



July 20, 2018

# SECOND QUARTER 2018

Earnings Release

**Honeywell**  
THE POWER OF **CONNECTED**

## Forward Looking Statements

*This presentation contains certain statements that may be deemed “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by our management in light of their experience and their perception of historical trends, current economic and industry conditions, expected future developments and other factors they believe to be appropriate. The forward-looking statements included in this presentation are also subject to a number of material risks and uncertainties, including but not limited to economic, competitive, governmental, and technological factors affecting our operations, markets, products, services and prices, as well as the ability to effect the separations. Such forward-looking statements are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements, including with respect to any changes in or abandonment of the proposed separations. 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.*

*Information regarding the impact of Tax Legislation consists of preliminary estimates which are forward-looking statements and are subject to change, possibly materially, as the firm completes its financial statements. Information regarding the impact of Tax Legislation is based on our current calculations, as well our current interpretations, assumptions and expectations relating to Tax Legislation, which are subject to further change.*

## Non-GAAP Financial Measures

*This presentation contains financial measures presented on a non-GAAP basis. Honeywell’s non-GAAP financial measures used in this presentation are as follows: segment profit, on an overall Honeywell basis, a measure by which we assess operating performance, which we define as operating income adjusted for certain items as presented in the Appendix; segment margin, on an overall Honeywell basis, which we define as segment profit divided by sales; organic sales growth, which we define as sales growth less the impacts from foreign currency translation, acquisitions and divestitures for the first 12 months following transaction date, and impacts from adoption of the new accounting guidance on revenue from contracts with customers that arise solely due to non-comparable accounting treatment of contracts existing in the prior period; free cash flow, which we define as cash flow from operations less capital expenditures and which we adjust to exclude impact of separation cost related to the spin-offs of the Homes and Transportation Systems businesses, if and as noted in the presentation; free cash flow conversion, which we define as free cash flow divided by net income attributable to Honeywell, excluding pension mark-to-market expenses, separation costs related to the spin-offs, the 4Q17 U.S. tax legislation charge, and adjustments to such charge, if and as noted in the presentation; and earnings per share, which we adjust to exclude pension mark-to-market expenses, as well as for other components, such as separation costs related to the spin-offs, the 4Q17 U.S. tax legislation charge, and adjustments to such charge, if and as noted in the presentation. Other than references to reported earnings per share, all references to earnings per share in this presentation are so adjusted. The respective tax rates applied when adjusting earnings per share for these items are identified in the presentation or in the reconciliations presented in the Appendix. Management believes that, when considered together with reported amounts, these measures are useful to investors and management in understanding our ongoing operations and in the analysis of ongoing operating trends. These metrics should be considered in addition to, and not as replacements for, the most comparable GAAP measure. Refer to the Appendix attached to this presentation for reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures.*

# Strong Second Quarter

	<u>Actual</u>	<u>Guidance</u>
High-quality earnings, great execution	<b>\$2.12</b> Earnings Per Share	\$1.97 - \$2.03
Significant sales, orders, and backlog growth	<b>6%</b> Organic Sales Growth	3% - 4%
Strong operational performance	<b>60 bps</b> Segment Margin Expansion	30 - 50 bps
		<u>2Q17 Results</u>
Free cash flow growth of 42%; 108% conversion	<b>\$1.7B</b> Free Cash Flow	\$1.2B
Aggressive and opportunistic capital deployment <ul style="list-style-type: none"> <li>• \$1.7B share repurchase in 1H18 vs. \$1.0B in 1H17</li> </ul>	<b>\$0.8B</b> Share Repurchase	\$0.7B

EPS, EPS V%, free cash flow conversion exclude impacts from separation costs related to the spin-offs of the Homes and Transportation Systems businesses and adjustments to the 4Q17 U.S. tax legislation charge  
Free cash flow, free cash flow V% exclude impacts from separation costs

# Recent Highlights

## Aerospace



**Dassault launched FalconConnect, powered by Honeywell's GoDirect™ services.** FalconConnect is a comprehensive solution that makes inflight connectivity as efficient and straightforward as possible for operators, crews and passengers.

