

October 10, 2017

PORTFOLIO UPDATE

Honeywell

THE POWER OF **CONNECTED**

Forward Looking Statements

This presentation contains certain statements that may be deemed “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by our management in light of their experience and their perception of historical trends, current economic and industry conditions, expected future developments and other factors they believe to be appropriate. The forward-looking statements included in this release are also subject to a number of material risks and uncertainties, including but not limited to economic, competitive, governmental, and technological factors affecting our operations, markets, products, services and prices, as well as the ability to effect the separations and meet the related conditions noted above. Such forward-looking statements are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements, including with respect to any changes in or abandonment of the proposed separations. We identify the principal risks and uncertainties that affect our performance in our Form 10-K and other filings with the Securities and Exchange Commission. In addition, third-quarter results contained herein are preliminary and may differ from our actual results that will be reported in our third-quarter earnings release and Form 10-Q filed on October 20, 2017.

This presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any security and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful.

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 transaction date; free cash flow, which we define as cash flow from operations less capital expenditures; free cash flow conversion, which we define as free cash flow divided by net income attributable to Honeywell; and earnings per share, which we adjust to exclude pension mark-to-market expenses and to normalize quarterly earnings per share measures for the expected effective tax rate as previously guided for the most recently completed fiscal quarter, as well as for other components, such as divestitures and debt refinancings, as noted in the reconciliations presented in the Appendix. Other than references to reported earnings per share, all references to earnings per share in this presentation are so adjusted. The respective tax rates applied when adjusting earnings per share for these items are identified in reconciliations presented in the Appendix. Management believes that, when considered together with reported amounts, these measures are useful to investors and management in understanding our ongoing operations and in the analysis of ongoing operating trends. These metrics should be considered in addition to, and not as replacements for, the most comparable GAAP measure. Refer to the Appendix attached to this presentation for reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures.

Preview Of Estimated Third-Quarter Results

Sales

~\$10.1B

~3% Reported
~5% *Organic*

Segment Margin

~18.7%

Up ~120 bps

EPS

~\$1.75

Up ~16%

FCF

~\$1.2B

Up ~18% YTD
~90% *Conversion*

EPS % Excludes 2016 Divestitures And Additional Restructuring, Normalized For Tax At 26%

Executive Summary

- **Continuation Of Portfolio Optimization Actions From 2016**
- **Announcing Several Portfolio Decisions Based On Strategic Review**
 - Spinning Homes And Global Distribution (ADI) Businesses - ~\$4.5B Revenue
 - Spinning Transportation Systems Business - ~\$3.0B Revenue
 - Realigning Smart Energy Business Into Honeywell Process Solutions Within PMT
 - Appointing Gary Michel President And Chief Executive Officer, Home And Building Technologies
- **More Focused Honeywell Portfolio; Synergies Across Capabilities, Technology And People**
- **Clear Opportunities For Further Investment In All Remaining Businesses**
- **Portfolio Conclusions Are Comprehensive; However, Review Process Will Be Recurring**
- **SpinCos Positioned For Growth Via Tailored Capital Allocation And Focused Strategy**

CEO's Vision For Honeywell

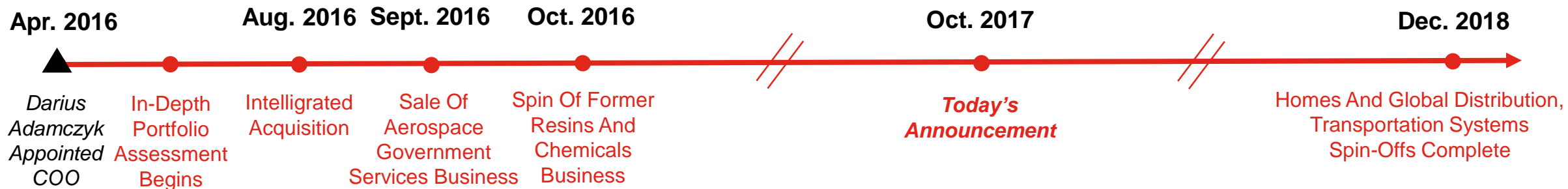
What Will Stay The Same

- **Continued Outperformance**
- **Thoughtful And Disciplined M&A**
- **Technology Differentiation**
- **Margin Expansion**
- **Cross-Company Synergies**

