



# **SECOND QUARTER 2023 EARNINGS RELEASE**

**JULY 27, 2023**

**Honeywell**

## Forward Looking Statements

*We describe many of the trends and other factors that drive our business and future results in this presentation. Such discussions contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are those that address activities, events, or developments that management intends, expects, projects, believes or anticipates will or may occur in the future. They 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 significantly from those envisaged by our forward-looking statements. We do not undertake to update or revise any of our forward-looking statements, except as required by applicable securities law. Our forward-looking statements are also subject to material risks and uncertainties that can affect our performance in both the near- and long-term. In addition, no assurance can be given that any plan, initiative, projection, goal, commitment, expectation, or prospect set forth in this presentation can or will be achieved. These forward-looking statements should be considered in light of the information included in this presentation, our Form 10-K and other filings with the Securities and Exchange Commission. Any forward-looking plans described herein are not final and may be modified or abandoned at any time.*

## 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; Segment profit margin, on an overall Honeywell basis; Organic sales percentage; Free cash flow; Free cash flow excluding impact of settlements; Free cash flow margin; Adjusted earnings per share; Adjusted earnings per share excluding pension headwind; Adjusted income before taxes; Adjusted income tax expense; and Adjusted effective tax rate, if and as noted in the presentation. 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 measures should be considered in addition to, and not as replacements for, the most comparable GAAP measure. Certain measures presented on a non-GAAP basis represent the impact of adjusting items net of tax. The tax-effect for adjusting items is determined individually and on a case-by-case basis. Refer to the Appendix attached to this presentation for reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures.*

# 2Q 2023 OVERVIEW

	2Q 2023 Actual	2Q 2023 Guidance	2Q 2023 Highlights
Adjusted Earnings Per Share	<b>\$2.23</b> <i>\$2.38 Excluding Pension Headwind</i>	<b>\$2.15 - \$2.25</b>	<ul style="list-style-type: none"> <li>Delivered on organic sales growth, segment margin expansion, and adjusted earnings per share commitments</li> </ul>
Organic Sales Growth	<b>3%</b>	<b>1% - 4%</b>	<ul style="list-style-type: none"> <li>Organic sales growth of 3% driven by double-digit growth in commercial aerospace, process solutions, and UOP</li> <li>Backlog up 4% year over year to a record \$30.5B</li> </ul>
Segment Margin Expansion	<b>150 bps</b>	<b>90 - 130 bps</b>	<ul style="list-style-type: none"> <li>Segment margin of 22.4%, exceeding the high end of guidance range by 20 bps, with expansion in SPS, HBT, and Aero</li> </ul>
Free Cash Flow	<b>\$1.1B</b>		<ul style="list-style-type: none"> <li>Generated \$1.1B in free cash flow, up 34% year over year, on track to achieve full year guidance</li> </ul>
Capital Deployment	<b>\$2.1B</b> Share Repurchases, Dividends, Capital Expenditures, and M&A		<ul style="list-style-type: none"> <li>\$2.1B capital deployed to dividends, M&amp;A, share repurchases, and high-return capex, including approximately \$700M for the acquisition of Compressor Controls Corporation</li> </ul>

Adjusted EPS excludes 2Q23 net expense related to the NARCO Buyout and HWI Sale and Russian-related charges. Adjusted EPS excluding pension headwind excludes the items previously described and impact of the year-over-year decrease in pension ongoing income.

## Delivered on Commitments While Investing for the Future

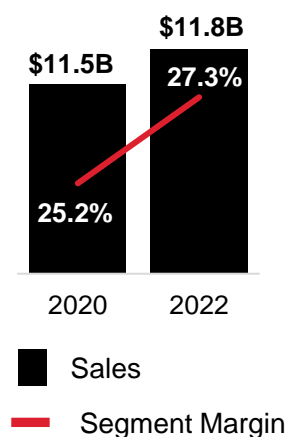
# HONEYWELL AEROSPACE CEO ANNOUNCEMENT

## EFFECTIVE 8/1/2023

### MIKE MADSEN BUILT BEST-IN-CLASS AERO FRANCHISE



#### Honeywell Aerospace



- Aerospace veteran retiring after 37 years of tenure with Honeywell
- Navigated the business through unprecedented pandemic disruptions
- Expanded margins by over 200 basis points through his tenure
- Rich history of achieving and exceeding results; won an unprecedented \$35B in new business during 2021 and 2022

### JIM CURRIER RIGHT PERSON TO LEAD NEXT STAGE



- 17 years of deep knowledge about Honeywell's Aerospace businesses, end markets, and customer needs
- Currently serves as President of Electronic Solutions; delivered strong growth since 2021 with \$6B+ in program wins
- Incoming CEO priorities include **accelerating growth** and driving greater value for customers through **safer, healthier, more sustainable, and innovative solutions**
- Led Honeywell Anthem cockpit program to achieve first flight in May 2023 and secured a presence in the UAS / UAM and BGA markets

Mike Madsen Retires After 37 Years with HON; Jim Currier Named Next Aero CEO



# PORTFOLIO UPDATES

## Compressor Controls Corporation



- Completed acquisition of CCC for approximately \$700M, a leading provider of turbomachinery control and optimization solutions, **enhancing our digitalization portfolio**
- CCC bolsters Honeywell's sustainability portfolio with **new carbon capture control solutions** and provides **meaningful revenue synergy** with Honeywell Forge

## SCADAfence



- Announced acquisition of SCADAfence, an Israel-based company that provides **best-in-class network monitoring, asset discovery, threat detection, and security governance**
- SCADAfence has extensive offerings that **complement Honeywell's existing cybersecurity business**

