



**FOURTH QUARTER / FULL YEAR 2015**  
Earnings Release

**Honeywell**

# Forward Looking Statements

*This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements are based on management’s assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near- and long-term. We identify the principal risks and uncertainties that affect our performance in our Form 10-K and other filings with the Securities and Exchange Commission.*

## Definition Of Core Organic Growth

*Throughout this presentation, core organic sales growth refers to reported sales growth less the impacts from foreign currency translation, M&A and raw materials pass-through pricing in the Resins & Chemicals business of PMT. The raw materials pricing impact is excluded in instances where raw materials costs are passed through to customers, which drives fluctuations in selling prices not tied to volume growth. A reconciliation of core organic sales growth to reported sales growth is provided in the Appendix.*

# Highlights

## 4Q15

- 4Q15 EPS Of \$1.58, Up 10%
- Free Cash Flow Of \$1.6B, Up 17%; FCF Conversion 127%
- Funded ~\$60M In New Restructuring In 4Q15

## FY15

- FY15 EPS Of \$6.10, Up 10%; Core Organic Sales Up 1%
- 6<sup>th</sup> Consecutive Year Of Double-Digit Earnings Growth
- Committed \$6B To M&A; \$2B In Share Repurchases

## FY16

- Reaffirming 2016 Guidance, EPS \$6.45 - \$6.70, Up 6% - 10%
- Supporting Growth, Cautious On Sales, Planning Costs Conservatively
- While Seed Planting To Drive Results Now And In The Future

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

# Strategic M&A Momentum

**Elster**

~\$5B

- A Global Leader In Gas Heating, Controls, Metering, And Advanced Technologies

**Com Dev**

~\$345M

- A Leading Global Manufacturer Of Space-Based Communications Components And Related Subsystems

**Thomas Russell**

(Remaining 30% Stake)

~\$240M

- Develops Technology And Manufactures Modular Equipment To Process Natural Gas

**Datamax O'Neil**

~\$185M

- A Global Manufacturer Of Fixed And Mobile Printers Used In A Variety Of Retail, Warehouse And Distribution, And Healthcare Applications

**Sigma Aldrich**

(Research Chemicals)

~\$115M

- European Inorganics And Solvents Business Focused On High-Purity Research Chemicals, Including Industry Leading Fluka Brand

**SatCom1**

~\$25M  
2015E  
Sales

- A Leading Provider Of On Board Communications Routing Software, And Provider Of In-Flight Airtime And Consulting Services

**Aviaso**

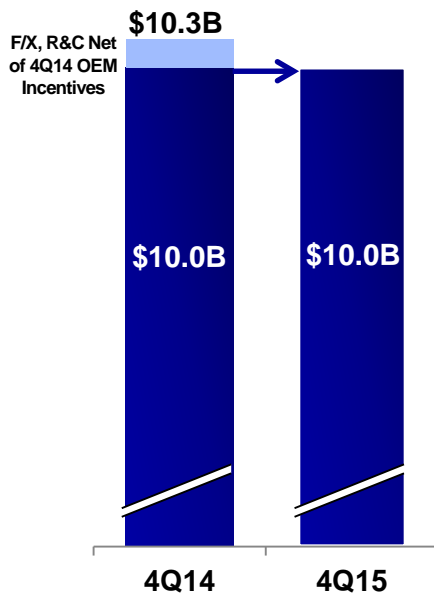
Not  
Disclosed

- End-To-End Software As A Service Solution To Reduce Airline Fuel Consumption

# 4Q 2015 Financial Summary

## Sales

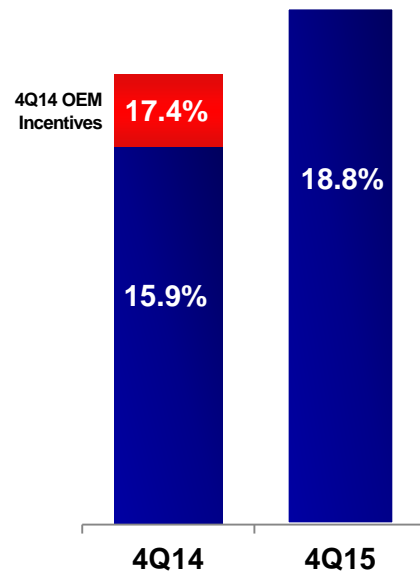
~Flat Core Organic



- Positive December Across All SBGs
- Reported Sales Down (3%)