## Home and Building Technologies



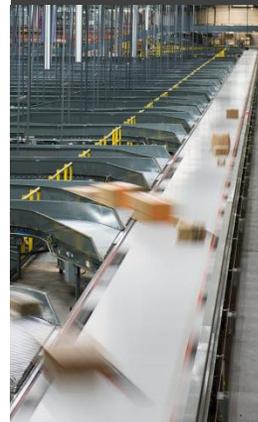
**Burj Khalifa, the world's tallest structure, is piloting the Honeywell Connected Building Outcome Based Service,** which is resulting in a 40 percent reduction in total maintenance hours and a significant reduction in unplanned reactive maintenance.

## Performance Materials and Technologies



ExxonMobil announced that the Honeywell Process Solutions' Experion LCN software approach to migrate their legacy installed base DCS systems **eliminates the need for rip-and-replace DCS migrations.**

## Safety and Productivity Solutions

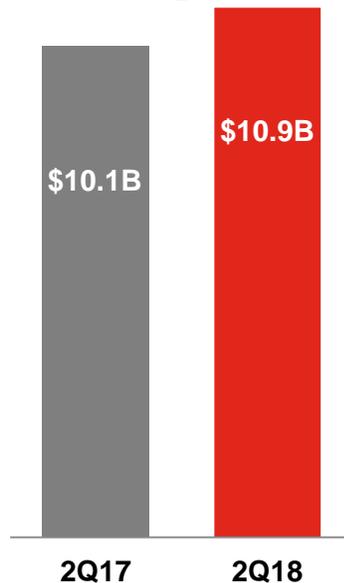


Honeywell Intelligrated provided the material handling equipment design, installation and support for **Amazon's new 600,000-square-foot warehouse north of Calgary.**

# 2Q18 Financial Summary

## Sales

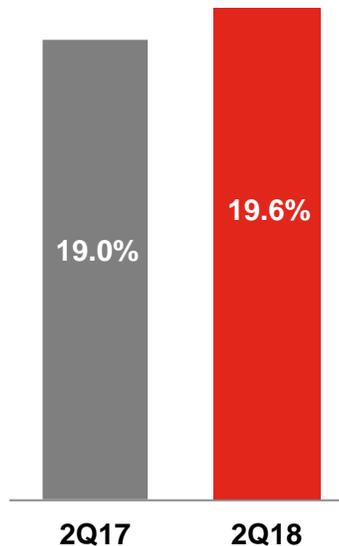
Up 6%  
Organic



- Reported sales up 8%
- + Widespread growth: ~70% of HON portfolio grew ~5% or more organically

## Segment Margin

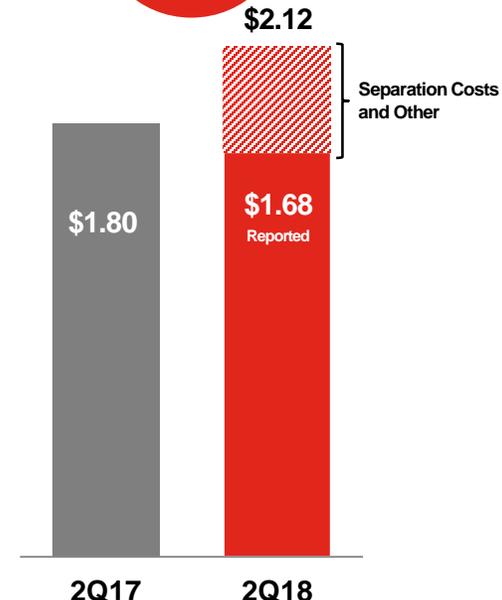
Up 60  
bps



- Segment profit up 12%
- + Increased sales volumes
- + Commercial Excellence

## EPS

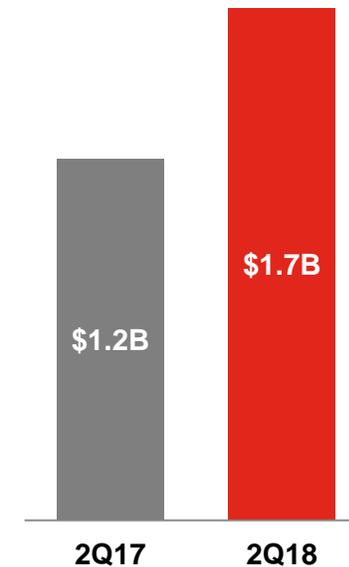
Up 18%



- Reported EPS of \$1.68
- \$346M separation costs (includes \$291M frictional tax costs)
- ~21.7% ETR (21.3% in 2Q17)

