPS, BEAV Normalized for Tax and Excluding MTM	<u>\$1.26</u>	<u>\$1.40</u>	11%

(1) Utilizes weighted average shares of 797.0 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%.