## Segment Margin

Up 290 bps  
Up 140 bps Ex-4Q14 OEM Incentives



- Segment Profit \$1.9B, Up 15%, Or Up 4% Ex-4Q14 \$184M OEM Incentives
- HOS Gold Driving Further Margin Expansion

## EPS

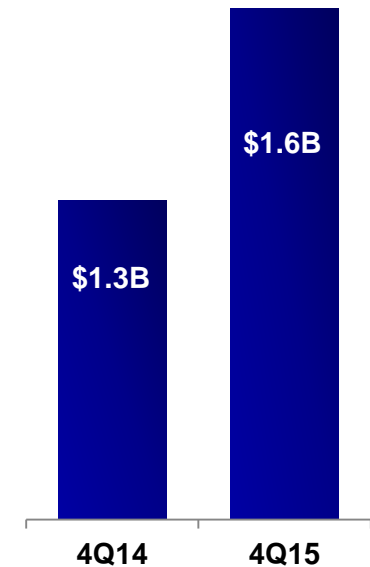
Up 10%



- Reported EPS \$1.53, Up 28%
- Unfavorable Pension MTM Adjustment Of (\$0.05) vs. (\$0.23) In 4Q14

## FCF

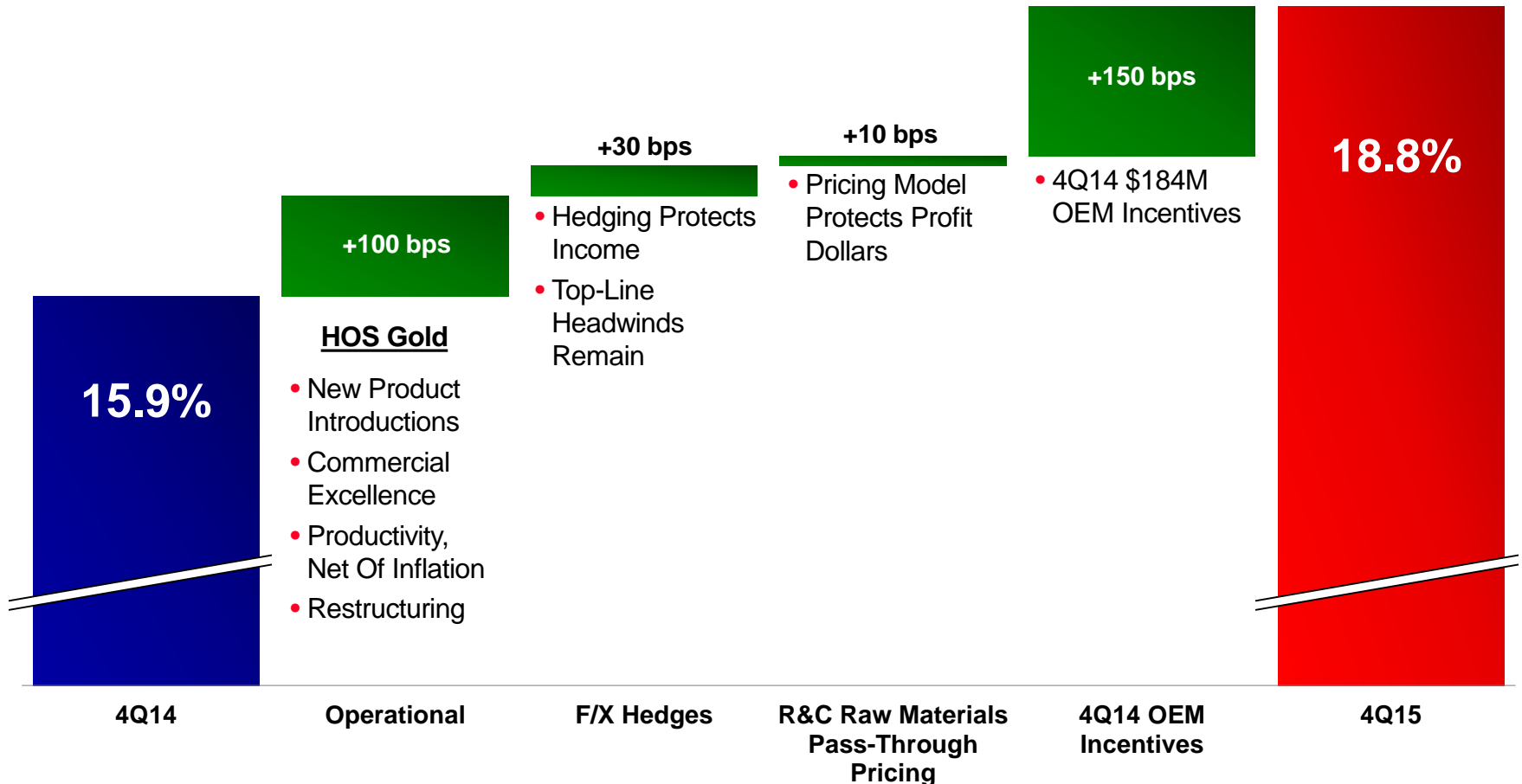
Up 17%



- FCF Conversion 127%
- Better Working Capital

EPS, % Exclude Any Pension Mark-to-Market Adjustment; FCF = Cash Flow From Operations Less Capital Expenditures

# 4Q 2015 Segment Margin Expansion

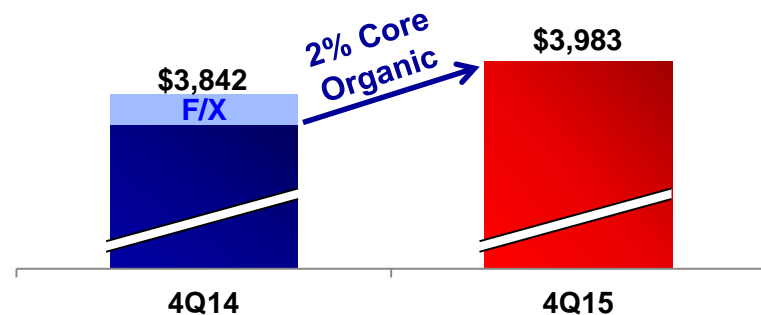


# Aerospace

## Sales

(\$M)

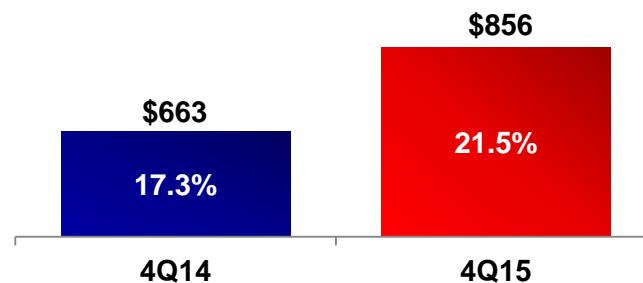
Up 4%



## Segment Margin

Up 420 bps

Up 50 bps ex-4Q14 OEM Incentives



