



April 22, 2016

HONEYWELL FIRST QUARTER 2016
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.

Definition Of Core Organic

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. A reconciliation of core organic sales growth to reported sales growth is provided in the Appendix.

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Highlights

1Q16

- Sales Of \$9.5B, Up **1%** Core Organic Driven By Comm'l Aviation Aftermarket, HSF, HPS And FP
- Modest Segment Margin Contraction... +80 bps Operational Improvement
- EPS Of \$1.53, Up **9%** Despite Challenging Comparisons

FY16

- Initiating 2Q16 EPS Guidance Of \$1.61 - \$1.66, Up **7% - 10%**
- Growth In ACS China, FP Solstice Ramp; Margin Expansion Improving, Net Of M&A
- Raising Low End Of 2016 EPS Guidance By 10c To \$6.55 - \$6.70, Up **7% - 10%***

Capital Allocation

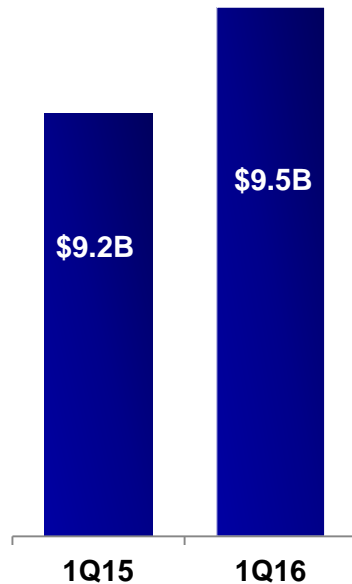
- Continued Seed Planting To Support Growth Investments – High ROI CapEx, HGRs, New Products
- Over **\$1B** Shares Repurchased, **~\$1B** Deployed To M&A
- Expanded Software Technology Offerings Through Three Acquisitions

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

1Q 2016 Financial Summary

Sales

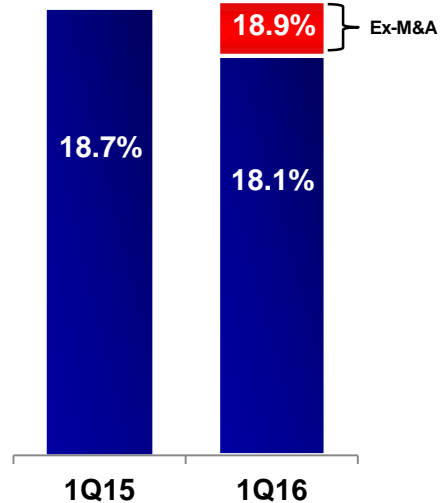
Up 1%
Core Organic



- Strength In Aero And ACS Offsets PMT
- Reported Up 3% (Elster, Other M&A)

Segment Margin

Up 20 bps
Ex-M&A



- Segment Profit \$1.7B, ~Flat
- Operational Improvement +80 bps
- Headwinds: F/X, Incentives, M&A