What To Expect Going Forward

- **Focused Portfolio, Fewer End Markets**
- **Reduced Size Allows For Rapid Organic Growth At Honeywell And Spins**
- **More Aggressive Capital Deployment**
- **Portfolio Optimization Central To Honeywell's Operating System**
- **Transformation Into The Premier Software-Industrial Company**

Portfolio Review Process



Objective And Fact-Based Approach Reinforced With:

- Market Analytics And In-Depth Valuation Analysis
- Input From Industry Experts And Participants
- Black-Hatting Exercises
- Extensive Interactions With Shareowners To Gain Views And Insights

All HON Businesses Included - No “Sacred Cows”

Key Assessment Criteria:

- Market Attractiveness And Growth Potential
- Technology Trends And Prospects For Disruption
- Competitive Position And Financial Performance Of Each Business
- Ability To Realize Synergies From Honeywell Operating System, Technology Strengths And Global Scale
- Capital Requirements And Investment Returns Vs. Other Portfolio Options

What Makes A Honeywell Business?

Great Positions


- Differentiated Technology
- Favorable Competitive Dynamics
- Less Susceptibility To Disruption
- Multiple Management Levers To Drive Improvement

Growing Industries

- Strong Alignment To Mega-Trends – A Sustainable Growth Business
- Opportunity For High-Return Organic And Inorganic Investment
- Manageable Cyclicalities
- Attractive Industry Profit Profile

Remaining Honeywell Businesses

Business Criteria		Aero	BT	PMT	SPS
Great Positions	Differentiated Technology	Strong	Emerging	Strong	Strong
	Favorable Competitive Dynamics	Emerging	Strong	Strong	Emerging
	Less Susceptibility To Disruption	Strong	Strong	Strong	Emerging
	Multiple Management Levers To Drive Improvement	Strong	Strong	Strong	Strong
Growing Industries	Strong Alignment To Mega-Trends – A Sustainable Growth Business	Strong	Strong	Strong	Strong
	Opportunity For High-Return Organic And Inorganic Investment	Strong	Strong	Strong	Strong
	Manageable Cyclicalty	Emerging	Strong	Emerging	Strong
	Attractive Industry Profit Profile	Strong	Strong	Strong	Strong

Honeywell Capabilities 

Emerging Strong

Portfolio Synergies

Shared Technology Platforms

- Cross-Business Technology Development Leveraging Global R&D And Software Centers
- HON Sentience Platform And Leveraged Common Tool And Analytics Development
- Universal Technologies That Address Energy Efficiency, Safety Regulations, And Emissions

Operational Levers

- HOS Gold Drives Continuous Improvement And Productivity
- Ability To Attract And Retain Top Talent - Numerous Opportunities For Career Advancement
- Strong Central Functions Generate Value For Businesses (Gov't Relations, HGR Organization, HTS, Etc.)

Business/ Corporate Synergies

- Cross Business Sales Synergies - Logistics (Aero/SPS), Industrial (PMT/SPS), Buildings (SPS/BT)
- Leverage HON Brand And Global Presence
- Expertise In Selling To B2B/OEM Customers

Financial Flexibility

- Stronger U.S. Cash Position, Robust M&A Pipeline, Significant Capital Available For Investment
- Integrated Operating Model Creates Tax Efficiencies

Aerospace

Key Macro Drivers

- Strong Growth In Global Flight Hours
 - ~5% Growth FY2017¹
- New Platforms And Replacement Demand
 - 21 New Platforms In Next 3 Years¹
- Improving Defense Budgets
- Emerging High Growth Region Customers

¹ Source: Honeywell Estimates

Continuing To Win

- Big Wins On The Right Aircraft
 - 737 MAX, 777X, Longitude/Hemisphere
- Growing Conventional Aftermarket
 - Up ~4% YTD
- Growth In Decoupled Aftermarket
 - Connected Aircraft 15%+ YTD
- Largest Installed Base In The Industry ... And Growing