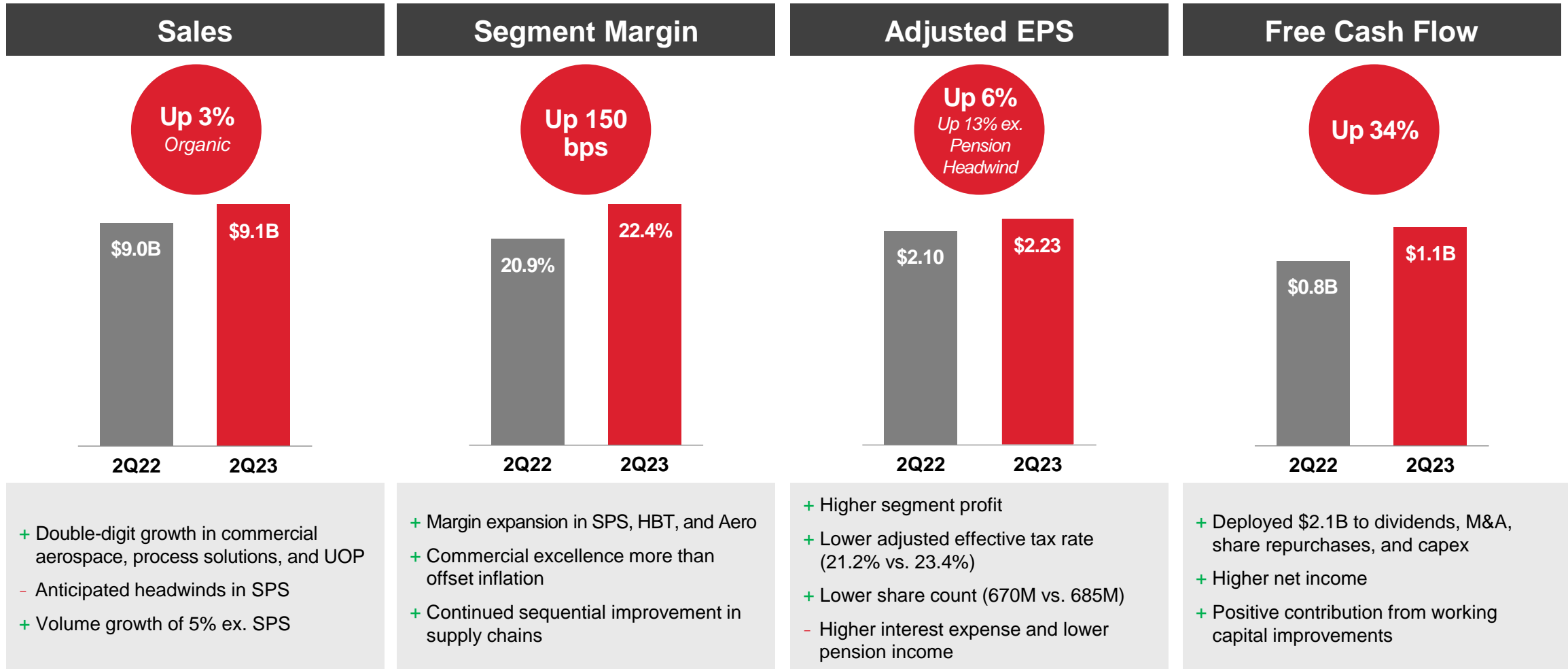
## Aero Technology Assets from Saab



- Reached an agreement with Saab to acquire its **heads-up-display (HUD) assets** to further bolster Honeywell's comprehensive end-to-end avionics and safety offerings
- As part of the acquisition agreement, **Saab will partner with Honeywell** to develop and strengthen the HUD product line, which will be integrated into Honeywell Anthem

**Multiple Strategic Portfolio Shaping Actions Taken This Quarter**

# 2Q 2023 FINANCIAL SUMMARY



Adjusted EPS and adjusted EPS V% excludes 2Q23 Russian-related charges, 2Q23 net expense related to the NARCO Buyout and HWI Sale, 2Q22 Russian-related charges, and a 2Q22 expense related to UOP Matters. Adjusted EPS excluding pension headwind and adjusted EPS V% excluding pension headwind excludes the items previously described and the impact of the year over year decrease in pension ongoing income.