EPS

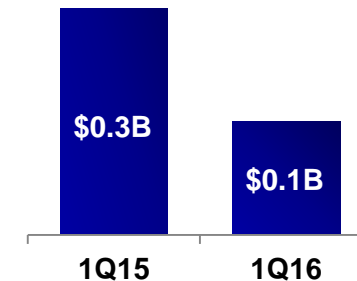
Up 9%



- High End Of Guidance
- BTL Improvement
- Share Repurchase

FCF

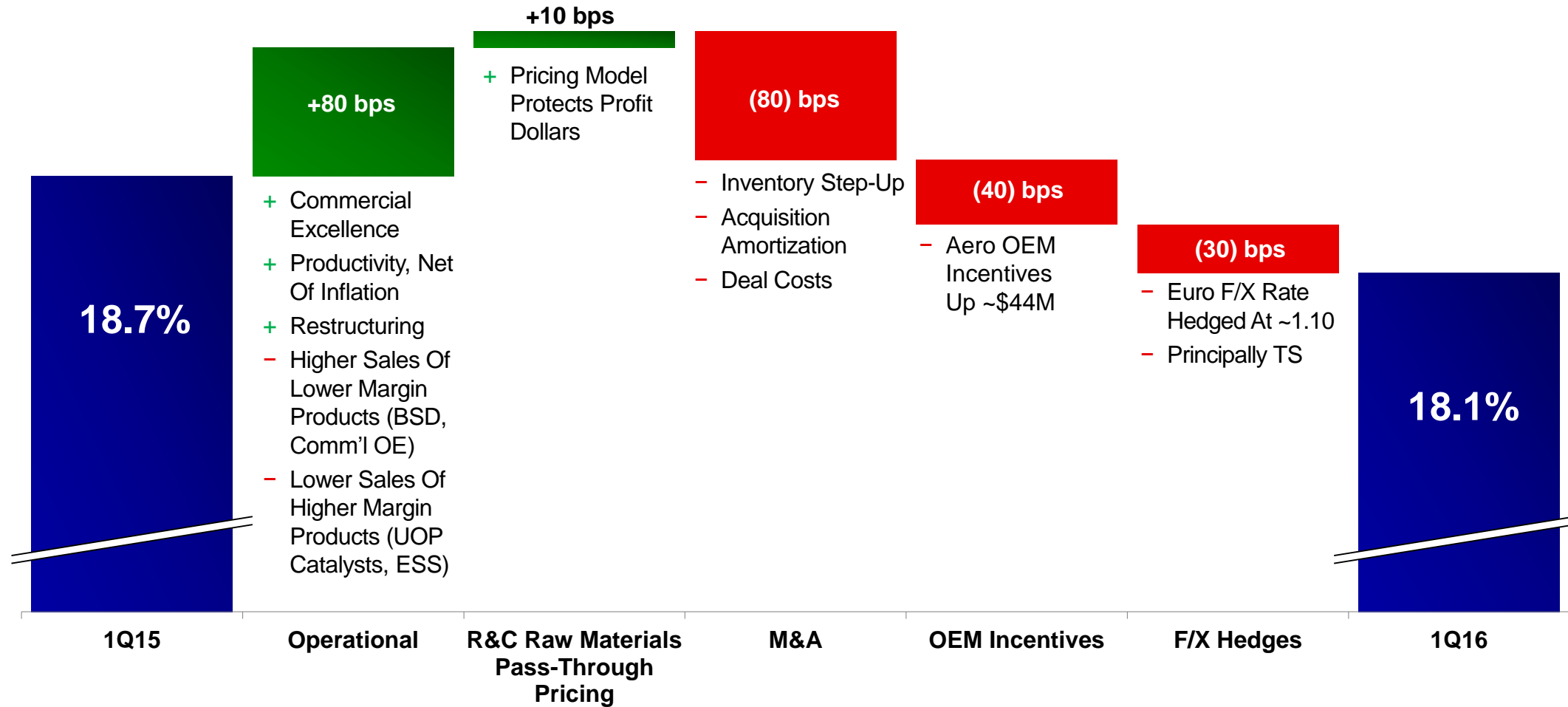
Consistent
With 1Q
Pattern



- Improved Working Capital
- Tax Payment Timing
- Higher CapEx (Up 18%)

FCF = Cash Flow From Operations Less Capital Expenditures

1Q 2016 Segment Margin



1Q16 Margin Performance Vs. Guidance

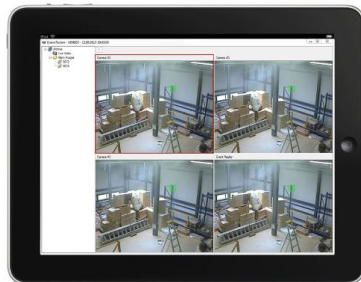
(bps)	Guidance	Actual	Comments
Aero	Up 80 - 100	Up 70	<ul style="list-style-type: none"> + Aftermarket Volume, Productivity Net Of Inflation - Higher Comm'l Aviation OE Sales
ACS	Down (50) - (80)	Down (140)	<ul style="list-style-type: none"> - Higher Building Solutions & Distribution Sales - Lower ESS Sales: S&PS Down Double-Digits
PMT	Down (90) - (110)	Down (90)	<ul style="list-style-type: none"> + In-Line With High End Of Guidance + Overcoming Lower UOP Catalyst Sales Impact
HON	Down (20) - (40)	Down (60)	<ul style="list-style-type: none"> + Holding To Full Year Guidance + Continued Restructuring Savings - F/X Headwind