- **Comm'l OE Core Organic Up 9%**
  - Strong BGA Engine Shipments, ATR Growth
  - Reported Up 45% Due To 4Q14 OEM Incentives
- **Comm'l AM Up 2%, Core Organic Up 3%**
  - Continued R&O Momentum
- **D&S Down 3%, Core Organic Down 1%**
  - U.S. Modest Decline, International Tough Comps
- **TS Down 10%, Core Organic Up 1%**
  - Strong Diesel And Gas LV Demand, CV Weak
  - F/X Headwinds Impact Reported Sales

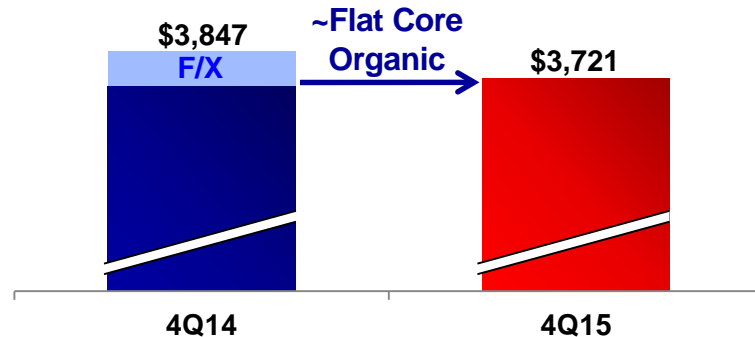
- **Segment Profit Up 29%**
  - Up 1% Ex-4Q14 \$184M OEM Incentives
- **Segment Margin Up 420 bps**
  - + 4Q14 OEM Incentives (+370 bps)
  - + Productivity Net Of Inflation
  - + Commercial Excellence
  - + Foreign Currency Hedges
  - OE / Aftermarket Mix
  - Continued Growth Investments

# Automation and Control Solutions

## Sales

(\$M)