**Strong Performance Across all Metrics**

# 3Q AND FY 2023 OUTLOOK

## 3Q Guidance

### Sales

**\$9.1B - \$9.3B**

*Up 1% - 4% Organically*

### Segment Margin

**22.3% - 22.6%**

*Up 50 - 80 bps*

### Adjusted EPS

**\$2.15 - \$2.25**

*Down (4%) - Flat*

*\$2.28 - \$2.38 excluding Pension  
Headwind or up 2% - 6%*

### Net Below the Line Impact

*(\$120M - \$170M)*

### Effective Tax Rate

*~23%*

### Share Count

*~669M*

## FY Guidance

### Sales

**\$36.7B - \$37.3B**

*Up 4% - 6% Organically*

**Prior: \$36.5B - \$37.3B, Up 3% - 6%**

### Segment Margin

**22.4% - 22.6%**

*Up 70 - 90 bps*

**Prior: 22.3% - 22.6%, Up 60 - 90 bps**

### Adjusted EPS

**\$9.05 - \$9.25**

*Up 3% - 6%*

*\$9.60 - \$9.80 Excluding Pension  
Headwind or up 10% - 12%*

**Prior: \$9.00 - \$9.25, Up 3% - 6%**

### Free Cash Flow

**\$3.9B - \$4.3B**

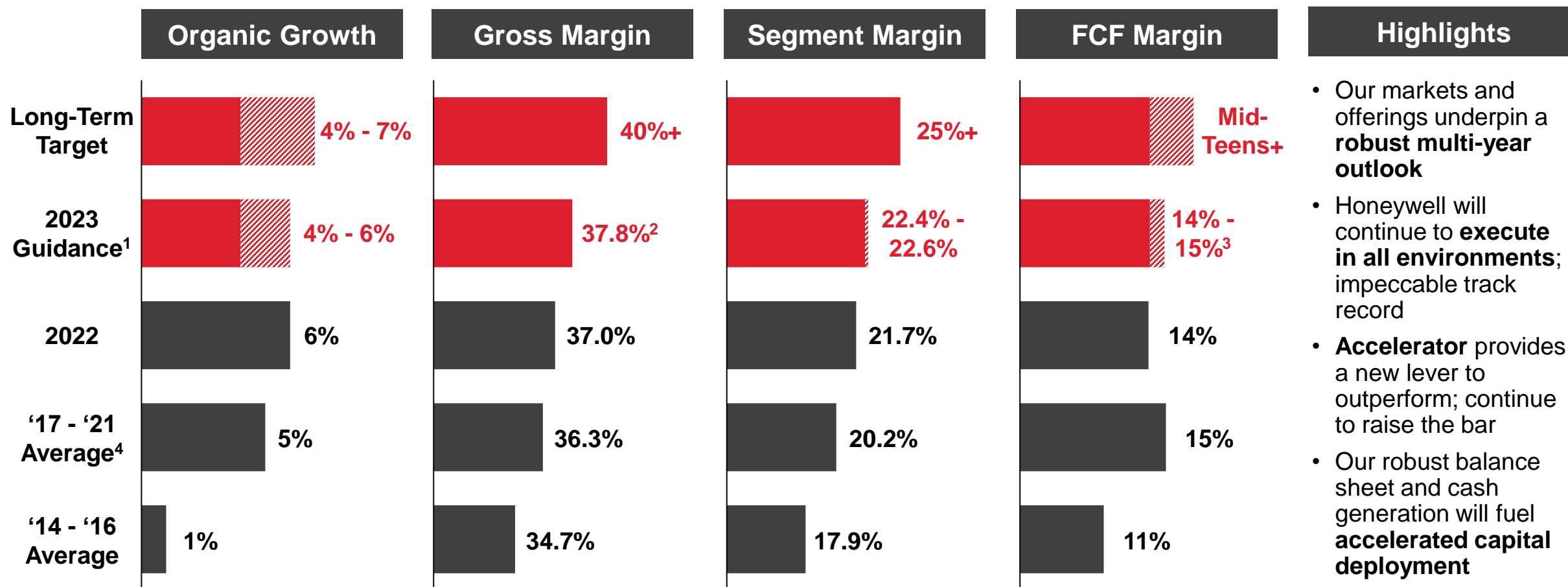
*\$5.1B - \$5.5B Excluding Impact of  
Settlements*

**Prior: \$3.9B - \$4.3B**

Net below the line impact is the difference between segment profit and income before tax. Impact includes interest and other financial charges, stock compensation expense, pension ongoing income, other post-retirement income, and repositioning and other charges. Adjusted EPS guidance and adjusted EPS V% guidance excludes 2Q23 net expense related to the NARCO Buyout and HWI Sale, 2Q23 and 1Q23 Russian-related charges, 3Q22 gain on sale of Russian entities, 3Q22 Russian-related charges, 2022 Expense related to UOP Matters, 2022 Russian-related charges, 2022 gain on sale of Russian entities, and 2022 net expense related to the NARCO Buyout and HWI Sale. Adjusted EPS excluding pension headwind guidance and adjusted EPS V% excluding pension headwind guidance excludes the items previously described and the impact of the expected year over year decrease in pension ongoing income.

## Raising Sales, Segment Margin, and Adjusted EPS Guidance

# LONG-TERM FINANCIAL PROGRESSION



<sup>1</sup>Represents 2023 guidance where applicable, Honeywell has not provided 2023 gross margin guidance. <sup>2</sup>Represents gross margin from the last twelve months. Historical gross margin excludes company-funded R&D, in line with the reporting change made in 1Q23. <sup>3</sup>Excluding impact of settlements related to the NARCO Buyout, HWI Sale, and UOP Matters. <sup>4</sup>Excluding 2020.

**Committed to Long-Term Value Creation and Continuous Improvement**



# SUMMARY

- **Met or exceeded all guided metrics in the second quarter, strong cash flow generation**
- **Executed on M&A strategy, enhancing portfolio by investing in new technologies and adjacencies**
- **Backlog remains at record high; robust sales growth in Aerospace and PMT**
- **Raised full-year sales, segment margin, and adjusted EPS guidance**