M&A Update

~\$0.5B

Xtralis

Completed April 2016



- Leading Early Fire And Intrusion Detection Technologies
- Protects Iconic Sites, Critical Infrastructures And Fortune 500 Companies Worldwide
- Delivers Advanced Perimeter Security Technologies And Video Analytics Software
- Complements And Expands Honeywell's Security And Fire Offering

~\$129M

RSI Video Technologies

Completed March 2016



- Leading Intrusion Detection Systems For Commercial/Residential Security Applications
- Delivers Live, High-Quality Video Over The Cloud To Central Monitoring Stations / End Users
- Large Installed Base Of Video Verification Alarm Systems: >1M Installations In 60 Countries

Not Disclosed

Movilizer

Completed March 2016



- Cloud Platform Software Solutions To Create, Deploy And Manage Workflow
- Cloud And Mobile Applications Currently Used By >200 MNCs In 30 Countries
- Advances HON's Vision Of The "Connected Worker" In S&PS

 Purchase Price

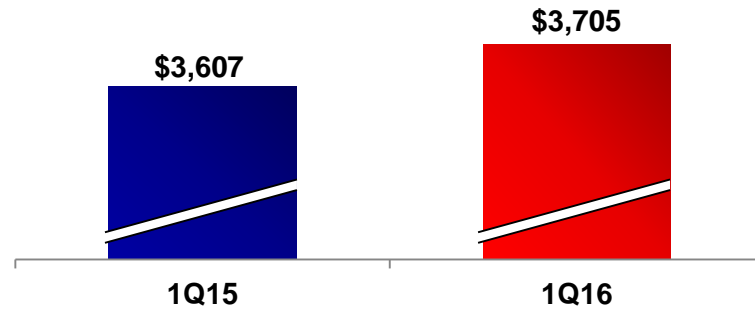
**Enhancements To ACS Technologies
Dilution Assumed In Updated 2016 Guidance**

Aerospace

Sales

(\$M)

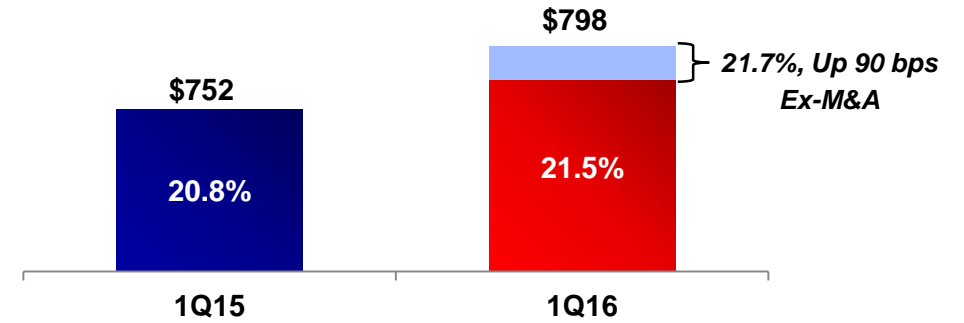
Up 3%
Core Organic Up 3%



- **Comm'l Aviation OE Up 3%, Core Organic Up 4%**
 - ATR OEM Growth, Strong BGA Engine Shipments
 - Unfavorable Impact Of OEM Incentives
- **Comm'l Aviation AM Up 6%, Core Organic Up 6%**
 - ATR Flight Hour Growth Better Than Expected
 - Higher ATR Spares Sales, Continued R&O Growth
- **D&S Down 1%, Core Organic Down 2%**
 - Timing Of U.S. Programs, Tough International Comps
- **TS Up 3%, Core Organic Up 6%**
 - New Platform Launches, Higher Global Turbo Penetration
 - F/X Headwinds Impact Reported Sales