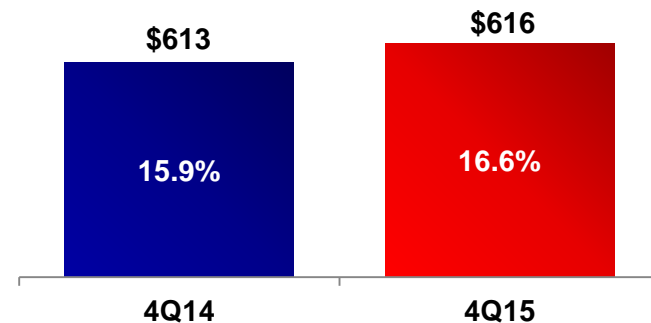
Down 3%



- **ESS Down 3%, Core Organic Down 1%**
  - Security And Fire Growth Across All Regions
  - China Up Double-Digit
  - Sensing & Productivity Solutions Tough Comps
- **BSD Down 3%, Core Organic Up 3%**
  - Continued Americas Distribution Momentum
  - Slowing Backlog Conversion And Energy Orders

## Segment Margin

Up 70 bps



- **Segment Profit Flat**
- **Segment Margin Up 70 bps**
  - + Productivity Net Of Inflation
  - + Restructuring Benefits
  - + Commercial Excellence
  - Continued Growth Investments

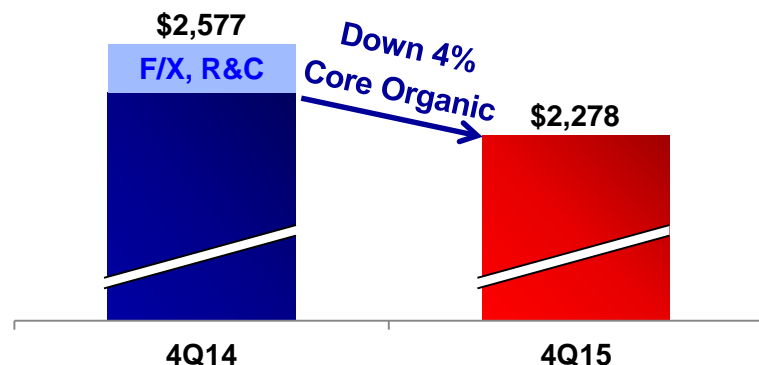


# Performance Materials and Technologies

## Sales

(\$M)

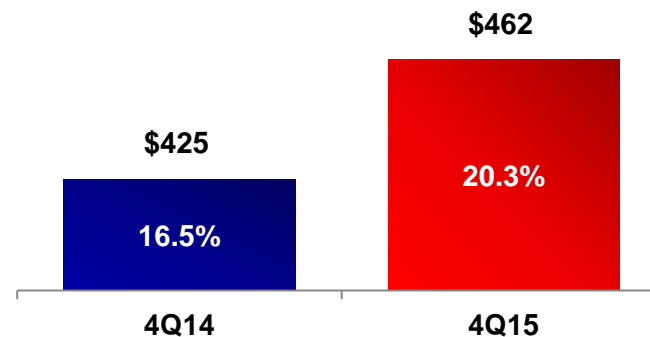
Down 12%



- **UOP Down 11%, Core Organic Down 10%**
  - Gas Processing, Equipment/Licensing Declines
  - Continued Catalyst Growth
  - Strong 4Q Orders Across All Businesses
- **HPS Down 9%, Core Organic Flat**
  - Services Growth; Field Products Weakness
  - Organic Backlog Up At Year-End
- **Adv Mat Down 15%, Core Organic Down 3%**
  - Fluorine Products Solstice Ramp
  - Resins & Chemicals Lower Volume

## Segment Margin

Up 380 bps

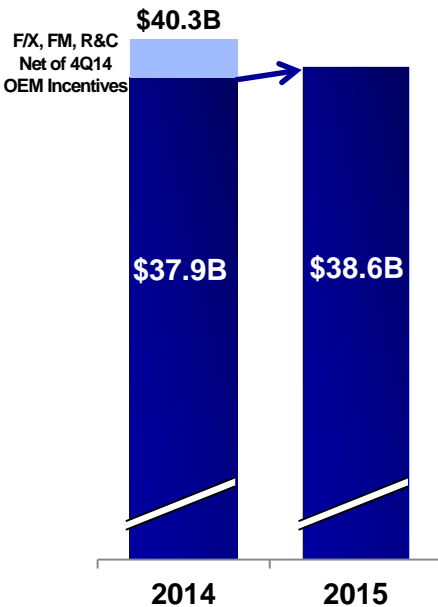


- **Segment Profit Up 9%**
- **Segment Margin Up 380 bps**
  - + Productivity Net Of Inflation
  - + Commercial Excellence
  - + R&C Raw Materials Pass-Through Pricing
  - + Higher UOP Catalyst Sales