**Overdelivered in 2Q - Raising Outlook for 2023**

# ***Appendix***

# 2Q 2023 SEGMENT RESULTS

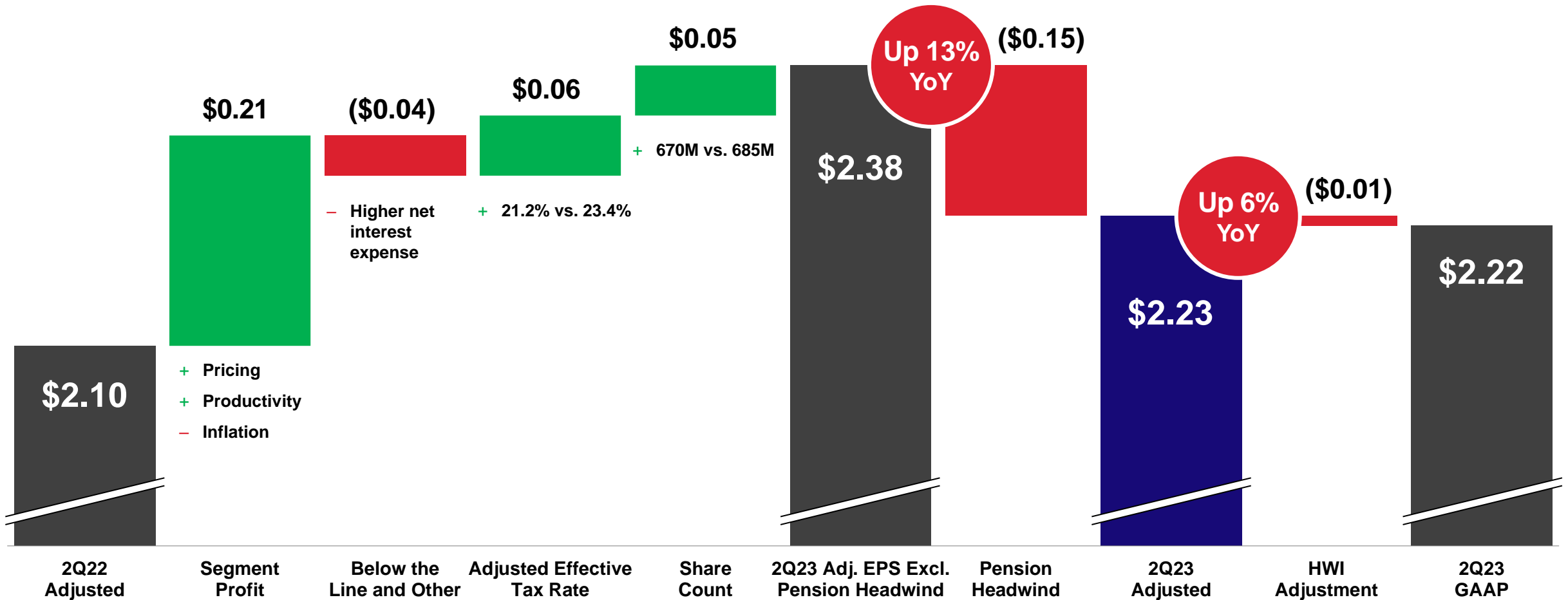
(\$M)	Sales	Segment Margin Change (bps)	Commentary
Aero	<b>\$3,341</b> <i>Up 16% Organic</i>	<b>27.7%</b> <i>Up 120 bps</i>	<ul style="list-style-type: none"> <li>Commercial aviation sales up over 20% organically, nine consecutive quarters of double-digit growth</li> <li>Second consecutive quarter of growth for defense and space</li> <li>Margin expansion driven by commercial excellence and higher volume leverage partially offset by cost inflation</li> </ul>
HBT	<b>\$1,510</b> <i>Flat Organic</i>	<b>25.5%</b> <i>Up 200 bps</i>	<ul style="list-style-type: none"> <li>Sequential and year-over-year organic revenue growth in building solutions</li> <li>Continued leadership by fire products, supply chain modestly improving</li> <li>Margin expansion driven by commercial excellence and productivity actions partially offset by cost inflation</li> </ul>
PMT	<b>\$2,861</b> <i>Up 7% Organic</i>	<b>21.7%</b> <i>Down (60) bps</i>	<ul style="list-style-type: none"> <li>Third consecutive quarter of double-digit growth in HPS and UOP</li> <li>Sustainable Technology Solutions grew orders triple-digits and sales over 30%</li> <li>Margin contraction due to challenges in advanced materials, including lower volumes and the previously communicated plant disruption</li> </ul>
SPS	<b>\$1,433</b> <i>Down (21%) Organic</i>	<b>16.7%</b> <i>Up 410 bps</i>	<ul style="list-style-type: none"> <li>Lower warehouse automation project volumes partially offset by double-digit services growth</li> <li>Short-cycle softness impacting products businesses</li> <li>Margin expansion driven by productivity actions and commercial excellence partially offset by lower volume leverage and cost inflation</li> </ul>

**Strong Execution Driving Growth and Margin Expansion**

# 2Q 2023 SALES GROWTH

	2Q Reported	2Q Organic
<b>Aerospace</b>	<b>15%</b>	<b>16%</b>
Commercial Aviation Original Equipment	15%	16%
Commercial Aviation Aftermarket	27%	27%
Defense and Space	3%	3%
<b>Honeywell Building Technologies</b>	<b>(1%)</b>	<b>0%</b>
Products	(2%)	(1%)
Building Solutions	(1%)	2%
<b>Performance Materials And Technologies</b>	<b>6%</b>	<b>7%</b>
UOP	10%	11%
Process Solutions	10%	11%
Advanced Materials	(1%)	0%
<b>Safety And Productivity Solutions</b>	<b>(22%)</b>	<b>(21%)</b>
Sensing and Safety Technologies	(3%)	(2%)
Productivity Solutions and Services	(31%)	(30%)
Warehouse and Workflow Solutions	(37%)	(37%)

# 2Q 2023 EARNINGS PER SHARE BRIDGE



Adjusted EPS and adjusted EPS V% excludes a 2Q23 Russian-related expense, 2Q23 net expense related to the NARCO Buyout and HWI Sale, 2Q22 Russian-related charges, and a 2Q22 expense related to UOP Matters. Adjusted EPS excluding pension headwind and adjusted EPS V% excluding pension headwind excludes the items previously described items and the impact of the year over year decrease in pension ongoing income.

**Segment Profit Growth Driving EPS Improvement**

# FY 2023 GUIDANCE PROGRESSION

	Original Guidance <i>(as of 4Q22 Earnings Call)</i>	Previous Guidance <i>(as of 1Q23 Earnings Call)</i>	Updated Guidance
<b>Sales</b> <i>Organic Growth</i>	<b>\$36.0B - \$37.0B</b> <i>Up 2% - 5%</i>	<b>\$36.5B - \$37.3B</b> <i>Up 3% - 6%</i>	<b>\$36.7B - \$37.3B</b> <i>Up 4% - 6%</i>
<b>Segment Margin</b> <i>Margin Expansion</i>	<b>22.2% - 22.6%</b> <i>Up 50 - 90 bps</i>	<b>22.3% - 22.6%</b> <i>Up 60 - 90 bps</i>	<b>22.4% - 22.6%</b> <i>Up 70 - 90 bps</i>
Net Below the Line Impact	(\$625M) - (\$475M)	(\$625M) - (\$500M)	(\$625M) - (\$500M)
Effective Tax Rate	~21%	~21%	~21%
Share Count	~672M	~670M	~670M
<b>Adjusted Earnings per Share</b> <i>Adjusted Growth</i>	<b>\$8.80 - \$9.20</b> <i>Flat - Up 5%</i>	<b>\$9.00 - \$9.25</b> <i>Up 3% - 6%</i>	<b>\$9.05 - \$9.25</b> <i>Up 3% - 6%</i>
<b>Adj. EPS ex. Pension Headwind</b> <i>Adjusted Growth ex. Pension Headwind</i>	<b>\$9.35 - \$9.75</b> <i>Up 7% - 11%</i>	<b>\$9.55 - \$9.80</b> <i>Up 9% - 12%</i>	<b>\$9.60 - \$9.80</b> <i>Up 10% - 12%</i>
<b>Free Cash Flow</b> <i>FCF Excluding Impact of Settlements</i>	<b>\$3.9B - \$4.3B</b> <i>\$5.1B - \$5.5B</i>	<b>\$3.9B - \$4.3B</b> <i>\$5.1B - \$5.5B</i>	<b>\$3.9B - \$4.3B</b> <i>\$5.1B - \$5.5B</i>

Net below the line impact is the difference between segment profit and income before tax. Impact includes interest and other financial charges, stock compensation expense, pension ongoing income, other post-retirement income, and repositioning and other charges. Adjusted EPS guidance and adjusted EPS V% guidance excludes 2023 Russian-related charges, 2023 net expense related to the NARCO Buyout and HWI Sale, 2022 expense related to UOP Matters, 2022 Russian-related charges, 2022 gain on sale of Russian entities, and 2022 net expense related to the NARCO Buyout and HWI Sale. Adjusted EPS excluding pension headwind guidance and Adjusted EPS V% excluding pension headwind guidance excludes the items previously described and the impact of the expected year over year decrease in pension ongoing income.

