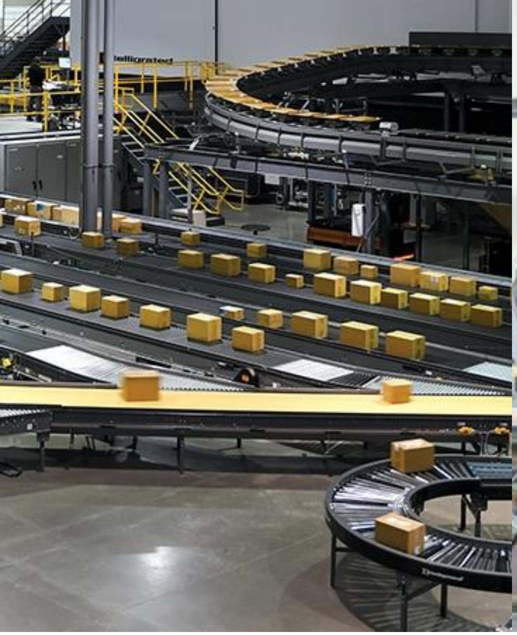


# THIRD QUARTER 2021 EARNINGS RELEASE

**OCTOBER 22, 2021**

Honeywell

## 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, technological, and COVID-19 public health factors affecting our operations, markets, products, services and prices. Such forward-looking statements are not guarantees of future performance, and actual results, and other developments, including the potential impact of the COVID-19 pandemic, and business decisions may differ from those envisaged by such forward-looking statements. Any forward-looking plans described herein are not final and may be modified or abandoned at any time. 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.*

## 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 and acquisitions and divestitures for the first 12 months following the transaction date; free cash flow, which we define as cash flow from operations less capital expenditures plus cash receipts from Garrett, if and as noted in the presentation; and adjusted earnings per share, which we adjust to exclude pension mark-to-market, changes in fair value for Garrett equity securities, an expense related to UOP matters, gain on the sale of the retail footwear business, non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett, net of proceeds from settlement of related hedging transactions, favorable resolution of a foreign tax matter related to the spin-off transactions, and a non-cash charge associated with a further reduction in value of reimbursement receivables following Garrett's emergence from bankruptcy on April 30, 2021, 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 metrics should be considered in addition to, and not as replacements for, the most comparable GAAP measure. Certain metrics 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.*

# 3Q 2021 OVERVIEW

| | 3Q 2021 Actual | 3Q 2021 Guidance |
|---|---|---|
| Adjusted Earnings Per Share | $2.02 | $1.97 – $2.02 |
| Organic Sales Growth | 8% | 7% – 11% |
| Segment Margin Expansion | 130 bps | 40 – 70 bps |
| Free Cash Flow | $0.9B<br>Up 20% YoY | |
| Capital Deployment | $1.5B<br>Share Repurchases, Dividends, Capital Expenditures, and M&A | |

## 3Q 2021 Highlights

- Delivered adjusted EPS at high end of guidance and up 29% YoY despite inflation and supply chain headwinds
- 8% organic sales growth driven by strength in commercial aftermarket, SPS, UOP, advanced materials, and building products
- Segment margin of 21.2%, exceeding high end of guidance by 60 bps
- Generated $0.9B of free cash flow, up 20% YoY
- Deployed $1.5B of capital and raised dividend
- Orders up high single digits, up double digits excluding COVID mask demand
- Backlog of $27.5B, up 7%, including reduction in COVID-related mask backlog

*Adjusted EPS and adjusted EPS V% exclude changes in fair value for Garrett equity securities, gain on the sale of the retail footwear business, an expense related to UOP matters, and 3Q20 non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett. Backlog refers to performance obligations as reported in the 10-Q.*

**Delivered Our Commitments in Very Challenging Market**

# RECENT ANNOUNCEMENTS

## Sustainable Aviation Fuel Partnership


- With **United Airlines**, invested in **Alder Fuels** to produce sustainable aviation fuel (SAF) at scale
- Alder technologies, combined with Honeywell's Ecofining™ process, have the potential to produce a carbon-negative alternative for today's jet fuel

## Life Sciences Acquisition

- Acquired **Performix Inc.**, a provider of manufacturing execution system software for the pharma / biotech industries
- Performix's technology, along with the **Sparta Systems** acquisition, will help create the world's leading integrated software platform for life sciences customers