## FCF

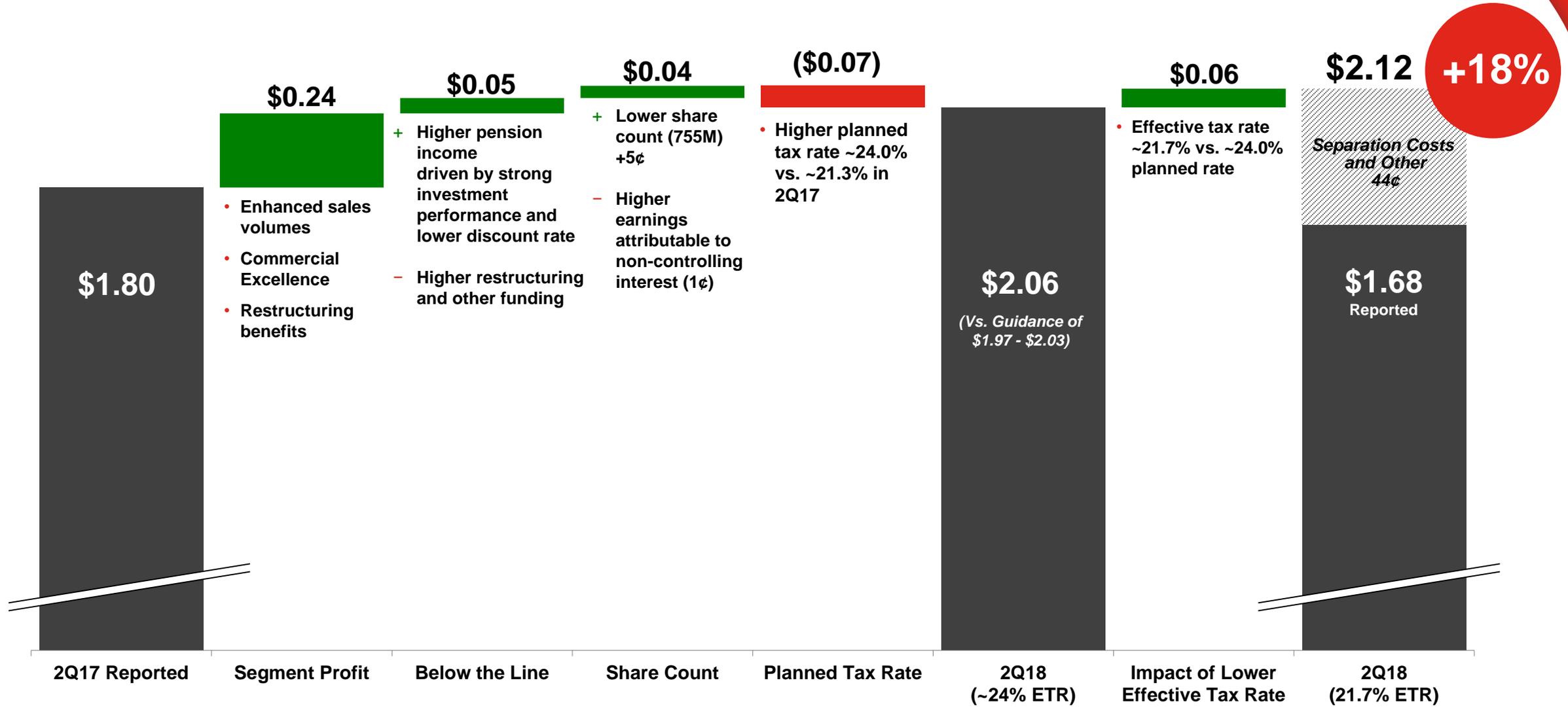
Up 42%



- Operating cash flow up 29%
- + 108% Conversion (vs. 87% in 2Q17)
- + ~\$0.8B share repurchase in 2Q; \$1.7B 1H18

EPS, EPS V%, free cash flow conversion, effective tax rate exclude impacts from separation costs related to the spin-offs of the Homes and Transportation Systems businesses and adjustments to the 4Q17 U.S. tax legislation charge  
Free cash flow, free cash flow V% exclude impacts from separation costs

# 2Q 2018 EPS



EPS, EPS V%, effective tax rate exclude impacts from separation costs related to the spin-offs of the Homes and Transportation Systems businesses and adjustments to the 4Q17 U.S. tax legislation charge