## Consistently Raising Guidance on Strong Execution



# 2023 SEGMENT OUTLOOK

	Primary End Market	HON Organic Growth Rate	Segment Commentary
Aero	<b>Commercial Aerospace</b> <b>Defense and Space</b>	<b>LDD</b>	<ul style="list-style-type: none"> <li>• Progressive recovery in the aerospace supply chain enabling higher volume output</li> <li>• Continued commercial aviation growth led by higher build rates and flight hours</li> <li>• Defense and space growth supported by orders strength and robust backlog</li> </ul>
HBT	<b>Non-Residential</b>	<b>LSD</b>	<ul style="list-style-type: none"> <li>• Sequential improvements in supply chain and burn down of past due products backlog</li> <li>• Secular trends of sustainability and energy efficiency underpinning long-term outlook</li> <li>• Stimulus-led institutional demand providing support amid macroeconomic headwinds</li> </ul>
PMT	<b>Energy</b> <b>Specialty Chemicals</b>	<b>HSD</b>	<ul style="list-style-type: none"> <li>• Macro conditions and robust backlog support HPS and UOP growth</li> <li>• Increasing global demand for sustainable technology solutions backed by legislation</li> <li>• Continued growth in fluorine products after capacity expansion in 2022</li> </ul>
SPS	<b>Industrial Productivity</b> <b>e-Commerce</b>	<b>(LDD)</b>	<ul style="list-style-type: none"> <li>• Investment in warehouse automation near trough levels, project pipeline encouraging</li> <li>• Short cycle demand stabilizing, timing of rebound uncertain</li> <li>• Strong margin performance from mix shift and continued operational improvements</li> </ul>

**End Market Outlook Remains Favorable**

# ADDITIONAL 2023 INPUTS

	2Q23	3Q23E	FY23E	Commentary
Pension / OPEB	\$137M	~\$145M	~\$550M	<ul style="list-style-type: none"> <li>Significant increase in interest rates resulting in lower pension income year over year</li> </ul>
Repositioning	(\$55M)	(\$40M - \$85M)	(\$225M - \$325M)	<ul style="list-style-type: none"> <li>Retaining capacity for high-return projects to support cost management and productivity initiatives</li> </ul>
Other Below the Line <sup>1</sup>	(\$218M)	(\$225M - \$230M)	(\$825M - \$850M)	<ul style="list-style-type: none"> <li>Increased year-over-year headwind from interest expense</li> </ul>
Total Below the Line	(\$136M)	(\$120M - \$170M)	(\$500M - \$625M)	
Effective Tax Rate	21%	~23%	~21%	
Share Count	670M	~669M	~670M	<ul style="list-style-type: none"> <li>Minimum 1% share count reduction</li> </ul>
Corporate and Quantinum	(\$118M)	(~\$115M)	(~\$425M)	<ul style="list-style-type: none"> <li>Segment profit for Corporate and Quantinum</li> </ul>

<sup>1</sup>Other below the line includes asbestos, environmental expenses net of spin reimbursements, net interest, FX, stock option expense, RSU expense, M&A, and other expense.

# NON-GAAP FINANCIAL MEASURES

The following information provides definitions and reconciliations of certain non-GAAP financial measures presented in this presentation to which this reconciliation is attached to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles (GAAP).

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 measures should be considered in addition to, and not as replacements for, the most comparable GAAP measure. Certain measures presented on a non-GAAP basis represent the impact of adjusting items net of tax. The tax-effect for adjusting items is determined individually and on a case-by-case basis. Other companies may calculate these non-GAAP measures differently, limiting the usefulness of these measures for comparative purposes.

Management does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitations of these non-GAAP financial measures are that they exclude significant expenses and income that are required by GAAP to be recognized in the consolidated financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which expenses and income are excluded or included in determining these non-GAAP financial measures. Investors are urged to review the reconciliation of the non-GAAP financial measures to the comparable GAAP financial measures and not to rely on any single financial measure to evaluate Honeywell's business.

# RECONCILIATION OF OPERATING INCOME TO SEGMENT PROFIT AND CALCULATION OF OPERATING INCOME AND SEGMENT PROFIT MARGINS

(\$M)	2Q22	3Q22	2Q23	2022
Operating income	\$ 1,601	\$ 1,742	\$ 1,883	\$ 6,427
Stock compensation expense <sup>(1)</sup>	53	50	50	188
Repositioning, Other <sup>(2,3)</sup>	180	128	103	942
Pension and other postretirement service costs <sup>(3)</sup>	33	32	16	132
<b>Segment profit</b>	<b>\$ 1,867</b>	<b>\$ 1,952</b>	<b>\$ 2,052</b>	<b>\$ 7,689</b>
Operating income	\$ 1,601	\$ 1,742	\$ 1,883	\$ 6,427
÷ Net sales	\$ 8,953	\$ 8,951	\$ 9,146	\$ 35,466
<b>Operating income margin %</b>	<b>17.9 %</b>	<b>19.5 %</b>	<b>20.6 %</b>	<b>18.1 %</b>
Segment profit	\$ 1,867	\$ 1,952	\$ 2,052	\$ 7,689
÷ Net sales	\$ 8,953	\$ 8,951	\$ 9,146	\$ 35,466
<b>Segment profit margin %</b>	<b>20.9 %</b>	<b>21.8 %</b>	<b>22.4 %</b>	<b>21.7 %</b>

(1) Included in Selling, general and administrative expenses.