## Next-Gen Flight Deck Release

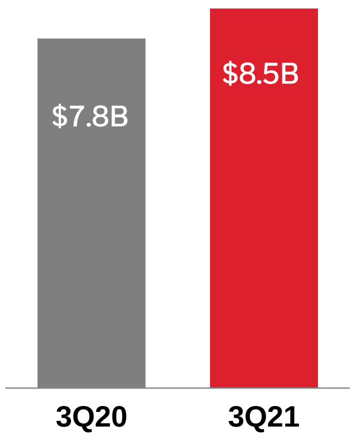
- Unveiled **Anthem**, the first cloud-connected cockpit system
- Improves flight efficiency, operations, safety, and comfort; can be customized for virtually every type of aircraft
- Will be used in Vertical Aerospace's piloted, zero-emissions electric battery-powered aircraft

**Continuing to Expand Portfolio Around Strategic Objectives**

# 3Q 2021 FINANCIAL SUMMARY

## Sales

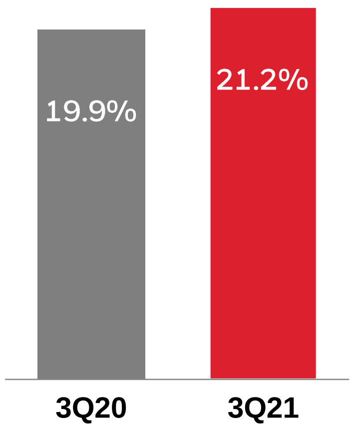
Up 8%
*Organic*




- \+ Continued double-digit growth in SPS
- \+ Strong double-digit growth in commercial aviation aftermarket
- \+ Building products and services demand
- \+ Advanced materials and UOP strength
- \- Supply chain constrained growth

## Segment Margin

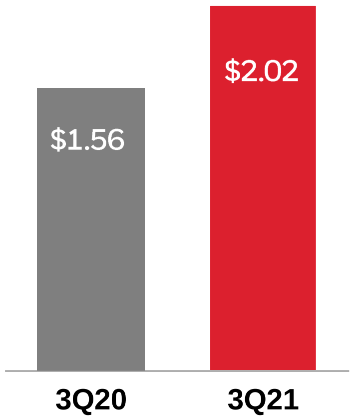
Up 130 bps




- \+ Margin expansion in Aero, HBT, PMT
- \+ Strong volume leverage
- \+ Pricing offset inflation
- \- Intelligrated mix, supply chain challenges

## Adjusted EPS

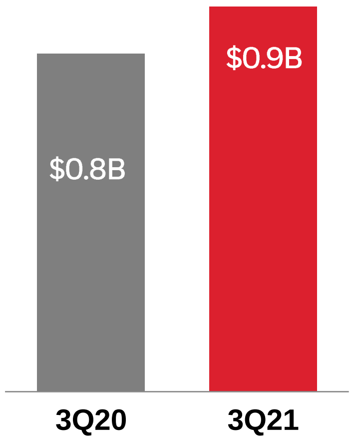
Up 29%




- \+ Higher segment profit
- \+ Lower adjusted effective tax rate (22.9% vs. 24.5%)
- \+ Lower share count (699M vs. 710M)

## Free Cash Flow

Up 20%




- \+ Higher net income
- ± Increase in working capital driven by higher volumes
- \+ Lower repositioning cash
- \+ Deployed $1.5B to share repurchases, dividends, capex, and M&A

*Adjusted EPS and adjusted EPS V% exclude changes in fair value for Garrett equity securities, gain on the sale of the retail footwear business, an expense related to UOP matters, and 3Q20 non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett.*

**Strong Performance Across the Board**

# MANAGING SUPPLY CHAIN CONSTRAINTS

## Current Situation

Electronic component shortages in HBT and SPS

Aero supply base ramp / parts availability constraining manufacturing

Increased commodity pricing due to supply shortages and accommodative monetary policies

Freight and logistics availability and cost

Labor availability and cost impacts across businesses, highest concentration in Intelligrated

## Short-Term Mitigation Actions

- Ramped tiger teams, launched digital tools to manage impact of shortages and prioritize mitigation actions
- Proactively identifying part substitutions and reengineering products with alternative components
- Increased forecast window to cover 2022 demand, improve supplier visibility and signals
- Dynamic price actions to offset commodity, labor inflation

## Long-Term Solutions

- Expanding dual sourcing for key technology platforms across the portfolio
- Revisiting long-term supply agreements with key suppliers
- Developing direct partnerships with semiconductor OEMs