Fit With Honeywell

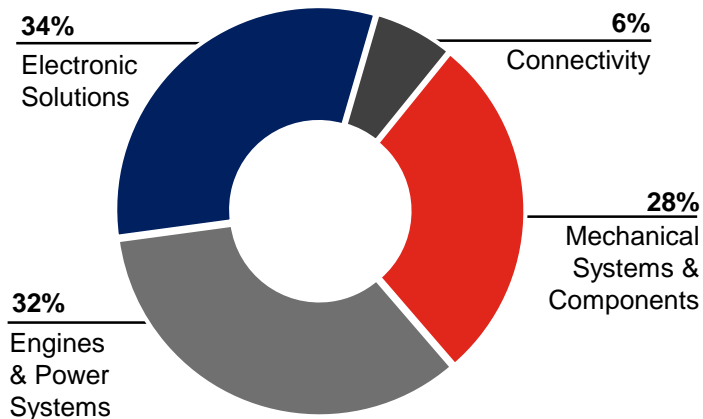
- Aeronautical And Defense Investments Critical And Depend On HON's Technology Base
- Thriving Connectivity Business Heavily Leveraging HON Sentience Platform
- Strong U.S. Cash Flow Generation Supports Capital Allocation Requirements

3% - 4%
Target Growth Rate

25%+
Long-Term Margin Target

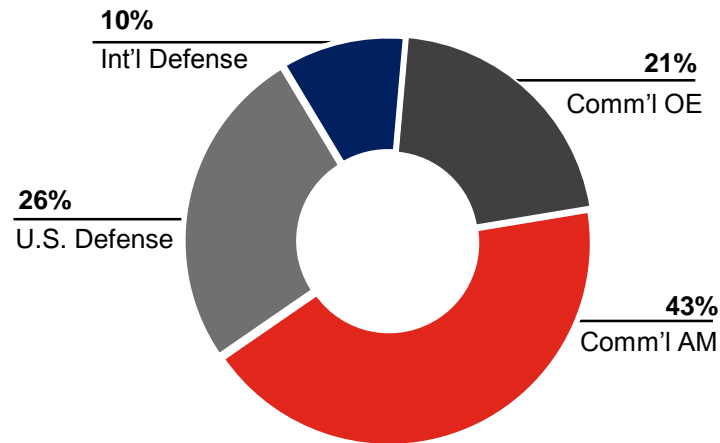
Key Business Breakdown

Offerings

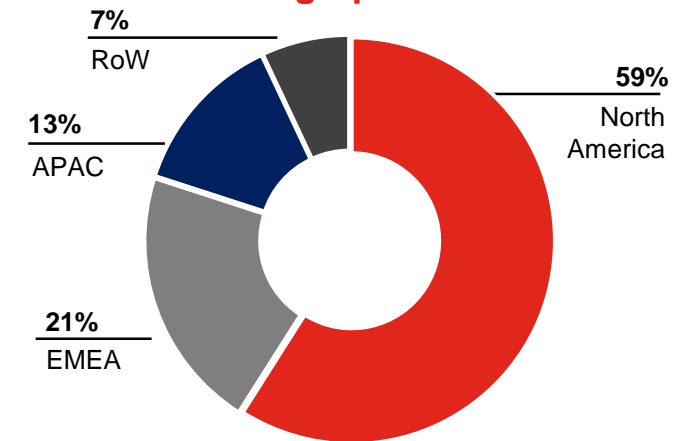


Represents Full Year 2017E

Verticals



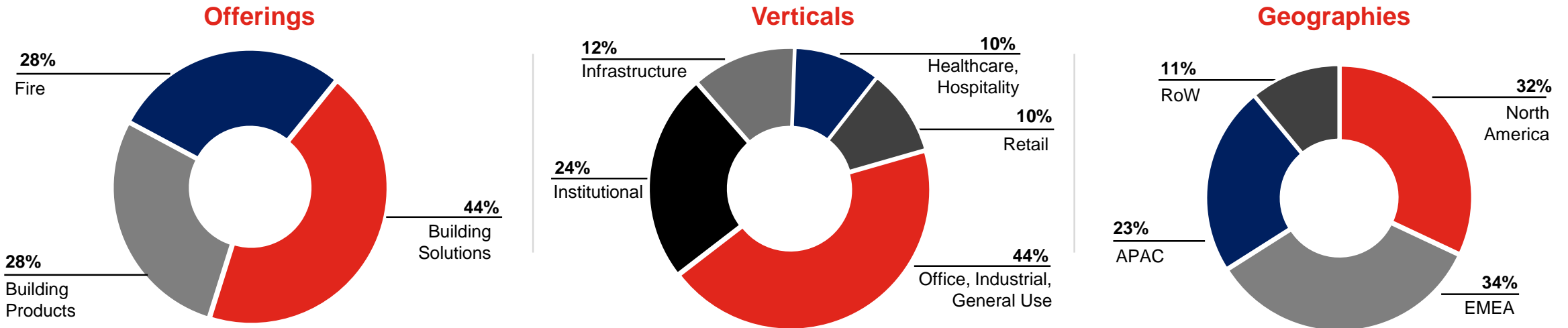
Geographies



Building Technologies

Key Macro Drivers	Continuing To Win	Fit With Honeywell	
<ul style="list-style-type: none"> Global Commercial Construction Increased Urbanization And Infrastructure Investment Growth In Energy Efficiency And Regulation 	<ul style="list-style-type: none"> Energy Efficiency Contracts Aligning With Customer Value Creation Comprehensive Connected Buildings Offering Broadening Services Opportunities 	<ul style="list-style-type: none"> Extensive