(2) Includes repositioning, asbestos, environmental expenses, equity income adjustment, and other charges. For the three months ended June 30, 2023, other charges include \$2 million of expenses due to the Russia-Ukraine conflict. For the three months ended June 30, 2022, other charges include \$67 million related to inventory reserves, the write-down of other assets, and employee severance, related to the initial suspension and wind down of our businesses and operations in Russia. For the three months ended September 30, 2022, other charges include a benefit of \$16 million primarily related to a favorable foreign exchange revaluation on an intercompany loan with a Russian affiliate, in addition to the recovery of outstanding accounts receivable previously reserved against, partially offset by additional charges for called guarantees, related to the initial suspension and wind down of our businesses and operations in Russia. For the twelve months ended December 31, 2022, other charges include an expense of \$250 million related to reserves against outstanding accounts receivables, contract assets, and inventory, as well as the write-down of other assets and employee severance related to the initial suspension and wind down of our businesses and operations in Russia. For the three months ended June 30, 2022, three months ended September 30, 2022, and twelve months ended December 31, 2022, other charges include \$6 million, \$17 million, and \$41 million, respectively, of incremental long-term contract labor cost inefficiencies due to severe supply chain disruptions (attributable to the COVID-19 pandemic) relating to the warehouse automation business within the Safety and Productivity Solutions segment. These costs include incurred amounts and provisions for anticipated losses recognized when total estimated costs at completion for certain of the business' long-term contracts exceeded total estimated revenue. These certain costs represent unproductive labor costs due to unexpected supplier delays and the resulting downstream installation issues, demobilization and remobilization of contract workers, and resolution of contractor disputes.

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

We define segment profit, on an overall Honeywell basis, as operating income, excluding stock compensation expense, pension and other postretirement service costs, and repositioning and other charges. We define segment profit margin, on an overall Honeywell basis, as segment profit divided by net sales. 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 operating income to segment profit, on an overall Honeywell basis, has not been provided for all forward-looking measures of segment profit and segment profit margin included herein. 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 OPERATING INCOME TO SEGMENT PROFIT AND CALCULATION OF OPERATING INCOME AND SEGMENT PROFIT MARGINS

(\$M)	2014	2015	2016	2017	2018	2019	2021
Operating income	\$ 5,622	\$ 6,238	\$ 6,051	\$ 6,303	\$ 6,705	\$ 6,851	\$ 6,200
Stock compensation expense <sup>(1)</sup>	187	175	184	176	175	153	217
Repositioning, Other <sup>(2,3)</sup>	590	569	674	962	1,100	598	636
Pension and other postretirement service costs <sup>(4)</sup>	297	274	277	249	210	137	159
<b>Segment profit</b>	<b>\$ 6,696</b>	<b>\$ 7,256</b>	<b>\$ 7,186</b>	<b>\$ 7,690</b>	<b>\$ 8,190</b>	<b>\$ 7,739</b>	<b>\$ 7,212</b>
Operating income	\$ 5,622	\$ 6,238	\$ 6,051	\$ 6,303	\$ 6,705	\$ 6,851	\$ 6,200
÷ Net sales	\$ 40,306	\$ 38,581	\$ 39,302	\$ 40,534	\$ 41,802	\$ 36,709	\$ 34,392
<b>Operating income margin %</b>	<b>14.0 %</b>	<b>16.2 %</b>	<b>15.4 %</b>	<b>15.6 %</b>	<b>16.0 %</b>	<b>18.7 %</b>	<b>18.0 %</b>
Segment profit	\$ 6,696	\$ 7,256	\$ 7,186	\$ 7,690	\$ 8,190	\$ 7,739	\$ 7,212
÷ Net sales	\$ 40,306	\$ 38,581	\$ 39,302	\$ 40,534	\$ 41,802	\$ 36,709	\$ 34,392
<b>Segment profit margin %</b>	<b>16.6 %</b>	<b>18.8 %</b>	<b>18.3 %</b>	<b>19.0 %</b>	<b>19.6 %</b>	<b>21.1 %</b>	<b>21.0 %</b>

(1) Included in Selling, general and administrative expenses.

(2) Includes repositioning, asbestos, environmental expenses, equity income adjustment, and other charges. For the twelve months ended December 31, 2021, other charges includes \$105 million of incremental long-term contract labor cost inefficiencies due to severe supply chain disruptions (attributable to the COVID-19 pandemic) relating to the warehouse automation business within the Safety and Product Solutions segment. These costs include incurred amounts and provisions for anticipated losses recognized during the fourth quarter when total estimated costs at completion for certain of the business' long-term contracts exceeded total estimated revenue. These certain costs represent unproductive labor costs due to unexpected supplier delays and the resulting downstream installation issues, demobilization and remobilization of contract workers, and resolution of contractor disputes.

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

(4) Included in Cost of products and services sold and Selling, general and administrative expenses.

We define segment profit, on an overall Honeywell basis, as operating income, excluding stock compensation expense, pension and other postretirement service costs, and repositioning and other charges. We define segment profit margin, on an overall Honeywell basis, as segment profit divided by net sales. 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 herein. Management cannot reliably predict or estimate, without unreasonable effort, the impact and timing on future operating results arising from items excluded from segment profit. 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 ORGANIC SALES % CHANGE

	<u>2Q23</u>
<b>Honeywell</b>	
Reported sales % change	2%
Less: Foreign currency translation	(1)%
Less: Acquisitions, divestitures and other, net	—%
Organic sales % change	<u>3%</u>
<b>Aerospace</b>	
Reported sales % change	15%
Less: Foreign currency translation	(1)%
Less: Acquisitions, divestitures and other, net	—%
Organic sales % change	<u>16%</u>
<b>Honeywell Building Technologies</b>	
Reported sales % change	(1)%
Less: Foreign currency translation	(1)%
Less: Acquisitions, divestitures and other, net	—%
Organic sales % change	<u>—%</u>
<b>Performance Materials and Technologies</b>	
Reported sales % change	6%
Less: Foreign currency translation	(1)%
Less: Acquisitions, divestitures and other, net	—%
Organic sales % change	<u>7%</u>
<b>Safety and Productivity Solutions</b>	
Reported sales % change	(22)%
Less: Foreign currency translation	(1)%
Less: Acquisitions, divestitures and other, net	—%
Organic sales % change	<u>(21)%</u>

