

Honeywell

Third Quarter 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.

- **Strong Top-Line And Double-Digit Earnings Growth**
 - Sales \$10.1B, Organic Up 5%; Segment Margin 17.4%, Up 70 bps
 - EPS Up 19% To \$1.47 – Up 14% To \$1.43 Normalized For Tax
 - Free Cash Flow \$1.0B, Up 12%
- **Confident In 2014 Outlook – Raising Full Year Guidance**
 - Short-Cycle Steady Growth – U.S. Relative Strength; EU Slow But Stable; China Growth
 - Long-Cycle Orders And Backlog Momentum
 - Increasing Low End Of 2014 Guidance – Range Now \$5.50 - \$5.55, Up 11 - 12%
- **Strong Prospects For 2015**
 - Modest Organic Sales Growth And Margin Expansion Continue → Path To Strong Earnings
 - High ROI Capex, New Product And High Growth Region Investments Paying Off
 - Traction On Key Process Initiatives, Executing Sustainable Productivity Actions

Important Notes:

- Normalized EPS V% Adjusted to Expected Full Year 2014 Tax Rate of 26.5% Before Any Pension Mark-to-Market Adjustment
- FCF = Cash Flow from Operations Less Capital Expenditures
- FY EPS Proforma, V% Exclude Any Pension Mark-to-Market Adjustment

On Track To Achieve Long Term Targets

3Q 2014 Financial Summary

Honeywell

(\$M except per share amounts)

	<u>3Q13</u>	<u>3Q14</u>	
Sales	\$9,647	\$10,108	<ul style="list-style-type: none"> • 5% Increase <ul style="list-style-type: none"> ◆ Organic Up 5%
Segment Profit	\$1,615	\$1,759	<ul style="list-style-type: none"> • 9% Increase <ul style="list-style-type: none"> ◆ 70 bps Margin Expansion
<i>Margin %</i>	<i>16.7%</i>	<i>17.4%</i>	
Net Income	\$990	\$1,167	<ul style="list-style-type: none"> • 18% Increase <ul style="list-style-type: none"> ◆ Up 14% Normalized For Tax*
<i>Attributable to Honeywell</i>			
EPS	\$1.24	\$1.47	<ul style="list-style-type: none"> • 19% Increase <ul style="list-style-type: none"> ◆ 3Q14 EPS \$1.43 Normalized For Tax* ◆ Full Year Expected ETR 26.5%
<i>Tax Rate</i>	<i>27.2%</i>	<i>24.6%</i>	
Free Cash Flow**	\$867	\$974	<ul style="list-style-type: none"> • 12% Increase <ul style="list-style-type: none"> ◆ Higher CapEx Spending

* Adjusted to Expected Full Year 2014 Tax Rate of 26.5% Before Any Pension Mark-to-Market Adjustment

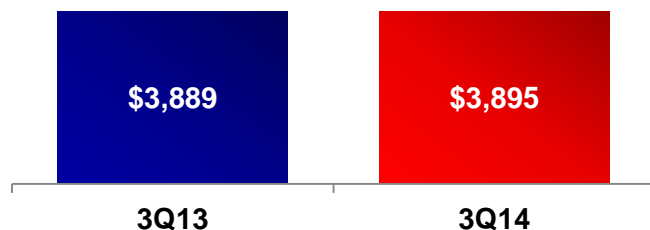
** Cash Flow from Operations Less Capital Expenditures

Another Strong Quarter

Sales

(\$M)

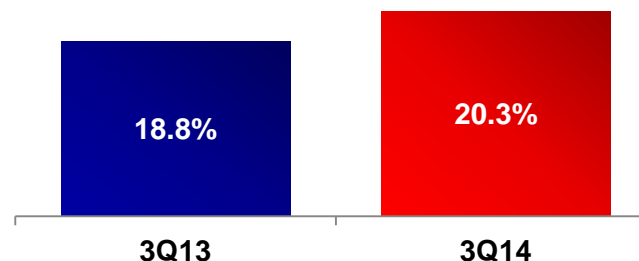
~Flat
Organic 3%



- **Commercial OE Up 5%**
 - Strong ATR Build Rates, BGA Engine Shipments
- **Commercial AM Up 2%**
 - ATR Spares Strength; BGA RMU Tough Comps
- **D&S Up 3%**
 - International Growth; Gov't Services Stabilizing
- **TS Down (10%), Organic Up 4%**
 - Strong Gas Demand, EU CV Growth