# 2015 Financial Summary

## Sales

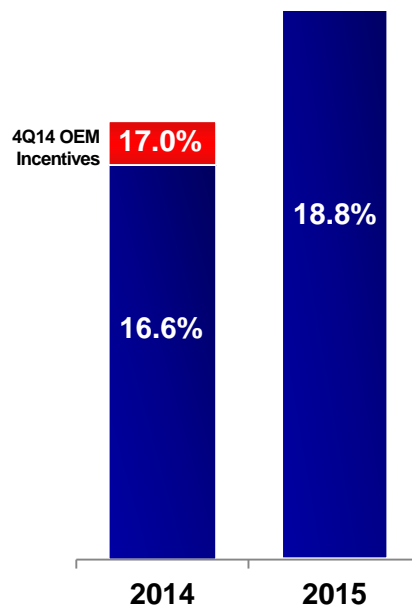
Up 1% Core Organic



- Good Growth In ESS, TS, And Commercial OE
- Reported Sales Down (4%)

## Segment Margin

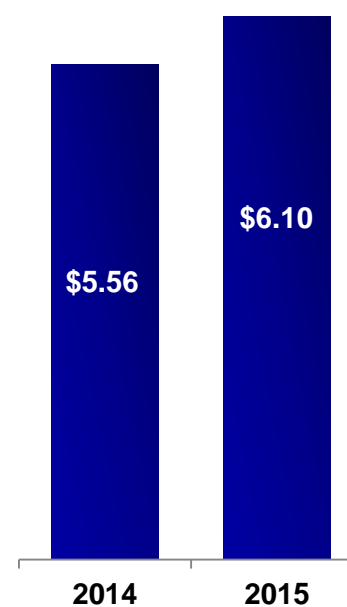
Up 220 bps  
Up 180 bps Ex-4Q14  
OEM Incentives



- Segment Profit \$7.3B, Up 8%, Or Up 5% Ex-4Q14 OEM Incentives
- +110 bps Of Operational Improvement

## EPS

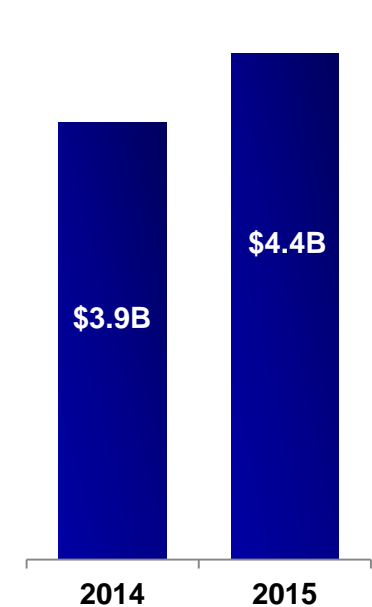
Up 10%



- Reported EPS \$6.04, Up 13% YoY
- Unfavorable Pension MTM Adjustment Of (\$0.06) vs. (\$0.23) In FY14

## FCF

Up 11%



- FCF Conversion 91%
- Reinvestment Ratio At 1x Depreciation Yields ~100% FCF Conversion

EPS, % Exclude Any Pension Mark-to-Market Adjustment; FCF = Cash Flow From Operations Less Capital Expenditures; Reinvestment Ratio = Capital Expenditures / Depreciation

# 2015 Results By Business

	Sales		Segment Margin	
	\$	<u>Change</u>	%	<u>Change</u>
<b>Aero</b>	\$15,237	<b>(2%)</b> <i>2% Core Organic</i>	<b>21.1%</b>	<b>Up 240 bps</b> <i>Up 150 bps ex-4Q14 OEM Incentives</i>
<b>ACS</b>	\$14,109	<b>(3%)</b> <i>2% Core Organic</i>	<b>16.4%</b>	<b>Up 120 bps</b>
<b>PMT</b>	\$9,235	<b>(10%)</b> <i>(1%) Core Organic</i>	<b>21.0%</b>	<b>Up 320 bps</b>
<b>HON</b>	\$38,581	<b>(4%)</b> <i>1% Core Organic</i>	<b>18.8%</b>	<b>Up 220 bps</b> <i>Up 180 bps ex-4Q14 OEM Incentives</i>