Segment Margin

Up 70 bps



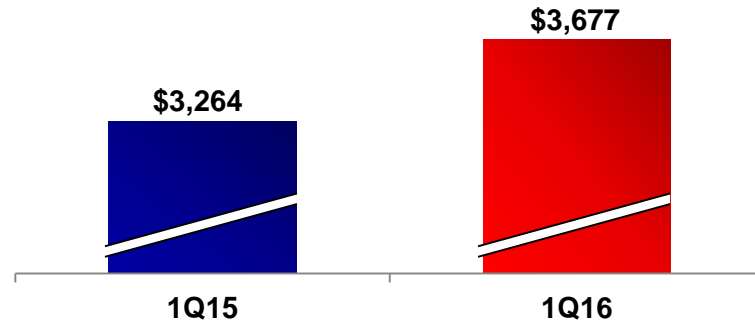
- **Segment Profit Up 6%**
- **Segment Margin Up 70 bps**
 - + Productivity Net Of Inflation
 - + Commercial Excellence
 - Continued Growth Investments Incl. OEM Incentives
 - Acquisition Amortization/Deal Costs
 - U.S. Dollar Strengthening (TS)

Automation and Control Solutions

Sales

(\$M)

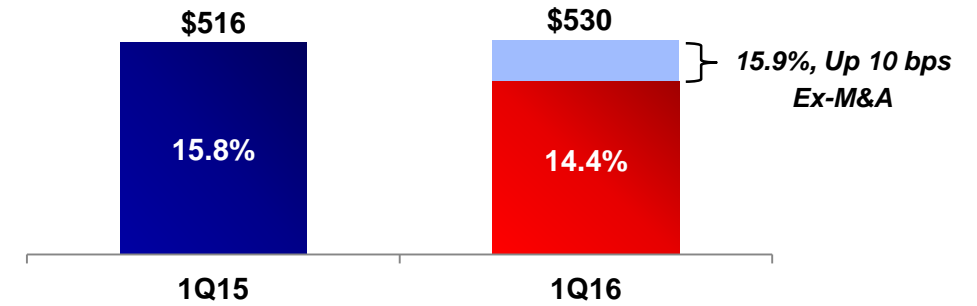
Up 13%
Core Organic Up 4%



- **ESS Up 16%, Core Organic ~Flat**
 - Security And Fire Growth Across All Regions
 - China Core Organic Up 13% – Growth In All Businesses
 - Sensing & Productivity Solutions Tough Comps
 - Sales From Elster Acquisition
- **BSD Up 5%, Core Organic Up 11%**
 - Americas Distribution Up 17%, Strength In Security And Fire
 - Building Solutions Up 6%, Project Installation And Services Growth
 - Backlog And Service Bank Growth

Segment Margin

Down 140 bps

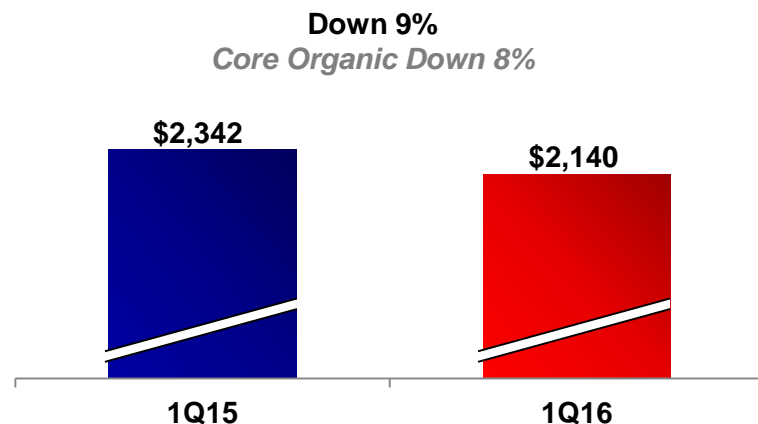


- **Segment Profit Up 3%**
- **Segment Margin Down 140 bps**
 - + Productivity Net Of Inflation
 - + Restructuring Benefits
 - + Commercial Excellence
 - Acquisition Amortization/Deal Costs
 - Higher BSD Sales
 - Continued Growth Investments