**Aggressive Supply Chain and Engineering Actions to Address Environment**

# 4Q AND FY 2021 OUTLOOK

## 4Q Guidance

**Sales**
$8.5B - $8.9B
*Down (4%) - Flat Organically*
*Including Impact of COVID-Driven Mask Sales Declines*

**Segment Margin**
21.2% - 21.7%
*Up 10 - 60 bps*

**Adjusted EPS**
$2.03 - $2.13
*Down (2%) – Up 3%*

Net Below the Line Impact
($95M) - ($10M)
Effective Tax Rate
~20%
Share Count
~698M

## FY Guidance

**Sales**
$34.2B - $34.6B
*Up 4% - 5% Organically*
Prior: $34.6B - $35.2B, Up 4% - 6%

**Segment Margin**
20.9% - 21.1%
*Up 50 - 70 bps*
Prior: 20.8% - 21.1%, Up 40 - 70 bps

**Adjusted EPS**
$8.00 - $8.10
*Up 13% - 14%*
Prior: $7.95 - $8.10, Up 12% - 14%

**Free Cash Flow**
$5.3B - $5.6B
Prior: $5.3B - $5.6B

*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 excludes a non-cash charge associated with a further reduction in value of reimbursement receivables following Garrett's emergence from bankruptcy on April 30, 2021, gain on the sale of the retail footwear business, an expense related to UOP matters, and any potential future one-time items that we cannot reliably predict or estimate such as pension mark-to-market or changes in fair value for Garrett equity securities. Adjusted EPS V% guidance also excludes 4Q20 pension mark-to market, non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett, net of proceeds from settlement of related hedging transactions, and 2Q20 favorable resolution of a foreign tax matter related to the spin-off transactions.*

**Updating Full-Year Guidance; Continue to Deliver Strong Results**

# FY 2021 GUIDANCE PROGRESSION

| | Original Guidance (as of 4Q20 Earnings Call) | Previous Guidance (as of 1Q21 Earnings Call) | Previous Guidance (as of 2Q21 Earnings Call) | Updated Guidance |
|---|---|---|---|---|
| **Sales** | **$33.4B - $34.4B** | **$34.0B - $34.8B** | **$34.6B - $35.2B** | **$34.2B - $34.6B** |
| *Organic Growth* | *Up 1% - 4%* | *Up 3% - 5%* | *Up 4% - 6%* | *Up 4% - 5%* |
| **Segment Margin** | **20.7% - 21.1%** | **20.7% - 21.1%** | **20.8% - 21.1%** | **20.9% - 21.1%** |
| *Margin Expansion* | *Up 30 - 70 bps* | *Up 30 - 70 bps* | *Up 40 - 70 bps* | *Up 50 - 70 bps* |
| Net BTL | ($130M) - $20M | ($130M) - $20M | ($110M) - $40M | $40M - $125M |
| Effective Tax Rate | 21% - 22% | 21% - 22% | 21% - 22% | ~22% |
| Share Count | ~705M | ~705M | ~703M | ~701M |
| **Adjusted EPS** | **$7.60 - $8.00** | **$7.75 - $8.00** | **$7.95 - $8.10** | **$8.00 - $8.10** |
| *Adjusted Growth* | *Up 7% - 13%* | *Up 9% - 13%* | *Up 12% - 14%* | *Up 13% - 14%* |
| **Free Cash Flow** | **$5.1B - $5.5B** | **$5.2B - $5.5B** | **$5.3B - $5.6B** | **$5.3B - $5.6B** |

*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 excludes a non-cash charge associated with a further reduction in value of reimbursement receivables following Garrett's emergence from bankruptcy on April 30, 2021, gain on the sale of the retail footwear business, an expense related to UOP matters, and any potential future one-time items that we cannot reliably predict or estimate such as pension mark-to-market or changes in fair value for Garrett equity securities. Adjusted EPS V% guidance also excludes 4Q20 pension mark-to market, non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett, net of proceeds from settlement of related hedging transactions, and 2Q20 favorable resolution of a foreign tax matter related to the spin-off transactions.*

**Honeywell Continues to Perform**

# PRELIMINARY THOUGHTS ON 2022

## 2022 Drivers

### Planning Assumptions

- Economic recovery driven by post-recession GDP growth
- Lower COVID cases due to continued distribution of vaccines in major economies; uneven recovery by region
- Increasing demand for solutions that enhance sustainability
- Continued market challenges from inflation (stimulus), labor force uncertainty (vaccine mandates), and supply availability (semiconductors)
- Higher corporate tax rate (pending legislation)

### Vertical Outlook

- Commercial flight hours continue to improve sequentially; stabilized defense budget spending
- Oil prices supportive of customer capex / opex investments
- Non-residential construction stable, sustainable solutions focus
- e-Commerce demand driving investments in workflow technologies and automation