Segment Margin

Up 150 bps



- **Segment Profit Up 8%**
- **Segment Margin Up 150 bps**
 - + Productivity Net Of Inflation
 - + Commercial Excellence
 - + FM Divestiture
 - Growth Investments

Strong Organic Growth And Margin Expansion

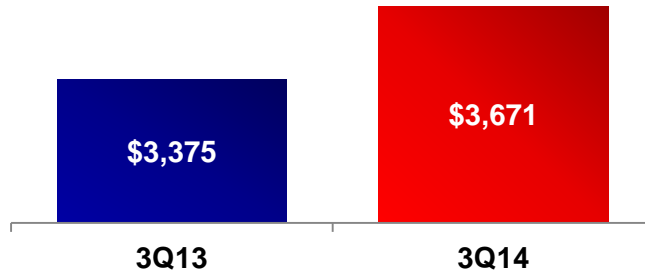
Automation and Control Solutions

Honeywell

Sales

(\$M)

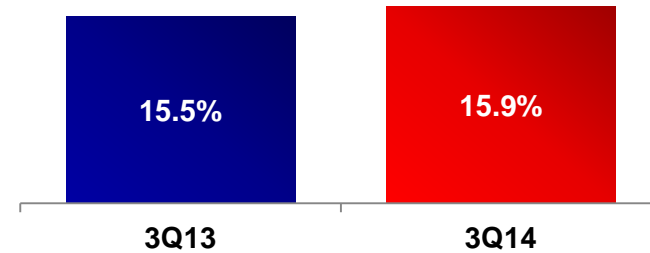
Up 9%
Organic 4%



- **ESS Up 13%, Organic Up 6%**
 - HSM New Wins, Products And Integration
 - Fire And Industrial Safety Growth
 - Continued Resi Strength, Non-Res Improves
- **BSD Up 2%**
 - Continued Americas Distribution Strength
 - High Margin Service Growth

Segment Margin

Up 40 bps
Up 50 bps ex-M&A



- **Segment Profit Up 11%**
- **Segment Margin Up 40 bps**
 - + Volume
 - + Productivity Net Of Inflation
 - + Commercial Excellence
 - Acquisitions
 - Growth Investments

ESS Continues Robust Performance

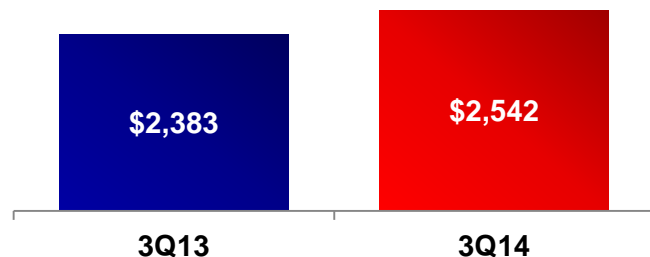
Performance Materials and Technologies

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Sales

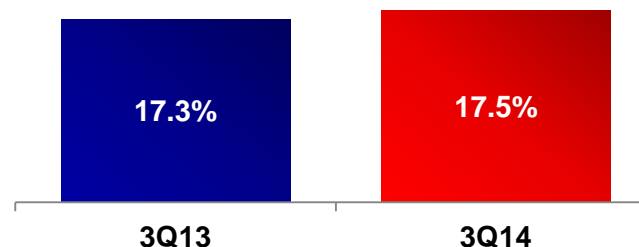
(\$M)

Up 7%
Organic 7%



Segment Margin

Up 20 bps



- **UOP Up 8%, Organic Up 7%**
 - Strong Catalysts, Gas Processing Growth
 - Robust Backlog Continuing To Grow
- **HPS Up 4%, Organic Up 5%**
 - Software And Services, Field Products Growth
 - Orders And Backlog Growth Continues
- **Advanced Materials Up 7%**
 - Growth In All Businesses
 - FP Double Digit Growth, Solstice Ramp Up

- **Segment Profit Up 8%**
- **Segment Margin Up 20 bps**
 - + Volume
 - + Productivity Net Of Inflation
 - Resins & Chemicals Price/Raws
 - Growth Investments