Installed Base Generating Cross-Selling From Other SBGs Thriving Connectivity Business Leveraging HON Sentience Platform Leverage Of HON Global Support Organizations 	<p>~3% Target Growth Rate</p> <p>~20%+ Long-Term Margin Target</p>

Key Business Breakdown



Represents Full Year 2017E; Subject To Change

Performance Materials And Technologies

Key Macro Drivers

- U.S. Shale Oil And Gas Recovery
- ~4% Annual Petrochemical Demand Growth¹
- Growing Demand For Clean Fuels, Low-Global-Warming Molecules, Water Quality

Continuing To Win

- Strong Growth In Adjacent Markets, Hydrotreating, Modular, Software
- Robust Backlog Of Solstice® Contracts ~\$3B+
- ~80% New / Reload Catalyst Win Rate
- Expanded Service Offerings In Process Solutions

Fit With Honeywell

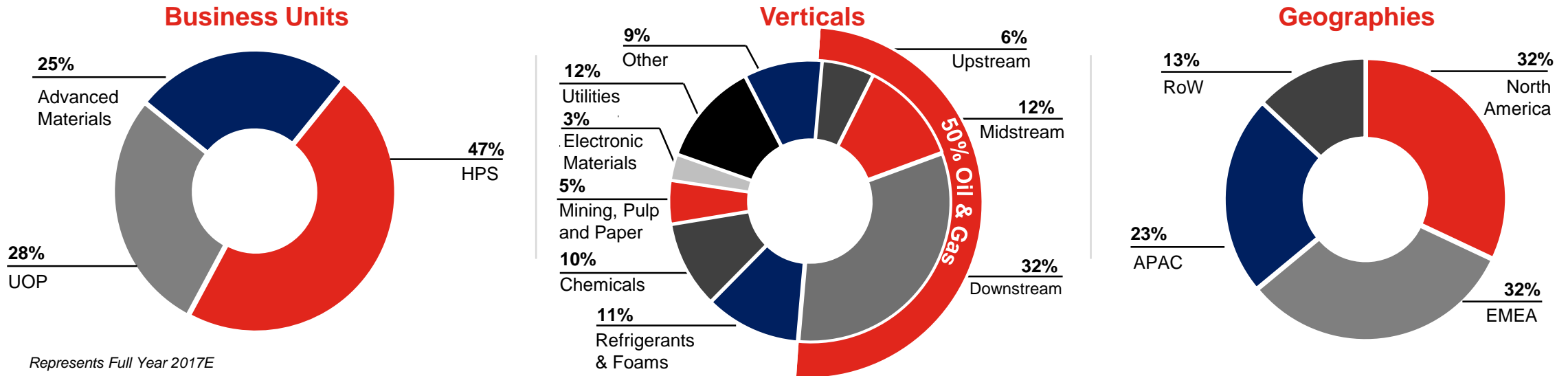
- “First Mover” Infrastructure Focus Leads HON Into High Growth Regions
- Extensive Installed Base Well-Suited For Cross-Selling From Other SBGs (SPS/HBT)
- Growth Supported By HON Sentience Platform And HON Technology Solutions