# Planning Approach

	% HON Sales	Environment - Neutral +	Assessment
<b>Non-Residential</b>		✓	<ul style="list-style-type: none"> <li>• <b>No Change In End Market Outlook Versus December</b> <ul style="list-style-type: none"> <li>- End Markets Reasonably Stable</li> <li>- Plan Contemplated Weak O&amp;G Macro (UOP Down MSD, HPS ~Flat)</li> <li>- No Change To Previous 2016 Guidance</li> <li>- Short-Term Cost Flexibility And Other Contingencies Mitigate Further Weakness</li> </ul> </li> <li>• <b>Planning Approach Intact</b> <ul style="list-style-type: none"> <li>- Supporting Growth</li> <li>- Cautious On Sales</li> <li>- Planning Costs And Spending Conservatively</li> <li>- Continuous Seed Planting</li> </ul> </li> </ul>
<b>Commercial Aftermarket</b>		✓	
<b>Defense &amp; Space</b>		✓	
<b>Oil &amp; Gas</b>		✓	
<b>Vehicles</b>		✓	
<b>All Other</b> (Aero OE, Advanced Materials, Resi)		✓	

# 2016 Business Unit Update

	Business (Core Organic Growth)	FY16 Highlights
AERO	Commercial OE	(MSD) • OEM Incentives Headwind; Key Platforms Continue To Ramp
	Commercial AM	LSD • R&O Momentum Continues; RMUs Improve
	Defense & Space	LSD • Growth In All Businesses
	Transportation Systems	L-MSD • Gas, Diesel Penetration; CV Declines Moderate
ACS	Energy, Safety & Security	LSD • HSF, China Strength Continues; S&PS Tough Comps
	Building Solutions & Dist.	LSD • Americas Distribution Momentum
PMT	UOP	(MSD) • Catalyst Timing; Int'l GPH, PTE Wins Begin To Convert
	Process Solutions	~Flat • Mega Project Conversion; Growth From Installed Base, Software
	Advanced Materials	MSD • Solstice Growth Continues; R&C Plant Performance Improves

# 1Q16 Preview

	Sales Change	Margin Change (bps)	Comments
Aero	<p><b>(1%) - 1%</b> 1 - 2% Core Organic</p>	<p><b>Up 80 - 100</b> Up 100 - 120 ex-M&amp;A</p>	<ul style="list-style-type: none"> <li>• ATR Growth, Incentives Headwind</li> <li>• Continued R&amp;O Growth</li> <li>• U.S. Defense Returns To Growth</li> <li>• Gas Turbo New Launches</li> </ul>
ACS	<p><b>11% - 12%</b> 2 - 3% Core Organic</p>	<p><b>Down (50) - (80)</b> Up 130 - 160 ex-M&amp;A</p>	<ul style="list-style-type: none"> <li>• Short Cycle Comm'l Products Growth</li> <li>• China, India Growth</li> <li>• ESS Tougher Comp (S&amp;PS)</li> <li>• Addition Of Elster</li> </ul>
PMT	<p><b>(11%) - (13%)</b> (11%) - (13%) Core Organic</p>	<p><b>Down (90) - (110)</b> Down (40) - (60) ex-M&amp;A</p>	<ul style="list-style-type: none"> <li>• UOP Catalyst Timing, GPH Declines</li> <li>• HPS Down Slightly</li> <li>• Fluorine Products Solstice Growth</li> <li>• Lower Catalysts Impact Margin</li> </ul>
HON	<p><b>~Flat - 2%</b> (2%) - Flat Core Organic</p>	<p><b>Down (20) - (40)</b> Up 70 - 90 ex-M&amp;A</p>	<ul style="list-style-type: none"> <li>• Sales \$9.2 - \$9.4B</li> </ul>

# 2016 Financial Guidance Summary

## Total Honeywell

### Sales

**\$39.9 - \$40.9B**

Up 3 - 6%

1 - 2% Core Organic

### Segment Margin

**18.9% - 19.3%**

Up 10 - 50 bps

80 - 110 bps ex-M&A

### EPS

**\$6.45 - \$6.70**

Up 6 - 10%

### FCF

**\$4.6 - \$4.8B**

Up 5 - 10%

## By Segment

### Sales

**\$15.3B - \$15.6B**

1% - 2%

1% - 2% Core Organic

### Margin

**21.7% - 22.1%**

Up 60 - 100 bps

Up 80 - 120 bps ex-M&A

Aero

ACS

**\$15.3B - \$15.8B**

8% - 12%

1% - 2% Core Organic

**16.3% - 16.6%**

Down (10) - Up 20 bps

Up 110 - 140 bps ex-M&A

PMT

**\$9.3B - \$9.5B**

Flat - 3%

(1%) - 1% Core Organic

**20.8% - 21.1%**

Down (20) - Up 10 bps

Up 30 - 60 bps ex-M&A

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

# Summary

## 2015 Another Year Of Outperformance



Set High Expectations And Delivered  
Achieved Record Margins While Investing For Growth