Strong Growth Across The Portfolio

4Q14 Preview

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	<u>Sales Change</u>	<u>Margin Change</u>	<u>Comments</u>
Aero	(~3%) <i>~2% Organic</i>	Up ~200 bps	<ul style="list-style-type: none">• Comm'l OE Growth – BGA Uptick• Comm'l AM Up Low Single Digit• D&S Up Slightly Ex-Royalty Gain• TS ~Flat Organic – Tough Comps
ACS	~2% <i>~4% Organic</i>	Up ~60 bps	<ul style="list-style-type: none">• ESS Up Low-Mid Single Digit• BSD Up Low-Mid Single Digit• Growth Investments Ramp
PMT	~Flat <i>~2% Organic</i>	Up ~60 bps	<ul style="list-style-type: none">• UOP Tough Comps• HPS Up Mid Single Digit• Adv Mat Up Mid Single Digit
Honeywell	~Flat <i>~3% Organic</i>	Up ~120 bps	<ul style="list-style-type: none">• Sales \$10.3-\$10.4B

*EPS \$1.37 - \$1.42, Up 10 - 15% YoY**

FY14 Segment Guidance

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	Sales		Segment Margin	
	\$	<u>Change</u>	%	<u>Change</u>
Aero	~\$15.7B	~Flat ~1% Organic	~19.5%	Up ~140 bps
ACS	~\$14.4B	~7% ~3% Organic	~15%	Up ~50 bps Up ~70 bps ex-M&A
PMT	~\$10.2B	~4%	~18%	Up ~20 bps
HON	\$40.3 - 40.4B	3 - 4% ~3% Organic	~17%	Up ~70 bps

*Raising EPS Guidance To \$5.50 - \$5.55, Up 11 - 12% YoY**

2015 Preliminary View

Macro

- Slow Growth Global Environment Continues
- Americas, Europe, China Continue Recent Trends
- Continued Lift From High Growth Region Investments

Short Cycle

- New Products And Technologies, PMT Plants Coming Online
- Commercial And Industrial Improvement, Residential Stable
- Aero Flight Hours, Global Turbo Penetration Positive Trends

Long Cycle

- Strong Orders And Backlog Support Sales Acceleration
- Buildings/Industrial Service Bank Growth, Mid/Downstream O&G Investment
- New Commercial OE Platforms Ramp, International Defense Wins

Corp / Other

- Euro Headwinds Manageable – Proactively Minimized Short Term Exposure
- Below The Line Stable – Pension Neutral
- Ongoing Restructuring Benefits, Continued Productivity From HOS, FT, OEF

Path To Modest Sales But Strong Earnings Growth

2015 Planning Framework

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Preliminary Outlook

Highlights

Aero

Commercial OE



• BGA Outperforms Market, ATR 2H Acceleration

Commercial AM



• R&O Improves, More Maintenance Events

Defense & Space



• U.S. Stabilizing, Int'l Driving Growth

Transportation Systems



• Global Turbo Gas Penetration, New Launches

ACS

Energy, Safety And Security



• Commercial And Industrial Increasing Momentum

Building Solutions & Dist



• Backlog Supports Acceleration

PMT

UOP



• Robust Backlog; Growth From Plant Investments

Process Solutions



• Projects, Services, And Software Growth

Advanced Materials



• New Product Commercialization, Solstice Ramp

Key: = Better Than 2014 = Similar To 2014 = Worse Than 2014

On Track To 5-Year Targets

- **3Q Results Exceed Guidance On Sales, Margins, EPS**
 - Improving Top-Line And Double Digit Earnings Growth
 - Continued Margin Expansion While Investing
- **Multi-Year Tailwinds Remain**
 - Seed Planting Benefits From Growth Investments, VPD™, HOS, HGR, High ROI Capex
 - Aligned To Favorable Macro Trends; Restructuring Benefits Support Margin Expansion
- **Expect Continued Outperformance In 2015**
 - In-Line With 5-Year Targets
 - December 16th Outlook Call