## Honeywell Outlook

### Top Line Drivers:

+ Strong air transport aftermarket recovery
+ Continued momentum in healthy solutions portfolio, warehouse automation, and productivity solutions
+ Double digit connected software growth
+ Strong backlog and orders position heading into 2022
− Supply chain challenges constrain growth in the first half, COVID-mask declines

### Margin Expansion Drivers:

+ Aftermarket recovery in Aerospace
+ Accelerating catalyst shipments in UOP
+ Improving warehouse and workflow solutions mix / execution
− Slight margin headwind from Quantum business combination
− Continued inflationary environment

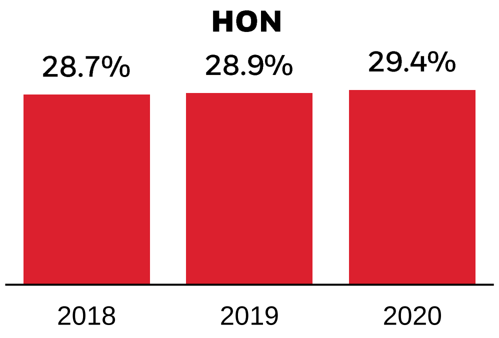
### Capital Deployment Dynamics:

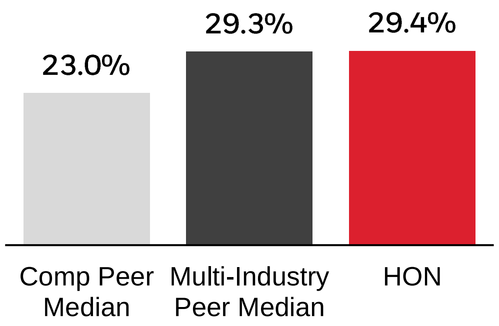
+ Continued R&D and investments in growth / digital
+ Significant balance sheet capacity for M&A and share repurchases

**Demand, Macro Setup Remain Strong; External Factors Create Pressure**

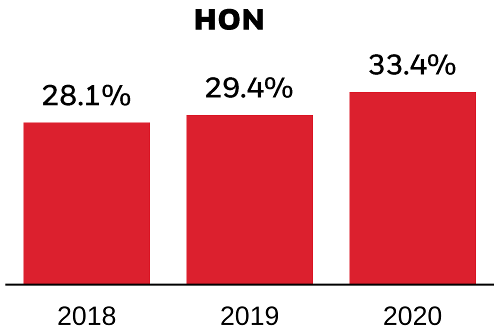
# HONEYWELL INCLUSION AND DIVERSITY

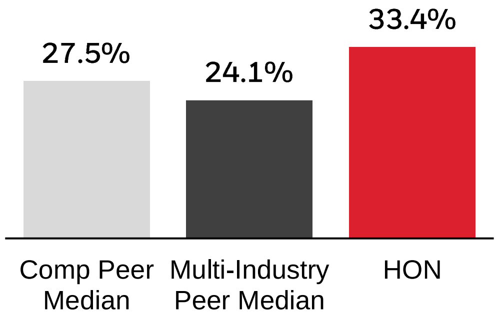
### % Women in Global Workforce




### % Ethnically / Racially Diverse in U.S. Workforce




### Promoting Inclusion and Diversity (I&D) at Honeywell:

- Deployed mandatory unconscious bias training to our global workforce
- Established a Global I&D Steering Committee co-sponsored by Honeywell's Chairman and CEO
- Embedded I&D Councils into each business group
- Established 2021 goals for each direct CEO staff officer that include an annual objective of driving diversity within his or her organization
- Continuing to expand recruitment efforts at diversity conferences and historically Black colleges and universities

**Working at Honeywell requires fully embracing Inclusion and Diversity and treating all employees with the utmost respect every day**

*Peer group medians are based on data made publicly available by companies in our multi-industry peer group and compensation peer group (each as defined in our 2021 proxy statement). Peer companies in either group that do not disclose comparable data are excluded from the calculation. Honeywell workforce statistics as of December 31, 2020. Excludes Sandia National Laboratories (Sandia) and Kansas City National Security Campus (KCNSC) workforces. Sandia and KCNSC are U.S. Department of Energy facilities. Honeywell manages these facilities as a contract operator but does not establish or control their human resources policies.*

## Leveraging Our Culture as a Competitive Advantage

# SUMMARY

- Delivered all 3Q commitments in a challenging environment
- Continue to invest in organic and inorganic growth opportunities aligned to strategic objectives
- Strong bookings and improving backlog position heading into 2022
- Well prepared to deliver in the next phase of recovery