# 2Q 2018 Segment Results

(\$M)	Sales	Segment Margin Change (bps)	Commentary
Aero	<b>\$4,058</b> Up 10% Up 8% Organic	<b>22.6%</b> Up 30	<ul style="list-style-type: none"> <li>+ Growth in U.S. and international defense and business aviation OE</li> <li>+ Commercial aftermarket demand</li> <li>+ Strength in passenger vehicle gas turbo (China, EU); robust commercial vehicle demand</li> </ul>
HBT	<b>\$2,546</b> Up 5% Up 3% Organic	<b>16.8%</b> Up 60	<ul style="list-style-type: none"> <li>+ Continued strength in residential thermal products and thermostats; global ADI growth</li> <li>± Commercial Fire and software growth, offset by Energy weakness in Building Solutions</li> <li>+ Margin expansion driven by Commercial Excellence, higher volumes, and restructuring benefits</li> </ul>
PMT	<b>\$2,698</b> Up 5% Up 3% Organic	<b>22.1%</b> Up 50	<ul style="list-style-type: none"> <li>+ Strong backlog conversion and short-cycle demand in Process Solutions</li> <li>+ UOP catalyst and engineering sales growth; strong backlog</li> <li>+ Continued Solstice® growth in Advanced Materials</li> </ul>
SPS	<b>\$1,617</b> Up 13% Up 11% Organic	<b>16.5%</b> Up 150	<ul style="list-style-type: none"> <li>+ Continued double-digit sales growth in Intelligrated driven by major projects and services</li> <li>+ Growth in Productivity Products (new Mobility launches), Safety, SloT and China / India</li> <li>+ Margin expansion driven by higher volumes and Commercial Excellence</li> </ul>

# Second-Half Dynamics

## Tariffs / Inflation Update

- **Proactively managing direct and indirect impacts from both sections 232 and 301 tariffs**
  - Acknowledged and addressed list of first \$50B of affected goods
  - Assessing potential \$200B of additional targeted tariffs; minor 2018 impact anticipated
- **Inflation appearing in a number of areas**
  - Particularly evident in transportation and logistics, metals
  - Mitigation actions proactively worked with Procurement, Marketing and Commercial Excellence teams
- **Limited net impact in 2018 from known tariffs based on plans enacted to date**
  - Established processes in each business and at HON level to ensure we stay current on changes and resulting impacts
  - For known items, monitoring and rigorously addressing cost increases throughout our supply chain
  - Actively managing pricing and supply chain options across the enterprise
  - Evaluating more structural solutions for 2019

## Other 2H Matters

- **TS and Homes spins on track for 2H completion**
  - On track for Day 1 readiness – entities being operationalized, management teams in place
  - Ratings agency meetings complete; preparing for debt and equity road shows
  - Completed confidential submissions of Form 10s, subject to SEC review
- **Guidance reflects full-year of earnings for both spins and excludes separation costs and any adjustments to the provisional tax charge**

# 3Q 2018 Preview

## Total Honeywell

### Sales

**\$10.6B - \$10.8B**

Up 5% - 7%

5% - 7% Organic

### Segment Margin

**19.0% - 19.2%**

Up 30 - 50 bps

### EPS

**\$1.95 - \$2.00**

Up 11% - 14%

### Other

Effective Tax Rate:  
~22%

## What We Are Seeing

### Aero

- + Continued strength in business aviation and U.S. defense
- + Strong commercial aftermarket, particularly in business aviation
- + Gas turbo growth driven by EU launches

### HBT

- ± Strength in commercial Fire and software; Energy weakness persists
- + Global growth in Homes products and ADI

### PMT

- + Short-cycle demand in Process Solutions driven by 1H18 orders growth
- + Continued Solstice® strength in Advanced Materials
- ± UOP equipment, engineering, and catalyst demand; unfavorable mix

### SPS

- + Intelligrated growth driven by strong project backlog and 1H18 orders
- + Mobility Edge™ new product launches in Productivity Products
- + Double-digit growth in China and India

EPS, EPS V%, ETR exclude impacts from separation costs related to the spin-offs of the Homes and Transportation Systems businesses and adjustments to the 4Q17 U.S. tax legislation charge