## Confident In 2016 Outlook



HON Playbook – Continue To Plan Conservatively, Operating Discipline  
Ability To Quickly Right Size Cost Structure If Macro Weakens  
Upside From Acquisition Integration Overdrive

## Multi-Year Tailwinds



Seed Planting Benefits From Growth Investments  
Restructuring Benefits Support Productivity And Margin Expansion



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# ***Appendix***

## ***Reconciliation of non-GAAP Measures to GAAP Measures***

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

(\$M)	4Q14	1Q15	4Q15	2014	2015
Aerospace	\$663	\$752	\$856	\$2,915	\$3,218
Automation and Control Solutions	613	516	616	2,200	2,313
Performance Materials and Technologies	425	503	462	1,817	1,935
Corporate	(69)	(50)	(54)	(236)	(210)
<b>Segment Profit</b>	<b>\$1,632</b>	<b>\$1,721</b>	<b>\$1,880</b>	<b>\$6,696</b>	<b>\$7,256</b>
Stock Based Compensation <sup>(1)</sup>	(44)	(52)	(43)	(187)	(175)
Repositioning and Other <sup>(1, 2)</sup>	(154)	(139)	(158)	(634)	(576)
Pension Ongoing Income <sup>(1)</sup>	67	100	131	254	430
Pension Mark-to-Market Adjustment <sup>(1)</sup>	(249)	-	(67)	(249)	(67)
OPEB Expense <sup>(1)</sup>	(12)	(9)	(10)	(49)	(40)
<b>Operating Income</b>	<b>\$1,240</b>	<b>\$1,621</b>	<b>\$1,733</b>	<b>\$5,831</b>	<b>\$6,828</b>
<b>Segment Profit</b>	<b>\$1,632</b>	<b>\$1,721</b>	<b>\$1,880</b>	<b>\$6,696</b>	<b>\$7,256</b>
÷ Sales	<b>\$10,266</b>	<b>\$9,213</b>	<b>\$9,982</b>	<b>\$40,306</b>	<b>\$38,581</b>
<b>Segment Profit Margin %</b>	<b>15.9%</b>	<b>18.7%</b>	<b>18.8%</b>	<b>16.6%</b>	<b>18.8%</b>
<b>Operating Income</b>	<b>\$1,240</b>	<b>\$1,621</b>	<b>\$1,733</b>	<b>\$5,831</b>	<b>\$6,828</b>
÷ Sales	<b>\$10,266</b>	<b>\$9,213</b>	<b>\$9,982</b>	<b>\$40,306</b>	<b>\$38,581</b>
<b>Operating Income Margin %</b>	<b>12.1%</b>	<b>17.6%</b>	<b>17.4%</b>	<b>14.5%</b>	<b>17.7%</b>

(1) Included in cost of products and services sold and selling, general and administrative expenses.

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

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

(\$M)	<u>4Q14<sup>(1)</sup></u>	<u>4Q15<sup>(2)</sup></u>	<u>2014<sup>(1)</sup></u>	<u>2015<sup>(2)</sup></u>
Cash Provided by Operating Activities	\$1,762	\$1,959	\$5,024	\$5,454
Expenditures for Property, Plant and Equipment	(414)	(388)	(1,094)	(1,073)
Free Cash Flow	<u>\$1,348</u>	<u>\$1,571</u>	<u>\$3,930</u>	<u>\$4,381</u>
Net Income, Attributable to Honeywell	\$956	\$1,194	\$4,239	\$4,768
Pension Mark-To-Market Adjustment, Net of Tax	179	43	179	43
Net income, Attributable to Honeywell, Excluding Pension Mark-to-Market Adjustment	<u>\$1,135</u>	<u>\$1,237</u>	<u>\$4,418</u>	<u>\$4,811</u>
Cash Provided by Operating Activities	\$1,762	\$1,959	\$5,024	\$5,454
÷ Net income, Attributable to Honeywell	\$956	\$1,194	\$4,239	\$4,768
Operating Cash Flow Conversion	<u>184%</u>	<u>164%</u>	<u>119%</u>	<u>114%</u>
Free cash flow	\$1,348	\$1,571	\$3,930	\$4,381
÷ Net income, Attributable to Honeywell, Excluding Pension Mark-to-Market Adjustment	\$1,135	\$1,237	\$4,418	\$4,811
Free Cash Flow Conversion	<u>119%</u>	<u>127%</u>	<u>89%</u>	<u>91%</u>

(1) Mark-to-market uses a blended tax rate of 28.1%.