**Honeywell Continues to Drive Strong Value Creation**

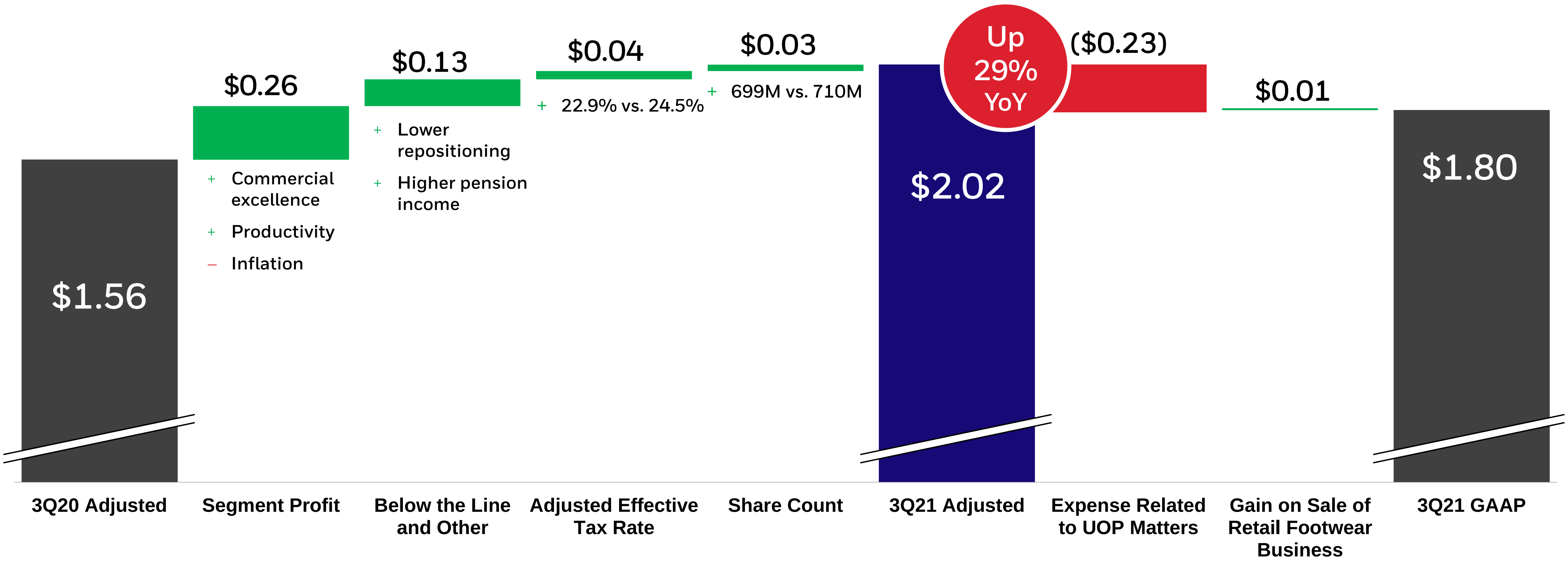
# *Appendix*

# 3Q 2021 SEGMENT RESULTS

| ($M) | Sales | Segment Margin Change (bps) | Commentary |
|---|---|---|---|
| Aero | **$2,732**<br>*Up 2% Organic* | **27.1%**<br>*Up 390 bps* | • Double-digit commercial aero aftermarket growth driven by improved flight hours; strong demand in business aviation OE<br>• Lower U.S. and international defense demand, supply chain ramp constraints<br>• 390 bps margin expansion driven by higher aftermarket sales, strong productivity, and pricing |
| HBT | **$1,370**<br>*Up 3% Organic* | **23.5%**<br>*Up 190 bps* | • Continued broad-based demand for building products; double-digit orders growth<br>• Growth in building solutions services; building solutions project orders up double digits<br>• Margin expansion driven by pricing and productivity, partially offset by inflation |
| PMT | **$2,510**<br>*Up 9% Organic* | **22.2%**<br>*Up 260 bps* | • Continued demand for petrochemical catalysts in UOP; backlog up double digits<br>• Lower HPS projects, partially offset by thermal solutions and services strength; HPS orders up 20%<br>• Ongoing strength across advanced materials portfolio<br>• Margin expansion driven by pricing and productivity, partially offset by inflation |
| SPS | **$1,861**<br>*Up 21% Organic* | **13.2%**<br>*Down 70 bps* | • Robust double-digit sales and orders growth in warehouse and workflow solutions; backlog ~$2.4B<br>• Strong demand in productivity solutions and services, gas detection, partially offset by lower PPE volumes<br>• Margin impacted by mix and Intelligrated inefficiency due to supply chain challenges, higher investment |