# 2018 Financial Guidance Summary

Total Honeywell		By Segment	
<p><b>Sales</b></p> <hr/> <p><b>\$43.1B - \$43.6B</b></p> <p>Up 6% - 8%</p> <p>5% - 6% Organic</p>	<p><b>Segment Margin</b></p> <hr/> <p><b>19.4% - 19.6%</b></p> <p>Up 40 - 60 bps</p>	<p><b>Sales</b></p>	<p><b>Margin</b></p>
		<p><b>Aero</b></p> <p><b>\$16.1B - \$16.3B</b></p> <p>Up 9% - 10%</p> <p>Up 7% - 8% Organic</p>	<p><b>22.5% - 22.8%</b></p> <p>Up 30 - 60 bps</p>
		<p><b>HBT</b></p> <p><b>\$10.1B - \$10.2B</b></p> <p>Up 3% - 4%</p> <p>Up 2% - 3% Organic</p>	<p><b>17.2% - 17.4%</b></p> <p>Up 30 - 50 bps</p>
		<p><b>PMT</b></p> <p><b>\$10.8B - \$11.0B</b></p> <p>Up 4% - 6%</p> <p>Up 3% - 5% Organic</p>	<p><b>21.5% - 21.8%</b></p> <p>Up 20 - 50 bps</p>
		<p><b>SPS</b></p> <p><b>~\$6.1B</b></p> <p>Up 8% - 9%</p> <p>Up 7% - 8% Organic</p>	<p><b>16.0% - 16.2%</b></p> <p>Up 90 - 110 bps</p>
<p><b>EPS</b></p> <hr/> <p><b>\$8.05 - \$8.15</b></p> <p>Up 13% - 15%</p>	<p><b>FCF</b></p> <hr/> <p><b>\$5.6B - \$6.2B</b></p> <p>Up 13% - 26%</p>		

EPS, EPS V% exclude impacts from separation costs related to the spin-offs of the Homes and Transportation Systems businesses, the 4Q17 U.S. tax legislation charge and adjustments to such charge  
Free cash flow, free cash flow V% exclude impacts from separation costs

# Summary

- **Strong performance on all operational financial metrics**
- **Continued traction for Connected products across all businesses**
- **Expect third quarter EPS of \$1.95 - \$2.00, up 11% - 14%**
- **Raising 2018 EPS guidance to \$8.05 - \$8.15, up 13% - 15%**
- **Good progress preparing for spins; timing remains on track**

*EPS, EPS V% exclude separation costs related to the spin-offs of the Homes and Transportation Systems businesses and any adjustments to the 4Q17 U.S. tax legislation charge, FY EPS V% also excludes the 4Q17 U.S. tax legislation charge*

# *Appendix*

# 2Q18 Segment Sales Results

	Reported	Organic
<b>Aerospace</b>	<b>10%</b>	<b>8%</b>
Commercial Aviation Original Equipment	11%	7%
Commercial Aviation Aftermarket	5%	4%
Defense & Space	15%	14%
Transportation Systems	13%	7%
<b>Home And Building Technologies</b>	<b>5%</b>	<b>3%</b>
Homes	9%	7%
Buildings	2%	Flat
<b>Performance Materials And Technologies</b>	<b>5%</b>	<b>3%</b>
UOP	6%	3%
Honeywell Process Solutions	7%	5%
Advanced Materials	2%	(1%)
<b>Safety And Productivity Solutions</b>	<b>13%</b>	<b>11%</b>
Safety	7%	5%
Productivity Solutions	17%	15%

## Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margins

(\$M)	2Q18	2Q17	3Q17	2017
Aerospace	\$4,058	\$3,674	\$3,657	\$14,779
Home and Building Technologies	2,546	2,414	2,479	9,777
Performance Materials and Technologies	2,698	2,561	2,571	10,339
Safety and Productivity Solutions	1,617	1,429	1,414	5,639
<b>Net Sales</b>	<b>\$10,919</b>	<b>\$10,078</b>	<b>\$10,121</b>	<b>\$40,534</b>
Aerospace	\$918	\$819	\$780	\$3,288
Home and Building Technologies	427	391	421	1,650
Performance Materials and Technologies	597	553	563	2,206
Safety and Productivity Solutions	267	214	213	852
Corporate	(64)	(67)	(82)	(306)
<b>Segment profit</b>	<b>\$2,145</b>	<b>\$1,910</b>	<b>\$1,895</b>	<b>\$7,690</b>
Stock compensation expense <sup>(1)</sup>	(38)	(44)	(39)	(176)
Repositioning and other <sup>(2,3)</sup>	(278)	(209)	(244)	(1,010)
Pension and other postretirement service costs <sup>(4)</sup>	(51)	(59)	(64)	(247)
<b>Operating income</b>	<b>\$1,778</b>	<b>\$1,598</b>	<b>\$1,548</b>	<b>\$6,257</b>
<b>Segment profit</b>	<b>\$2,145</b>	<b>\$1,910</b>	<b>\$1,895</b>	<b>\$7,690</b>
÷ <b>Net Sales</b>	<b>\$10,919</b>	<b>\$10,078</b>	<b>\$10,121</b>	<b>\$40,534</b>
<b>Segment profit margin %</b>	<b>19.6%</b>	<b>19.0%</b>	<b>18.7%</b>	<b>19.0%</b>
<b>Operating income</b>	<b>\$1,778</b>	<b>\$1,598</b>	<b>\$1,548</b>	<b>\$6,257</b>
÷ <b>Net Sales</b>	<b>\$10,919</b>	<b>\$10,078</b>	<b>\$10,121</b>	<b>\$40,534</b>
<b>Operating income margin %</b>	<b>16.3%</b>	<b>15.9%</b>	<b>15.3%</b>	<b>15.4%</b>