We define organic sales percentage as the year-over-year change in reported sales relative to the comparable period, excluding the impact on sales from foreign currency translation and acquisitions, net of divestitures, for the first 12 months following the transaction date. 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 ORGANIC SALES % CHANGE

	2014	2015	2016	2017	2018	2019	2021	2022
<b>Honeywell</b>								
Reported sales % change	3%	(4)%	2%	3%	3%	(12)%	5%	3%
Less: Foreign currency translation	—%	(4)%	(1)%	—%	1%	(1)%	1%	(3)%
Less: Acquisitions, divestitures and other, net	—%	—%	4%	(1)%	(4)%	(16)%	—%	—%
<b>Organic sales % change</b>	<b>3%</b>	<b>—%</b>	<b>(1)%</b>	<b>4%</b>	<b>6%</b>	<b>5%</b>	<b>4%</b>	<b>6%</b>

We define organic sales percentage as the year-over-year change in reported sales relative to the comparable period, excluding the impact on sales from foreign currency translation and acquisitions, net of divestitures, for the first 12 months following the transaction date. 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 EPS TO ADJUSTED EPS AND ADJUSTED EPS EXCLUDING PENSION HEADWIND

	2Q22	3Q22	2Q23	FY2022	3Q23E	2023E
Earnings per share of common stock - diluted <sup>(1)</sup>	\$ 1.84	\$ 2.28	\$ 2.22	\$ 7.27	\$2.15 - \$2.25	\$9.05 - \$9.25
Pension mark-to-market expense <sup>(2)</sup>	—	—	—	0.64	No Forecast	No Forecast
Expense related to UOP Matters <sup>(3)</sup>	0.07	—	—	0.07	—	—
Russian-related charges <sup>(4)</sup>	0.19	(0.02)	—	0.43	—	—
Gain on sale of Russian entities <sup>(5)</sup>	—	(0.01)	—	(0.03)	—	—
Net expense related to the NARCO Buyout and HWI Sale <sup>(6)</sup>	—	—	0.01	0.38	—	—
Adjusted earnings per share of common stock - diluted	\$ 2.10	\$ 2.25	\$ 2.23	\$ 8.76	\$2.15 - \$2.25	\$9.05 - \$9.25
Pension headwind <sup>(7)</sup>	—	—	0.15	—	~0.13	~0.55
Adjusted earnings per share of common stock excluding Pension headwind - diluted	\$ 2.10	\$ 2.25	\$ 2.38	\$ 8.76	\$2.28 - \$2.38	\$9.60 - \$9.80

- (1) For the three months ended June 30, 2023, and 2022, adjusted earnings per share utilizes weighted average shares of approximately 670.2 million and 685.0 million, respectively. For the three months ended September 30, 2022, adjusted earnings per share utilizes weighted average shares of approximately 679.6 million. For the twelve months ended December 31, 2022, adjusted earnings per share utilizes weighted average shares of approximately 683.1 million. For the three months ended September 30, 2023, and twelve months ended December 31, 2023, expected earnings per share utilizes weighted average shares of approximately 669 million and 670 million, respectively.
- (2) Pension mark-to-market expense uses a blended tax rate of 16%, net of tax benefit of \$83 million, for 2022.
- (3) For the three months ended June 30, 2022, and twelve months ended December 31, 2022, the adjustment was an expense of \$50 million and \$45 million, respectively, without tax benefit, due to an expense related to UOP matters.
- (4) For the three months ended June 30, 2023, the adjustment was \$1 million, without tax benefit. For the three months ended June 30, 2022, the adjustment was \$126 million, without tax benefit, to exclude charges and the accrual of reserves related to foreign exchange revaluation, inventory reserves, the write-down of other assets, impairment of property, plant and equipment, employee severance, and a tax valuation allowance related to the initial suspension and wind down of our businesses and operations in Russia. For the three months ended September 30, 2022, the adjustment was \$16 million, without tax expense, primarily related to a favorable foreign exchange revaluation on an intercompany loan with a Russian affiliate, in addition to the recovery of outstanding accounts receivable previously reserved against, partially offset by additional charges for called guarantees, related to the initial suspension and wind down of our businesses and operations in Russia. For the twelve months ended December 31, 2022, the adjustment was \$297 million, without tax benefit, to exclude charges and the accrual of reserves related to outstanding accounts receivable, contract assets, impairment of intangible assets, foreign exchange revaluation, inventory reserves, the write-down of other assets, impairment of property, plant and equipment, employee severance, and called guarantees related to the initial suspension and wind down of our businesses and operations in Russia.
- (5) For the three months ended September 30, 2022, the adjustment was \$10 million, without tax expense, due to the gain on sale of a Russian entity. For the twelve months ended December 31, 2022, the adjustment was \$22 million, without tax expense, due to the gain on sale of Russian entities.
- (6) For the three months ended June 30, 2023, and twelve months ended December 31, 2022, the adjustments were \$8 million and \$260 million, net of tax benefit of \$3 and \$82 million, respectively, due to the net expense related to the NARCO Buyout and HWI Sale.
- (7) For the three months ended June 30, 2023, the adjustment is the decline of \$97 million of pension ongoing income compared to the three months ended June 30, 2022, net of tax expense of \$26 million. For the three and twelve months ended September 30, 2023, and December 31, 2023, the adjustment is the forecasted decline of approximately \$85 million and \$370 million, respectively, of pension ongoing income between the comparative periods in 2022 and 2023, net of estimated tax expense of approximately \$25 million and \$100 million, respectively.