~4%
Target Growth Rate

26% - 27%
Long-Term Margin Target

¹ Sources: IHS, PCI Wood McKenzie, SBA, And PAL

Key Business Breakdown



Safety And Productivity Solutions

Key Macro Drivers

- >20% Annual Global E-Commerce Sales Growth¹
- 9%+ Annual Warehouse Automation Market Growth¹
- Increasing Safety And Compliance Regulations

Continuing To Win

- New Product Launches In Legacy Productivity Business
- Productivity Solutions Aligned With Quickly Escalating Labor Costs In High Growth Regions
- Piloting Connected Worker With Numerous Customers

Fit With Honeywell

- Sales Synergies With Other SBGs
- HOS Gold Coupled With HPS Talent Infusion Critical To Growth In Warehouse Automation Platform
- Leverage Of HON Global Support Organizations

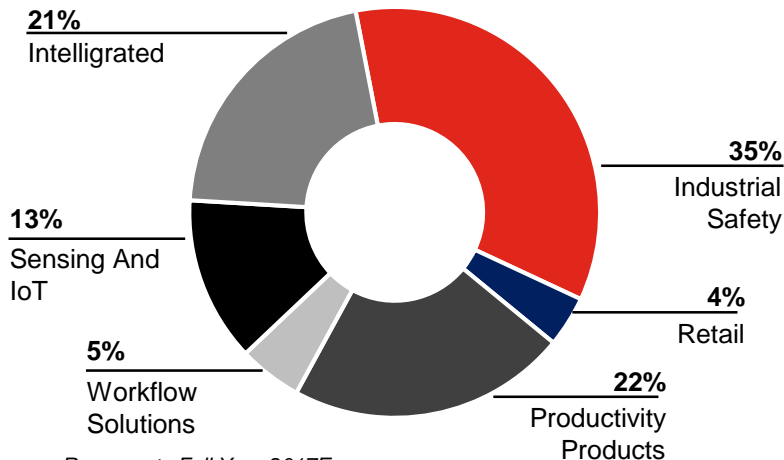
~5%
Target Growth Rate

18% - 20%
Long-Term Margin Target

¹ Sources: Strategy& And Honeywell Estimates

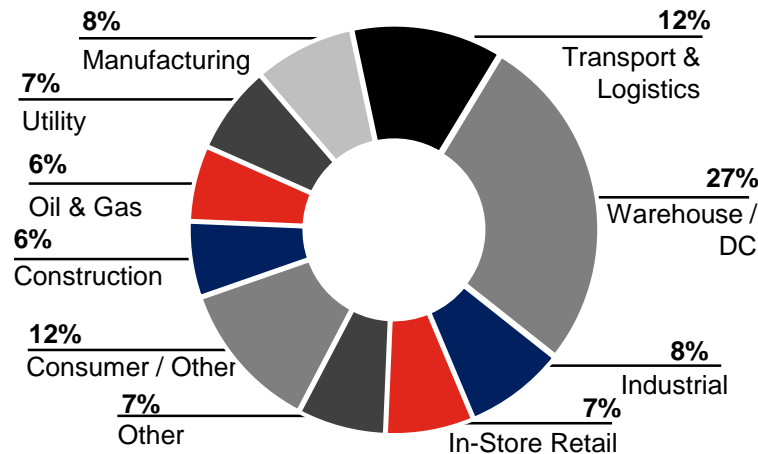
Key Business Breakdown

Offerings

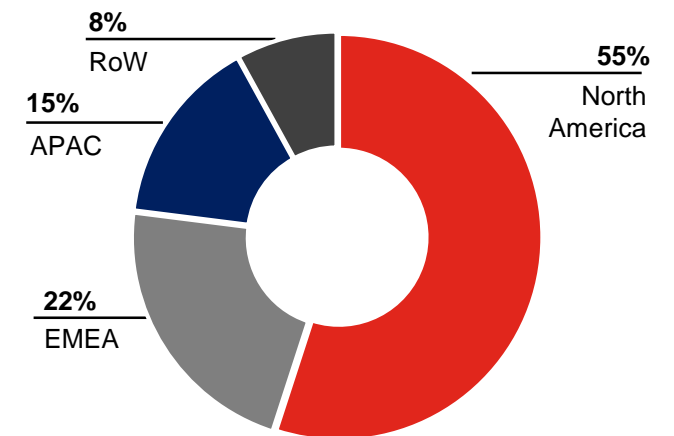


Represents Full Year 2017E

Verticals



Geographies



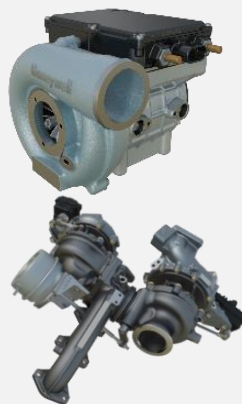
Portfolio Aligned To Global Trends, Diversified Across Industries