Performance Materials and Technologies

Sales

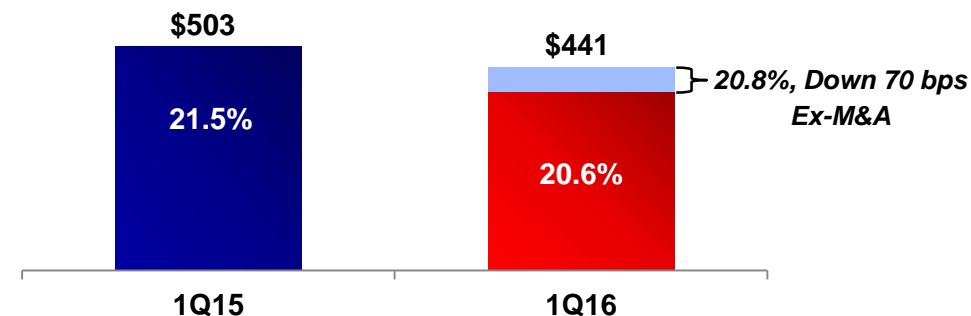
(\$M)



- **UOP Down 38%, Core Organic Down 37%**
 - Gas Processing And Equipment Declines
 - Tougher Catalyst Comps As Expected
 - Modest Backlog Increase
- **HPS Up 10%, Core Organic Up 9%**
 - Projects And Services Growth
 - Sales From Elster Acquisition
 - Modest Backlog Decline
- **Adv Mat Up 10%, Core Organic Up 11%**
 - Fluorine Products Solstice Ramp
 - R&C Volume Growth

Segment Margin

Down 90 bps



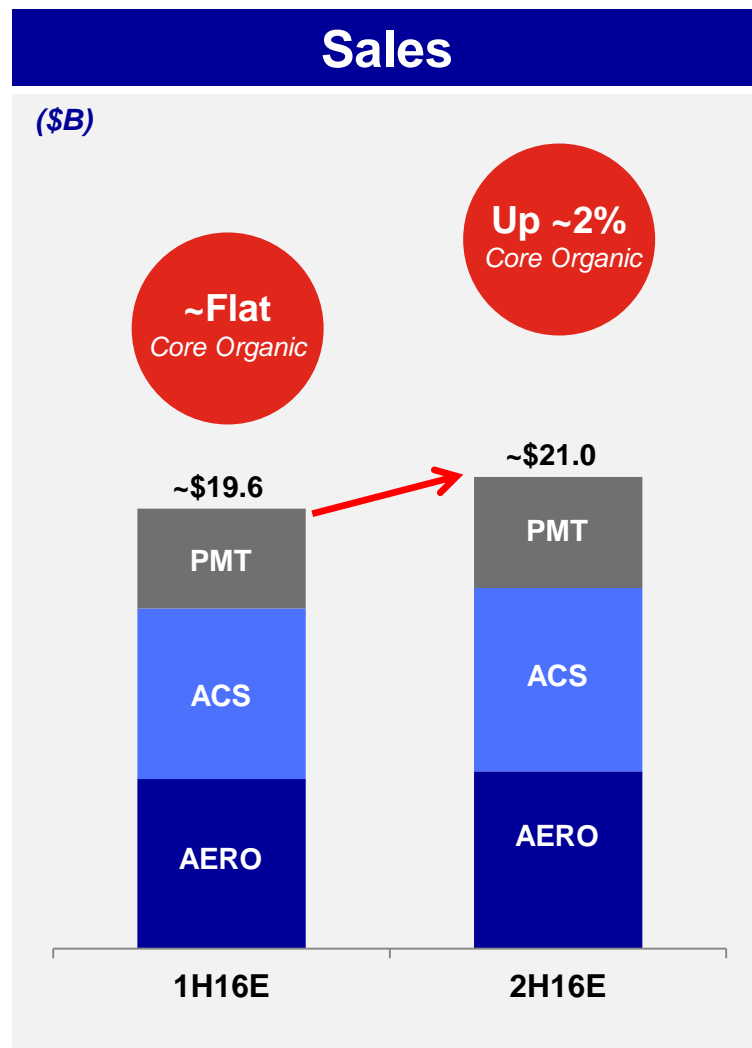
- **Segment Profit Down 12%**
- **Segment Margin Down 90 bps**
 - + Restructuring Benefits
 - + Commercial Excellence
 - + R&C Raw Materials Pass-Through Pricing
 - Lower UOP Catalyst Sales
 - Acquisition Amortization/Deal Costs