We define adjusted earnings per share as diluted earnings per share adjusted to exclude various charges as listed above. We define adjusted earnings per share excluding pension headwind as adjusted earnings per share adjusted for an actual or forecasted decline of pension ongoing income between the comparative periods in 2022 and 2023. We believe adjusted earnings per share and adjusted earnings per share excluding pension headwind are measures that are 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. We therefore do not include an estimate for the pension mark-to-market expense. Based on economic and industry conditions, future developments, and other relevant factors, these assumptions are subject to change.

# RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW

<i>(\$M)</i>	<u>2Q22</u>	<u>2Q23</u>
Cash provided by operating activities	\$ 789	\$ 1,360
Capital expenditures	(158)	(233)
Garrett cash receipts	212	—
Free cash flow	<u>\$ 843</u>	<u>\$ 1,127</u>

We define free cash flow as cash provided by operating activities less cash for capital expenditures plus cash receipts from Garrett.

We believe that free cash flow is a non-GAAP measure that is useful to investors and management as a measure of cash generated by 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 measure can also be used to evaluate our ability to generate cash flow from operations and the impact that this cash flow has on our liquidity.

# RECONCILIATION OF EFFECTIVE TAX RATE TO ADJUSTED EFFECTIVE TAX RATE

(\$M)	2Q22	2Q23
Income before taxes	\$ 1,704	\$ 1,904
Expense related to UOP Matters	50	—
Russian-related charges	124	1
Net expense related to the NARCO Buyout and HWI Sale	—	11
<b>Adjusted income before taxes</b>	<b>\$ 1,878</b>	<b>\$ 1,916</b>
Income tax expense	\$ 441	\$ 403
Russian-related charges	(2)	—
Net expense related to the NARCO Buyout and HWI Sale	—	3
<b>Adjusted income tax expense</b>	<b>\$ 439</b>	<b>\$ 406</b>
Income tax expense	\$ 441	\$ 403
÷ Income before taxes	\$ 1,704	\$ 1,904
<b>Effective tax rate</b>	<b>25.9 %</b>	<b>21.2 %</b>
Adjusted income tax expense	\$ 439	\$ 406
÷ Adjusted income before taxes	\$ 1,878	\$ 1,916
<b>Adjusted effective tax rate</b>	<b>23.4 %</b>	<b>21.2 %</b>

We define adjusted income before taxes as income before taxes adjusted for items presented above. We define adjusted income tax expense as income tax expense adjusted for items presented above. We define adjusted effective tax rate as adjusted income tax expense divided by adjusted income before taxes.

We believe that adjusted effective tax rate is a non-GAAP measure that is useful to investors and management as an ongoing representation of our tax rate excluding one-off and unusual transactions. This measure can be used to evaluate our tax rate on our recurring operations. For forward looking information, we do not provide effective tax rate guidance on a GAAP basis as management cannot reliably predict or estimate, without unreasonable effort, the pension mark-to-market expenses and other one-off and unusual transactions.

# RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW AND CALCULATION OF FREE CASH FLOW MARGIN

(\$M)	2014	2015	2016	2017	2018	2019	2021	2022
Cash provided by operating activities	\$ 5,080	\$ 5,519	\$ 5,498	\$ 5,966	\$ 6,434	\$ 6,897	\$ 6,038	\$ 5,274
Capital expenditures	(1,094)	(1,073)	(1,095)	(1,031)	(828)	(839)	(895)	(766)
Garrett cash receipts	—	—	—	—	—	—	586	409
Free cash flow	\$ 3,986	\$ 4,446	\$ 4,403	\$ 4,935	\$ 5,606	\$ 6,058	\$ 5,729	\$ 4,917
Separation cost payments	—	—	—	—	424	213	—	—
Adjusted free cash flow	\$ 3,986	\$ 4,446	\$ 4,403	\$ 4,935	\$ 6,030	\$ 6,271	\$ 5,729	\$ 4,917
Cash provided by operating activities	\$ 5,080	\$ 5,519	\$ 5,498	\$ 5,966	\$ 6,434	\$ 6,897	\$ 6,038	\$ 5,274
÷ Net sales	\$ 40,306	\$ 38,581	\$ 39,302	\$ 40,534	\$ 41,802	\$ 36,709	\$ 34,392	\$ 35,466
Operating cash flow margin %	13 %	14 %	14 %	15 %	15 %	19 %	18 %	15 %
Free cash flow	\$ 3,986	\$ 4,446	\$ 4,403	\$ 4,935	\$ 6,030	\$ 6,271	\$ 5,729	\$ 4,917
÷ Net sales	\$ 40,306	\$ 38,581	\$ 39,302	\$ 40,534	\$ 41,802	\$ 36,709	\$ 34,392	\$ 35,466
Free cash flow margin %	10 %	12 %	11 %	12 %	14 %	17 %	17 %	14 %

We define free cash flow as cash provided by operating activities less cash for capital expenditures plus cash receipts from Garrett. We define free cash flow margin as free cash flow divided by net sales.

We believe that free cash flow and free cash flow margin are non-GAAP measures that are useful to investors and management as a measure of cash generated by 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. These measures can also be used to evaluate our ability to generate cash flow from operations and the impact that this cash flow has on our liquidity.

# RECONCILIATION OF EXPECTED CASH PROVIDED BY OPERATING ACTIVITIES TO EXPECTED FREE CASH FLOW AND EXPECTED FREE CASH FLOW EXCLUDING IMPACT OF SETTLEMENTS

	<u>2023E<sub>(\$B)</sub></u>
Cash provided by operating activities	~\$4.9 - \$5.3
Capital expenditures	~(1.0)
Garrett cash receipts	—
Free cash flow	<u>~\$3.9 - \$4.3</u>
Impact of settlements	<u>~1.2</u>
Free cash flow excluding impact of settlements	<u><u>~\$5.1 - \$5.5</u></u>

We define free cash flow as cash provided by operating activities less cash for capital expenditures plus anticipated cash receipts from Garrett. We define free cash flow excluding impact of settlements as free cash flow less settlements related to the NARCO Buyout, HWI Sale, and UOP Matters.

We believe that free cash flow and free cash flow excluding impact of settlements are non-GAAP measures that are useful to investors and management as a measure of cash generated by 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. These measures can also be used to evaluate our ability to generate cash flow from operations and the impact that this cash flow has on our liquidity.



# Honeywell