**Sales and Segment Margin Growth Across Aero, HBT, and PMT**

# 3Q 2021 EARNINGS PER SHARE BRIDGE




*Adjusted EPS and adjusted EPS V% exclude changes in fair value for Garrett equity securities, gain on the sale of the retail footwear business, an expense related to UOP matters, and 3Q20 non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett.*

**3Q21 Adjusted EPS Growth Driven by Segment Profit**

# 3Q 2021 SALES GROWTH

| | 3Q Reported | 3Q Organic |
|---|---|---|
| **Aerospace** | **3%** | **2%** |
| Commercial Aviation Original Equipment | 1% | 1% |
| Commercial Aviation Aftermarket | 39% | 38% |
| Defense & Space | (16%) | (17%) |
| **Honeywell Building Technologies** | **5%** | **3%** |
| Products | 8% | 6% |
| Building Solutions | 1% | (1%) |
| **Performance Materials And Technologies** | **11%** | **9%** |
| UOP | 30% | 29% |
| Honeywell Process Solutions | 2% | (2%) |
| Advanced Materials | 14% | 14% |
| **Safety And Productivity Solutions** | **18%** | **21%** |
| Safety and Retail | (12%) | (5%) |
| Productivity Solutions and Services | 26% | 25% |
| Warehouse and Workflow Solutions | 61% | 60% |
| Advanced Sensing Technologies | 0% | (1%) |

# ADDITIONAL 2021 INPUTS

| | 4Q20 | 4Q21E | FY21E | Commentary |
|---|---|---|---|---|
| Pension / OPEB | $209M | ~$285M | ~$1,150M | • Larger asset base from robust 2020 portfolio returns and lower discount rates reducing expenses, resulting in higher pension income |
| Repositioning | ($69M) | ($140M - $215M) | ($400M - $475M) | • Retain capacity for high-return projects to support cost management and productivity initiatives; narrowing full-year range to $400M - $475M |
| Other Below the Line | ($183M) | ($155M - $165M) | ($625M - $635M) | • Asbestos, environmental expenses net of spin reimbursements, net interest, F/X, stock option expense, RSU expense, M&A and other expenses |
| Total Below the Line | ($43M) | ($10M - $95M) | $40M - $125M | |
| Share Count | 710M | ~698M | ~701M | |

*Total Below the Line excludes 4Q20 pension mark-to-market and non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett, net of proceeds from settlement of related hedging transactions. Total Below the Line guidance excludes 3Q21 expense related to UOP matters, 3Q21 and 2Q21 changes in fair value for Garrett equity securities, 3Q21 and 1Q21 gain on sale of the retail footwear business, 2Q21 reduction in value of reimbursement receivables following Garrett's emergence from bankruptcy on April 30, 2021, and any potential future on-time items that we cannot reliably predict or estimate such as pension mark-to-market or changes in fair value for Garrett equity securities.*

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

| *($M)* | 3Q20 | 4Q20 | 3Q21 | 2020 |
|---|---|---|---|---|
| Aerospace | $ 2,662 | $ 2,978 | $ 2,732 | $ 11,544 |
| Honeywell Building Technologies | 1,305 | 1,426 | 1,370 | 5,189 |
| Performance Materials and Technologies | 2,252 | 2,556 | 2,510 | 9,423 |
| Safety and Productivity Solutions | 1,578 | 1,940 | 1,861 | 6,481 |
| Net Sales | $ 7,797 | $ 8,900 | $ 8,473 | $ 32,637 |
| | | | | |
| Aerospace | $ 617 | $ 822 | $ 740 | $ 2,904 |
| Honeywell Building Technologies | 282 | 305 | 322 | 1,099 |
| Performance Materials and Technologies | 442 | 478 | 558 | 1,851 |
| Safety and Productivity Solutions | 219 | 297 | 245 | 907 |
| Corporate | (7) | (23) | (72) | (96) |
| Segment Profit | $ 1,553 | $ 1,879 | $ 1,793 | $ 6,665 |
| | | | | |
| Stock compensation expense (1) | (40) | (50) | (56) | (168) |
| Repositioning, Other (2,3) | (161) | (111) | (117) | (641) |
| Pension and other postretirement service costs (4) | (41) | (42) | (45) | (160) |
| Operating income | $ 1,311 | $ 1,676 | $ 1,575 | $ 5,696 |
| | | | | |
| Segment profit | $ 1,553 | $ 1,879 | $ 1,793 | $ 6,665 |
| ÷ Net sales | $ 7,797 | $ 8,900 | $ 8,473 | $ 32,637 |
| Segment profit margin % | 19.9 % | 21.1 % | 21.2 % | 20.4 % |
| | | | | |
| Operating income | $ 1,311 | $ 1,676 | $ 1,575 | $ 5,696 |
| ÷ Net sales | $ 7,797 | $ 8,900 | $ 8,473 | $ 32,637 |
| Operating income margin % | 16.8 % | 18.8 % | 18.6 % | 17.5 % |