2Q16 Preview

**\$10.0B -
\$10.2B**
Total HON
Sales

	Sales	Margin Change (bps)	Comments
Aero	<p>Flat - 1% <i>Flat - 1% Core Organic</i></p>	<p>Up 60 - 80 <i>Up 80 - 100 ex-M&A</i></p>	<ul style="list-style-type: none"> • Comm'l Spares Strength, R&O Growth • Strong Gas Turbo Volume • OEM Incentives Headwind • D&S Tough International Comp
ACS	<p>9% - 11% <i>(1%) - 1% Core Organic</i></p>	<p>Down (20) - Flat <i>Up 50 - 70 ex-M&A</i></p>	<ul style="list-style-type: none"> • China, India Double-Digit Growth • Continued Americas Distribution Growth • ESS Tougher Comp (S&PS) • Impact From Acquisitions
PMT	<p>(3%) - (4%) <i>(3%) - (4%) Core Organic</i></p>	<p>Down (10) - (30) <i>Down (20) - Flat ex-M&A</i></p>	<ul style="list-style-type: none"> • HPS Project Conversion, Elster Impact • Fluorine Products Solstice Ramp • UOP Catalyst Shipment Timing • Weak U.S. Gas Processing
HON	<p>2% - 4% <i>(2%) - Flat Core Organic</i></p>	<p>Down (10) - Up 10 <i>Up 40 - 60 ex-M&A</i></p>	<ul style="list-style-type: none"> • Growth From M&A • Improving Margin Expansion • Lower Share Count YoY

2016 Sales Performance



Commentary

- **ACS And Aero 1H / 2H Performance Consistent**
 - S&PS Returns To Growth In 4Q (USPS Comp)
 - Strong Aero Aftermarket Growth Continues
- **PMT Strong 1H To 2H Acceleration**
 - Lapping 1H16 Declines – Catalysts, Gas Processing
 - Modest UOP Backlog Increase, Continued Fluorine Products Strength

2016 Financial Guidance Summary

Total Honeywell		By Segment	
Sales \$40.3 - \$40.9B Up 4 - 6% <i>1 - 2% Core Organic</i>	Segment Margin 18.9% - 19.3% Up 10 - 50 bps <i>80 - 110 bps ex-M&A</i>	Sales \$15.4B - \$15.6B 1% - 2% <i>1% - 2% Core Organic</i>	Margin 21.7% - 22.1% Up 60 - 100 bps <i>Up 80 - 120 bps ex-M&A</i>
EPS \$6.55 - \$6.70 Up 7 - 10%	FCF \$4.6 - \$4.8B Up 5 - 10%	ACS \$15.6B - \$15.9B 11% - 13% <i>1% - 2% Core Organic</i>	16.3% - 16.6% Down (10) - Up 20 bps <i>Up 110 - 140 bps ex-M&A</i>
		PMT \$9.3B - \$9.4B Flat - 2% <i>(1%) - 1% Core Organic</i>	20.8% - 21.1% Down (20) - Up 10 bps <i>Up 30 - 60 bps ex-M&A</i>

Continued
Aftermarket
Momentum

Double
Digit
Growth In
ACS China

FP Double
Digit Growth
On Solstice
Ramp

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

Summary

Another Quarter Of Strong Earnings Growth



- Positive Core Organic Sales Growth Performance
- Earnings At High End Of Guidance Range, Up 9% YoY

Expect Continued Outperformance In 2016



- Raised Low End Of 2016 EPS Guidance Range To \$6.55 - \$6.70, Up 7% - 10%*
- Upside From Acquisition Integration Overdrive

Multi-Year Tailwinds



- Seed Planting Benefits From HOS Gold, NPIs, HGRs, High ROI CapEx
- Restructuring Benefits Support Productivity And Margin Expansion