Spin: Transportation Systems

Business Overview

~\$3.0B
2017E
Revenue

World Leader In Turbocharger Technology For Broad Range Of Engine Types Across Global Automobile, Truck And Other Vehicle Markets



Strategic Rationale For Separation

- Only Honeywell Business That Primarily Serves Automotive Segment
- As An Independent Company, Will Be Better Positioned To Properly Channel And Fund Investment
- Ability To Invest And Capitalize On Low Carbon Future, i.e. Leading Technologies In Plug-in Hybrid, Cyber And Vehicle Maintenance Software, Battery Management

Why Turbo Wins

- Superior Technology Across Engine Types
- Global Manufacturing Footprint And Scale
- Deep Customer Relationships With Superior Value Proposition
- Experienced Leadership Team Composed Of Industry Experts

Transaction Details

- Recurring Payment To Honeywell In An Amount Equal To Bendix Legacy Asbestos Liability
- Targeting High-Yield Credit Rating
- Expected Completion: End Of 2018

Spin: Homes And Global Distribution

Business Overview

~\$4.5B
2017E
Revenue

Leading Product Provider To Global Home HVAC Controls And Security Market Plus Leading Global Fire And Security Distributor (ADI)



Strategic Rationale For Separation

- More Opportunities To Grow Inorganically Through Targeted Capital Allocation
- Investment Optimization To Capture Evolving End Market Dynamics
- Improved Focus On B2C And Distribution Business Segments

Why Homes Wins

- Well-Recognized Brands
- Market-Leading Positions In Its Core Spaces
- Connected Home Offering
- Leading Global Distribution Channel In ADI

Transaction Details

- Recurring Payment To Honeywell For Significant Portion Of Legacy Environmental Liabilities
- Targeting High-Yield Credit Rating
- Expected Completion: End Of 2018

Impact On Honeywell

Enhanced, More Focused Remaining Portfolio

- Reduced Complexity From Fewer End Markets, Greater Focus On Remaining Business
- Enhanced Alignment With Attractive Industrial Markets
- Shifts Focus Away From Consumer And Distribution Segments
- Multiple Platforms For Expansion Into Attractive New Adjacencies
- Improved Alignment With Honeywell Investment Prioritization

Unlocking Significant Value For Shareowners

- Deploying Transaction Proceeds To Share Repurchases, Deleveraging To Maintain Credit Rating, And Attractive M&A
- Expect Dividend To Remain Intact (In Aggregate)
- Prudent Legacy Liability Funding Based On SpinCos' Cash Flows
- Creation Of Two Strong, Independent Companies Which Will Flourish With Optimized Investment Decisions

Financial Impact From Portfolio Moves

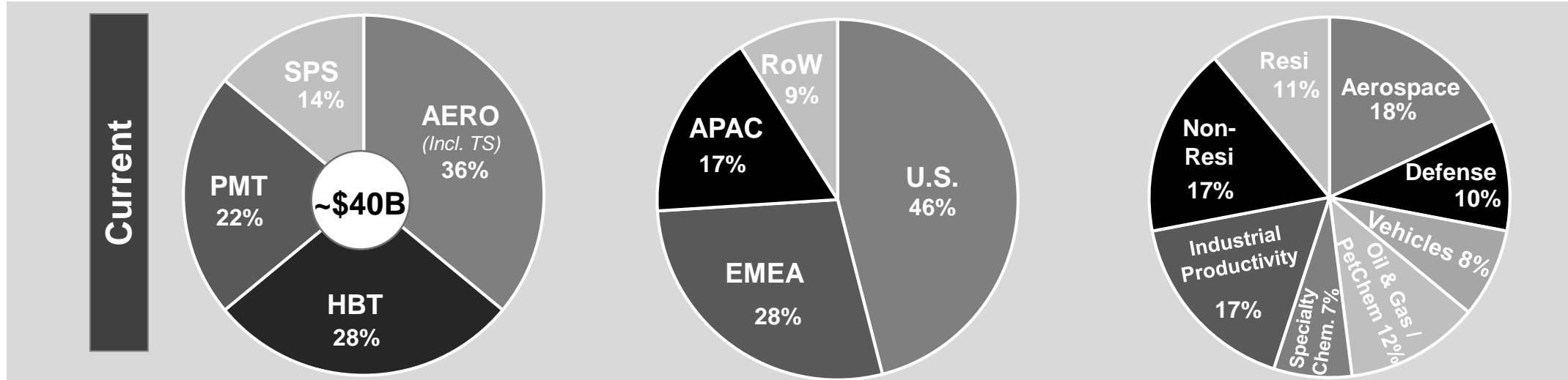
- 1. Enhanced Organic Sales Growth Rate: 3% - 5%**
- 2. Enhanced Segment Margin Profile: > 20%**
- 3. Improved Cash Conversion: ~100%**
- 4. Continued Strong Credit Rating**