(1) Amounts included in Selling, general and administrative expenses.

(2) Includes repositioning, asbestos, environmental expenses and equity income adjustment.

(3) Included in Cost of products and services sold, Selling, general and administrative expenses, and Other income/expense.

(4) Amounts included in Cost of products and services sold and Selling, general and administrative expenses (service costs). (Note - Other income/expense includes non-service cost components).

Certain amounts in the prior year reconciliation have been reclassified to conform with current year presentation, including changes made due to the adoption of the accounting standard related to classification of pension and other postretirement benefit costs.

We define segment profit as operating income, excluding stock compensation expense, pension and other postretirement service costs, and repositioning and other charges. We believe these measures are useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

A quantitative reconciliation of segment profit, on an overall Honeywell basis, to operating income has not been provided for all forward-looking measures of segment profit and segment margin included herewithin. Management cannot reliably predict or estimate, without unreasonable effort, the impact and timing on future operating results arising from items excluded from segment profit, particularly pension mark-to-market expense as it is dependent on macroeconomic factors, such as interest rates and the return generated on invested pension plan assets. The information that is unavailable to provide a quantitative reconciliation could have a significant impact on our reported financial results. To the extent quantitative information becomes available without unreasonable effort in the future, and closer to the period to which the forward-looking measures pertain, a reconciliation of segment profit to operating income will be included within future filings.

## Reconciliation of EPS to EPS, Excluding Separation Costs and Adjustments to 4Q17 U.S. Tax Legislation Charge

	<u>2Q18</u>	<u>2Q17</u>
<b>Earnings per share of common stock - assuming dilution (EPS) <sup>(1)</sup></b>	<b>\$1.68</b>	<b>\$1.80</b>
<b>Separation costs <sup>(2)</sup></b>	<b>0.46</b>	<b>-</b>
<b>Adjustments to 4Q17 U.S. tax legislation charge</b>	<b>(0.02)</b>	<b>-</b>
<b>EPS, excluding separation costs and adjustments to 4Q17 U.S. tax legislation charge</b>	<b><u>\$2.12</u></b>	<b><u>\$1.80</u></b>

(1) For the three months ended June 30, 2018 and 2017, utilizes weighted average shares of 755 million and 774 million.

(2) Separation costs of \$354 million (\$346 million net of tax) includes \$291 million of tax costs we incurred in the restructuring of the ownership of various legal entities in anticipation of the spin-off transactions ("frictional tax costs") and \$63 million (\$55 million net of tax) of other separation costs.

We believe EPS, excluding separation costs and adjustments to 4Q17 U.S. tax legislation charge is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

## Reconciliation of EPS to EPS at 24% Effective Tax Rate, Excluding Separation Costs and Adjustments to 4Q17 U.S. Tax Legislation Charge

	<b>2Q18</b>
Earnings per share of common stock - assuming dilution (EPS) <sup>(1)</sup>	\$1.68
Separation costs <sup>(2)</sup>	0.46
Adjustments to 4Q17 U.S. tax legislation charge	<u>(0.02)</u>
EPS, excluding separation costs and adjustments to 4Q17 U.S. tax legislation charge	\$2.12
Income tax impact at 24% effective tax rate <sup>(3)</sup>	<u>(0.06)</u>
EPS at 24% effective tax rate, excluding separation costs and adjustments to 4Q17 U.S. tax legislation charge	<u><u>\$2.06</u></u>

(1) Utilizes weighted average shares of 755 million.