(1) Amounts included in Selling, general and administrative expenses.
(2) Includes repositioning, asbestos, environmental expenses, and equity income adjustment.
(3) Amounts 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.

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 ORGANIC SALES % CHANGE

| | 3Q21 |
|---|---|
| **Honeywell** | |
| **Reported sales % change** | 9% |
| **Less: Foreign currency translation** | 1% |
| **Less: Acquisitions, divestitures and other, net** | —% |
| **Organic sales % change** | 8% |
| **Aerospace** | |
| **Reported sales % change** | 3% |
| **Less: Foreign currency translation** | —% |
| **Less: Acquisitions, divestitures and other, net** | 1% |
| **Organic sales % change** | 2% |
| **Honeywell Building Technologies** | |
| **Reported sales % change** | 5% |
| **Less: Foreign currency translation** | 2% |
| **Less: Acquisitions, divestitures and other, net** | —% |
| **Organic sales % change** | 3% |
| **Performance Materials and Technologies** | |
| **Reported sales % change** | 11% |
| **Less: Foreign currency translation** | 1% |
| **Less: Acquisitions, divestitures and other, net** | 1% |
| **Organic sales % change** | 9% |
| **Safety and Productivity Solutions** | |
| **Reported sales % change** | 18% |
| **Less: Foreign currency translation** | 1% |
| **Less: Acquisitions, divestitures and other, net** | (4)% |
| **Organic sales % change** | 21% |

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 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

| | 3Q20 | 4Q20 | 3Q21 | FY2020 |
|---|---|---|---|---|
| Earnings (loss) per share of common stock - assuming dilution (EPS) (1) | $ 1.07 | $ 1.91 | $ 1.80 | $ 6.72 |
| Separation related tax adjustment (2) | — | — | — | (0.26) |
| Pension mark-to-market expense (3) | — | 0.05 | — | 0.04 |
| Changes in fair value for Garrett equity securities (4) | — | — | — | — |
| Garrett related adjustments (5) | 0.49 | 0.11 | — | 0.60 |
| Gain on sale of retail footwear business (6) | — | — | (0.01) | — |
| Expense related to UOP Matters (7) | — | — | 0.23 | — |
| Adjusted earnings per share of common stock - assuming dilution | $ 1.56 | $ 2.07 | $ 2.02 | $ 7.10 |

(1) For the three months ended September 30, 2021 and 2020, adjusted earnings per share utilizes weighted average shares of approximately 698.9 million and 709.6 million. For the three months ended December 31, 2020 adjusted earnings per share utilizes weighted average shares of approximately 710.0 million. For the twelve months ended December 31, 2020, adjusted earnings per share utilizes weighted average shares of 711.2 million.

(2) For the twelve months ended December 31, 2020, separation related tax adjustment of $186 million, net of tax, includes the favorable resolution of a foreign tax matter related to the spin-off transactions.

(3) Pension mark-to-market expense uses a blended tax rate of 25% for 2020.

(4) For the three months ended September 30, 2021, the adjustment was $2 million net of tax due to changes in fair value for Garrett equity securities.

(5) For the three months ended September 30, 2020, the adjustment was $350 million net of tax due to the non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett. For the three and twelve months ended December 31, 2020, adjustments were $77 million and $427 million net of tax due to the non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett, net of proceeds from settlement of related hedging transactions.

(6) For the three months ended September 30, 2021, the adjustment was $4 million net of tax due to the gain on sale of the retail footwear business.

(7) For the three months ended September 30, 2021, the adjustment was $160 million with no tax benefit due to an expense related to UOP matters.