(2) Mark-to-market uses a blended tax rate of 36.1%.

## RECONCILIATION OF EPS TO EPS, EXCLUDING PENSION MARK-TO-MARKET ADJUSTMENT

	<b>4Q14<sup>(1)</sup></b>	<b>4Q15<sup>(2)</sup></b>
<b>EPS</b>	<u>\$1.20</u>	<u>\$1.53</u>
<b>Pension Mark-to-Market Adjustment</b>	<u>0.23</u>	<u>0.05</u>
<b>EPS, Excluding Pension Mark-to-Market Adjustment</b>	<u><u>\$1.43</u></u>	<u><u>\$1.58</u></u>

(1) Utilizes weighted average shares of 794.1 million. Mark-to-market uses a blended tax rate of 28.1%.

(2) Utilizes weighted average shares of 780.8 million. Mark-to-market uses a blended tax rate of 36.1%.

## RECONCILIATION OF EPS TO EPS, EXCLUDING PENSION MARK-TO-MARKET ADJUSTMENT

	<u>2009<sup>(1)</sup></u>	<u>2010<sup>(2)</sup></u>	<u>2011<sup>(3)</sup></u>	<u>2012<sup>(4)</sup></u>	<u>2013<sup>(5)</sup></u>	<u>2014<sup>(6)</sup></u>	<u>2015<sup>(7)</sup></u>
<b>EPS</b>	<b>\$2.05</b>	<b>\$2.59</b>	<b>\$2.61</b>	<b>\$3.69</b>	<b>\$4.92</b>	<b>\$5.33</b>	<b>\$6.04</b>
<b>Pension Mark-to-Market Adjustment</b>	<b>0.64</b>	<b>0.41</b>	<b>1.44</b>	<b>0.79</b>	<b>0.05</b>	<b>0.23</b>	<b>0.06</b>
<b>EPS, Excluding Pension Mark-to-Market Adjustment</b>	<b>\$2.69</b>	<b>\$3.00</b>	<b>\$4.05</b>	<b>\$4.48</b>	<b>\$4.97</b>	<b>\$5.56</b>	<b>\$6.10</b>

(1) Utilizes weighted average shares of 755.7 million. Mark-to-market uses a blended tax rate of 34.4%.

(2) Utilizes weighted average shares of 780.9 million. Mark-to-market uses a blended tax rate of 32.3%.

(3) Utilizes weighted average shares of 791.6 million. Mark-to-market uses a blended tax rate of 36.9%.

(4) Utilizes weighted average shares of 791.9 million. Mark-to-market uses a blended tax rate of 35.0%.

(5) Utilizes weighted average shares of 797.3 million. Mark-to-market uses a blended tax rate of 25.5%.

(6) Utilizes weighted average shares of 795.2 million. Mark-to-market uses a blended tax rate of 28.1%.

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

## CORE ORGANIC SALES GROWTH RECONCILIATIONS

	<b>4Q15</b>	<b>2015</b>
<b>Honeywell</b>		
Reported sales growth	(3%)	(4%)
Foreign currency translation, acquisitions, divestitures and other	2%	4%
Raw Materials Pricing in R&C	1%	1%
<b>Core organic sales growth</b>	<b>0%</b>	<b>1%</b>
<b>PMT</b>		
Reported sales growth	(12%)	(10%)
Foreign currency translation, acquisitions, divestitures and other	4%	4%
Raw Materials Pricing in R&C	4%	5%
<b>Core organic sales growth</b>	<b>(4%)</b>	<b>(1%)</b>
<b>Advanced Materials</b>		
Reported sales growth	(15%)	(10%)
Foreign currency translation, acquisitions, divestitures and other	3%	3%
Raw Materials Pricing in R&C	9%	11%
<b>Core organic sales growth</b>	<b>(3%)</b>	<b>4%</b>

Throughout this presentation, core organic sales growth refers to reported sales growth less the impacts from foreign currency translation, M&A and raw materials pass-through pricing in the Resins & Chemicals business of PMT. The raw materials pricing impact is excluded in instances where raw materials costs are passed through to customers, which drives fluctuations in selling prices not tied to volume growth.