(2) Separation costs of \$354 million (\$346 million net of tax) includes \$291 million of frictional tax costs and \$63 million (\$55 million net of tax) of other separation costs.

(3) Income tax impact at 24% effective tax rate, approximately \$47 million, is provided to align our effective tax rate with previously issued guidance.

We believe EPS at 24% effective tax rate, excluding separation costs and adjustments to 4Q17 U.S. tax legislation charge is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

## Reconciliation of Organic Sales % Change

<b>Honeywell</b>	<b>2Q18</b>
Reported sales % change	8%
Less: Foreign currency translation	2%
Less: Acquisitions, divestitures and other, net	-
<b>Organic sales % change</b>	<b>6%</b>
<b>Aerospace</b>	
Reported sales % change	10%
Less: Foreign currency translation	1%
Less: Acquisitions, divestitures and other, net	1%
<b>Organic sales % change</b>	<b>8%</b>
<b>Home and Building Technologies</b>	
Reported sales % change	5%
Less: Foreign currency translation	2%
Less: Acquisitions, divestitures and other, net	-
<b>Organic sales % change</b>	<b>3%</b>
<b>Performance Materials and Technologies</b>	
Reported sales % change	5%
Less: Foreign currency translation	2%
Less: Acquisitions, divestitures and other, net	-
<b>Organic sales % change</b>	<b>3%</b>
<b>Safety and Productivity Solutions</b>	
Reported sales % change	13%
Less: Foreign currency translation	2%
Less: Acquisitions, divestitures and other, net	-
<b>Organic sales % change</b>	<b>11%</b>

We define organic sales percent as the year-over-year change in reported sales relative to the comparable period, excluding the impact on sales from foreign currency translation, acquisitions, net of divestitures and non-comparable impacts from adoption of the new revenue recognition standard. We believe this measure is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

A quantitative reconciliation of reported sales percent change to organic sales percent change has not been provided for forward-looking measures of organic sales percent change because management cannot reliably predict or estimate, without unreasonable effort, the fluctuations in global currency markets that impact foreign currency translation, nor is it reasonable for management to predict the timing, occurrence and impact of acquisition and divestiture transactions, all of which could significantly impact our reported sales percent change.

## Reconciliation of Cash Provided by Operating Activities to Free Cash Flow, Excluding Separation Cost Payments

(\$M)	<u>2Q18</u>	<u>2Q17</u>	<u>2017</u>	<u>2018E (\$B)</u>
Cash provided by operating activities	\$1,861	\$1,447	\$5,966	TBD
Expenditures for property, plant and equipment	(199)	(233)	(1,031)	~(0.9)
Free cash flow	1,662	1,214	4,935	TBD
Separation cost payments	67	-	-	TBD
Free cash flow, excluding separation cost payments	<u>\$1,729</u>	<u>\$1,214</u>	<u>\$4,935</u>	<u>~\$5.6 - \$6.2</u>

We define free cash flow as cash provided by operating activities less cash expenditures for property, plant and equipment.

We believe free cash flow, excluding separation cost payments is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

We believe that this metric is useful to investors and management as a measure of cash generated by business operations that will be used to repay scheduled debt maturities and can be used to invest in future growth through new business development activities or acquisitions, pay dividends, repurchase stock or repay debt obligations prior to their maturities. This metric can also be used to evaluate our ability to generate cash flow from business operations and the impact that this cash flow has on our liquidity. For forward looking information, management cannot reliably predict or estimate, without unreasonable effort, the separation cost payments given the inherent uncertainty of the estimates. We therefore do not include an estimate for separation cost payments in this reconciliation. Based on economic and industry conditions, future developments and other relevant factors, these assumptions are subject to change.