We continue to cooperate with investigations by the U.S. Department of Justice (DOJ), the Securities and Exchange Commission (SEC) and the Brazilian authorities relating to our use of third parties who previously worked for our UOP business in Brazil in relation to Petróleo Brasileiro S.A. (Petrobras) in connection with a project awarded in 2010. The investigations focus on compliance with the U.S. Foreign Corrupt Practices Act and similar Brazilian laws (the UOP Matters), and involve, among other things, document production and interviews with former and current management and employees. The DOJ and the SEC are also examining a matter involving a foreign subsidiary's prior contract with Unaoil S.A.M. in Algeria executed in 2011. We continue to be engaged in discussions with the authorities with respect to a potential comprehensive resolution of these matters.

As the discussions are both ongoing and at different stages with regards to each respective authority, there can be no assurance as to whether we will reach a resolution with such authorities or as to the potential timing, terms, or collateral consequences of any such resolution. As a result, we cannot predict the ultimate outcome of these UOP Matters or the potential impact on the Company. Based on available information to date, we estimate that a potential comprehensive resolution of these UOP Matters would result in a probable loss of at least $160 million, and we have recorded a charge in this amount in our Consolidated Statement of Operations, and have accrued a corresponding liability on the Consolidated Balance Sheet.

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

| *($M)* | 3Q20 | 3Q21 |
|---|---|---|
| **Cash provided by operating activities** | $ 1,007 | $ 1,119 |
| **Expenditures for property, plant and equipment** | (249) | (208) |
| **Garrett cash receipts** | — | — |
| **Free cash flow** | $ 758 | $ 911 |

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

We believe that free cash flow is a non-GAAP metric 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 metric 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. For forward looking information, we do not provide cash flow conversion guidance on a GAAP basis as management cannot reliably predict or estimate, without unreasonable effort, the pension mark-to-market expense and the changes in fair value for Garrett equity securities. Pension mark-to-market is dependent on macroeconomic factors, such as interest rates and the return generated on invested pension plan assets. Based on economic and industry conditions, future developments and other relevant factors, these assumptions are subject to change. Changes in fair value of Garrett equity securities cannot be forecasted due to the inherent nature of changing conditions in the overall market.

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

| | 2021E ($B) |
|---|---|
| **Cash provided by operating activities** | **~$5.9 - $6.2** |
| **Expenditures for property, plant and equipment** | **~(1)** |
| **Garrett cash receipts** | **0.4** |
| **Free cash flow** | **~$5.3 - $5.6** |

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

We believe that free cash flow is a non-GAAP metric 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 metric 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. For forward looking information, we do not provide cash flow conversion guidance on a GAAP basis as management cannot reliably predict or estimate, without unreasonable effort, the pension mark-to-market expense or changes in fair value of Garrett equity securities. Pension mark-to-market is dependent on macroeconomic factors, such as interest rates and the return generated on invested pension plan assets. Based on economic and industry conditions, future developments and other relevant factors, these assumptions are subject to change. Changes in fair value of Garrett equity securities cannot be forecasted due to the inherent nature of changing conditions in the overall market.

# RECONCILIATION OF EXPECTED EARNINGS PER SHARE TO ADJUSTED EARNINGS PER SHARE

| | 4Q21E | 2021E |
|---|---|---|
| **Earnings per share of common stock - assuming dilution** [(1)] | **$2.03 - $2.13** | **$7.87 - $7.97** |
| **Gain on sale of retail footwear business** [(2)] | **—** | **(0.11)** |
| **Garrett related adjustments** [(3)] | **—** | **0.01** |
| **Expense related to UOP Matters** [(4)] | **—** | **0.23** |
| **Adjusted earnings per share of common stock - assuming dilution** | **$2.03 - $2.13** | **$8.00 - $8.10** |

(1) For the three months ended December 31, 2021 and twelve months ended December 31, 2021, expected earnings per share utilizes weighted average shares of approximately 698 million and 701 million, respectively.

(2) For the twelve months ended December 31, 2021, the adjustment was $76 million net of tax due to the gain on sale of the retail footwear business.

(3) For the twelve months ended December 31, 2021, the adjustment was $7 million net of tax due to a non-cash charge associated with a further reduction in value of reimbursement receivables following Garrett's emergence from bankruptcy on April 30, 2021.

(4) For the twelve months ended December 31, 2021, adjustment was $160 million with no tax benefit due to an expense related to UOP matters.

We believe adjusted earnings per share 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 any potential future one-time items, such as pension mark-to-market or changes in fair value for Garrett equity securities, without unreasonable effort. Pension mark-to-market expense is dependent on macroeconomic factors, such as interest rates and the return generated on invested pension plan assets. Based on economic and industry conditions, future developments and other relevant factors, these assumptions are subject to change. Changes in fair value for Garrett equity securities cannot be forecasted due to the inherent nature of changing conditions in the overall market.