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

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)	1Q15	2Q15	2015	1Q16
Aerospace	\$752	\$777	\$3,218	\$798
Automation and Control Solutions	516	567	2,313	530
Performance Materials and Technologies	503	509	1,935	441
Corporate	(50)	(50)	(210)	(49)
Segment Profit	\$1,721	\$1,803	\$7,256	\$1,720
Stock Based Compensation ⁽¹⁾	(52)	(39)	(175)	(53)
Repositioning and Other ^(1, 2)	(139)	(137)	(576)	(131)
Pension Ongoing Income ⁽¹⁾	100	103	430	150
Pension Mark-to-Market Adjustment ⁽¹⁾	-	-	(67)	-
OPEB (Expense) Income ⁽¹⁾	(9)	(11)	(40)	9
Operating Income	\$1,621	\$1,719	\$6,828	\$1,695
Segment Profit	\$1,721	\$1,803	\$7,256	\$1,720
÷ Sales	\$9,213	\$9,775	\$38,581	\$9,522
Segment Profit Margin %	18.7%	18.4%	18.8%	18.1%
Operating Income	\$1,621	\$1,719	\$6,828	\$1,695
÷ Sales	\$9,213	\$9,775	\$38,581	\$9,522
Operating Income Margin %	17.6%	17.6%	17.7%	17.8%

(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.

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Calculation of Segment Profit Margin Excluding Mergers and Acquisitions

<i>(\$M)</i>	<u>1Q16</u>
Honeywell	
Segment Profit Excluding Mergers and Acquisitions	\$1,705
÷ Sales Excluding Mergers and Acquisitions	<u>\$9,043</u>
Segment Profit Margin Excluding Mergers and Acquisitions %	<u>18.9%</u>
Aerospace	
Segment Profit Excluding Mergers and Acquisitions	\$801
÷ Sales Excluding Mergers and Acquisitions	<u>\$3,685</u>
Segment Profit Margin Excluding Mergers and Acquisitions %	<u>21.7%</u>
Automation and Control Solutions	
Segment Profit Excluding Mergers and Acquisitions	\$522
÷ Sales Excluding Mergers and Acquisitions	<u>\$3,290</u>
Segment Profit Margin Excluding Mergers and Acquisitions %	<u>15.9%</u>
Performance Materials and Technologies	
Segment Profit Excluding Mergers and Acquisitions	\$431
÷ Sales Excluding Mergers and Acquisitions	<u>\$2,068</u>
Segment Profit Margin Excluding Mergers and Acquisitions %	<u>20.8%</u>

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Reconciliation of Cash Provided by Operating Activities to Free Cash Flow

<i>(\$M)</i>	1Q15	2015	1Q16
Cash Provided by Operating Activities	\$421	\$5,454	\$257
Expenditures for Property, Plant and Equipment	(165)	(1,073)	(194)
Free Cash Flow	<u>\$256</u>	<u>\$4,381</u>	<u>\$63</u>

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Reconciliation of EPS to EPS, Excluding Pension Mark-to-Market Adjustment

	2015⁽¹⁾
EPS	\$6.04
Pension Mark-to-Market Adjustment	0.06
EPS, Excluding Pension Mark-to-Market Adjustment	\$6.10

(1) Utilizes weighted average shares of 789.3 million. M ark-to-market uses a blended tax rate of 36.1%.

Core Organic Sales Growth Reconciliations

Honeywell	1Q16
Reported Sales Growth	3%
Foreign Currency Translation, Acquisitions, Divestitures and Other	3%
Raw Materials Pricing in R&C	(1%)
Core Organic Sales Growth	1%
Performance Materials and Technologies	1Q16
Reported Sales Growth	(9%)
Foreign Currency Translation, Acquisitions, Divestitures and Other	1%
Raw Materials Pricing in R&C	(2%)
Core Organic Sales Growth	(8%)
Advanced Materials	1Q16
Reported Sales Growth	10%
Foreign Currency Translation, Acquisitions, Divestitures and Other	3%
Raw Materials Pricing in R&C	(4%)
Core Organic Sales Growth	11%

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