## Calculation of Effective Tax Rate, Excluding Separation Costs and Adjustments to 4Q17 U.S. Tax Legislation Charge

(\$M)	<b>2Q18</b>
Income before taxes	\$1,999
Separation costs	63
Income before taxes, excluding separation costs	<u>\$2,062</u>
Tax expense	\$719
Adjustments to 4Q17 U.S. tax legislation charge	12
Separation costs tax impact <sup>(1)</sup>	<u>(283)</u>
Tax expense, excluding adjustments to 4Q17 U.S. tax legislation charge and separation costs tax impact	<u>\$448</u>
Tax expense, excluding adjustments to 4Q17 U.S. tax legislation charge and separation costs tax impact	\$448
÷ Income before taxes, excluding separation costs	<u>\$2,062</u>
Effective tax rate, excluding separation costs and adjustments to 4Q17 U.S. legislation charge	<u>21.7%</u>

(1) Separation costs tax impact includes \$291 million of frictional tax costs partially offset by an \$8 million benefit from other separation costs.

We believe effective tax rate, excluding separation costs and adjustments to 4Q17 U.S. tax legislation charge is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

## Reconciliation of Cash Provided by Operating Activities to Free Cash Flow, Excluding Separation Cost Payments and Calculation of Free Cash Flow Conversion, Excluding Separation Costs and Adjustments to 4Q17 U.S. Tax Legislation Charge

(\$M)	2Q18	2Q17
Cash provided by operating activities	\$1,861	\$1,447
Expenditures for property, plant and equipment	(199)	(233)
Free cash flow	1,662	1,214
Separation cost payments	67	-
Free cash flow, excluding separation cost payments	<u>\$1,729</u>	<u>\$1,214</u>
Net income attributable to Honeywell	\$1,267	\$1,392
Separation costs, net of tax	346	-
Adjustments to 4Q17 U.S. tax legislation charge	(12)	-
Net income attributable to Honeywell, excluding separation costs and adjustments to 4Q17 U.S. tax legislation charge	<u>\$1,601</u>	<u>\$1,392</u>
Cash provided by operating activities	\$1,861	\$1,447
÷ Net income attributable to Honeywell	<u>\$1,267</u>	<u>\$1,392</u>
Operating cash flow conversion	<u>147%</u>	<u>104%</u>
Free cash flow, excluding separation cost payments	\$1,729	\$1,214
÷ Net income attributable to Honeywell, excluding separation costs and adjustments to 4Q17 U.S. tax legislation charge	<u>\$1,601</u>	<u>\$1,392</u>
Free cash flow conversion %, excluding separation costs and adjustments to 4Q17 U.S. tax legislation charge	<u>108%</u>	<u>87%</u>

We define free cash flow as cash provided by operating activities less cash expenditures for property, plant and equipment.

We believe that this metric is useful to investors and management as a measure of cash generated by business operations that will be used to repay scheduled debt maturities and can be used to invest in future growth through new business development activities or acquisitions, pay dividends, repurchase stock or repay debt obligations prior to their maturities. This metric can also be used to evaluate our ability to generate cash flow from business operations and the impact that this cash flow has on our liquidity.

## Reconciliation of EPS to EPS, Excluding Pension Mark-to-Market Expense, Separation Costs, and Adjustments to 4Q17 U.S. Tax Legislation Charge

	<u>3Q17</u>	<u>3Q18E</u>	<u>2017 <sup>(1)</sup></u>	<u>2018E</u>
Earnings per share of common stock - assuming dilution (EPS)	\$1.75	TBD	\$2.14	TBD
Pension mark-to-market expense	-	-	0.09	TBD
Separation costs	-	TBD	0.02	TBD
Adjustments to 4Q17 U.S. tax legislation charge	-	TBD	4.86	TBD
<b>EPS, excluding pension mark-to-market expense, separation costs, and adjustments to 4Q17 U.S. tax legislation charge</b>	<u>\$1.75</u>	<u>\$1.95 - \$2.00</u>	<u>\$7.11</u>	<u>\$8.05 - \$8.15</u>

(1) Utilizes weighted average shares of 772.1 million. Pension mark-to-market expense uses a blended tax rate of 23%.

We believe earnings per share, excluding pension mark-to-market expense, separation costs and adjustments to 4Q17 U.S. tax legislation charge is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends. For forward looking information, management cannot reliably predict or estimate, without unreasonable effort, the pension mark-to-market expense as it is dependent on macroeconomic factors, such as interest rates and the return generated on invested pension plan assets, the separation costs given the inherent uncertainty of the estimates, and any adjustments to the charge from 4Q17 U.S. tax legislation as the charge is provisional. We therefore do not include an estimate for the pension mark-to-market expense, separation costs, or adjustments to 4Q17 U.S. tax legislation charge in this reconciliation. Based on economic and industry conditions, future developments and other relevant factors, these assumptions are subject to change.