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

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<i>(\$M)</i>	<u>3Q13</u>	<u>3Q14</u>
Aerospace	\$730	\$790
Automation and Control Solutions	523	583
Performance Materials and Technologies	413	444
Corporate	<u>(51)</u>	<u>(58)</u>
Segment Profit	\$1,615	\$1,759
Stock Based Compensation ⁽¹⁾	(38)	(41)
Repositioning and Other ^(1, 2)	(131)	(132)
Pension Ongoing Income ⁽¹⁾	22	62
OPEB Expense ⁽¹⁾	<u>(5)</u>	<u>(12)</u>
Operating Income	<u>\$1,463</u>	<u>\$1,636</u>
Segment Profit	\$1,615	\$1,759
÷ Sales	<u>\$9,647</u>	<u>\$10,108</u>
Segment Profit Margin %	<u>16.7%</u>	<u>17.4%</u>
Operating Income	\$1,463	\$1,636
÷ Sales	<u>\$9,647</u>	<u>\$10,108</u>
Operating Income Margin %	<u>15.2%</u>	<u>16.2%</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

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<i>(\$M)</i>	4Q13	2013
Aerospace	\$769	\$2,870
Automation and Control Solutions	570	1,983
Performance Materials and Technologies	400	1,725
Corporate	(70)	(227)
Segment Profit	\$1,669	\$6,351
Stock Based Compensation ⁽¹⁾	(41)	(170)
Repositioning and Other ^(1, 2)	(249)	(699)
Pension Ongoing Income ⁽¹⁾	22	90
Pension Mark-to-Market Adjustment ⁽¹⁾	(51)	(51)
OPEB Expense ⁽¹⁾	(13)	(20)
Operating Income	\$1,337	\$5,501
Segment Profit	\$1,669	\$6,351
÷ Sales	\$10,387	\$39,055
Segment Profit Margin %	16.1%	16.3%
Operating Income	\$1,337	\$5,501
÷ Sales	\$10,387	\$39,055
Operating Income Margin %	12.9%	14.1%

(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

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(\$B)	<u>4Q14E</u>	<u>2014E</u>
Segment Profit	\$1.7 - 1.8	\$6.8 - 6.9
Stock Based Compensation ^(1, 3)	~(0.0)	~(0.2)
Repositioning and Other ^(1, 2, 3)	~(0.1)	~(0.6)
Pension Ongoing Income ^(1, 3)	~0.1	~0.2
Pension Mark-to-Market Adjustment ⁽¹⁾	TBD	TBD
OPEB Expense ^(1, 3)	~(0.0)	~(0.1)
Operating Income	<u>\$1.6 - 1.7</u>	<u>\$6.2 - 6.3</u>
Segment Profit	\$1.7 - 1.8	\$6.8 - 6.9
÷ Sales	<u>\$10.3 - 10.4</u>	<u>\$40.3 - 40.4</u>
Segment Profit Margin %	<u>~17.3%</u>	<u>~17.0%</u>
Operating Income	\$1.6 - 1.7	\$6.2 - 6.3
÷ Sales	<u>\$10.3 - 10.4</u>	<u>\$40.3 - 40.4</u>
Operating Income Margin %	<u>~16.3%</u>	<u>~15.6%</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.

Calculation Of EPS At Tax Rate Of 26.5%

Honeywell

(\$M except per share amounts)

	<u>3Q13</u>	<u>3Q14</u>
Income Before Taxes	\$1,384	\$1,580
Taxes at 26.5%	367	419
Net Income at 26.5% Tax Rate	<u>\$1,017</u>	<u>\$1,161</u>
Less: Net Income Attributable to the Noncontrolling Interest	17	25
Net Income Attributable to Honeywell at 26.5% Tax Rate	<u>\$1,000</u>	<u>\$1,136</u>
Weighted Average Number of Shares Outstanding - Assuming Dilution	<u>797.1</u>	<u>795.0</u>
EPS at 26.5% Tax Rate	<u>\$1.25</u>	<u>\$1.43</u>

Reconciliation Of Cash Provided By Operating Activities To Free Cash Flow

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(\$M)

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

	<u>3Q13</u>	<u>3Q14</u>
	\$1,070	\$1,233
	<u>(203)</u>	<u>(259)</u>
	<u>\$867</u>	<u>\$974</u>

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

	4Q13⁽¹⁾	2013⁽²⁾
EPS	<u>\$1.19</u>	<u>\$4.92</u>
Pension Mark-to-Market Adjustment	<u>0.05</u>	<u>0.05</u>
EPS, Excluding Pension Mark-to-Market Adjustment	<u><u>\$1.24</u></u>	<u><u>\$4.97</u></u>

(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 797.3 million. Mark-to-market uses a blended tax rate of 25.5%.