Future Honeywell

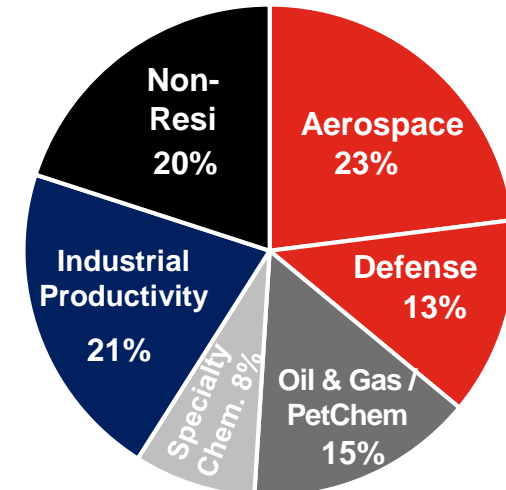
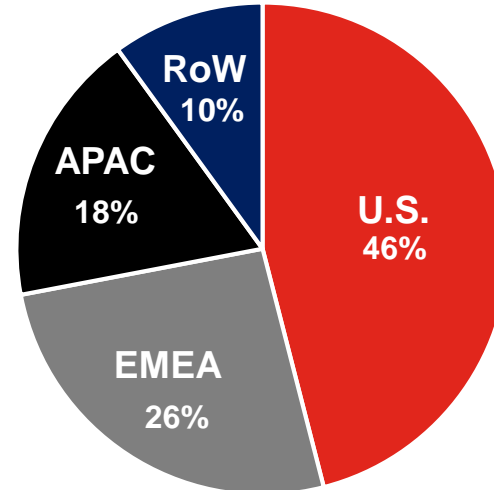
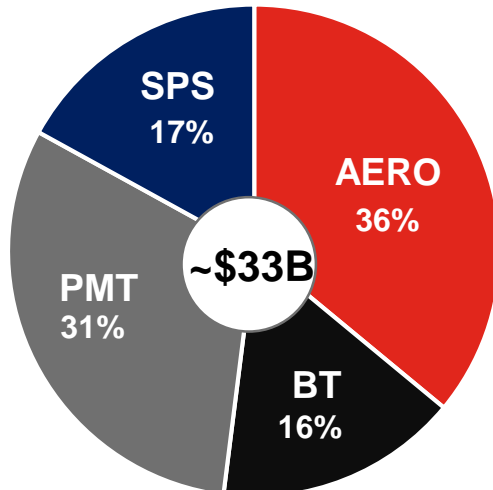
Business Sales

Regional Sales

End Market Sales



Future HON



Sales Reflective Of 2017E

A More Focused Portfolio, With Four Strong Growth Businesses

Honeywell Long-Term Financial Framework

Strong Growth

- Continued Organic Sales Growth And Margin Expansion
- EPS Growth Greater Than Peers

Robust Cash Generation

- Cash Conversion Targeting ~100%
- World-Class Working Capital Management

Aggressive Capital Deployment

- Prioritizing High-ROI Investments (CapEx, M&A)
- Continued Dividend Growth And Share Repurchase

Balance Sheet

- Target 2.3X - 2.5X Leverage (Per Moody's)
- Maintain Premium Credit Rating

Long-Term Targets

3% - 5%
Organic Growth

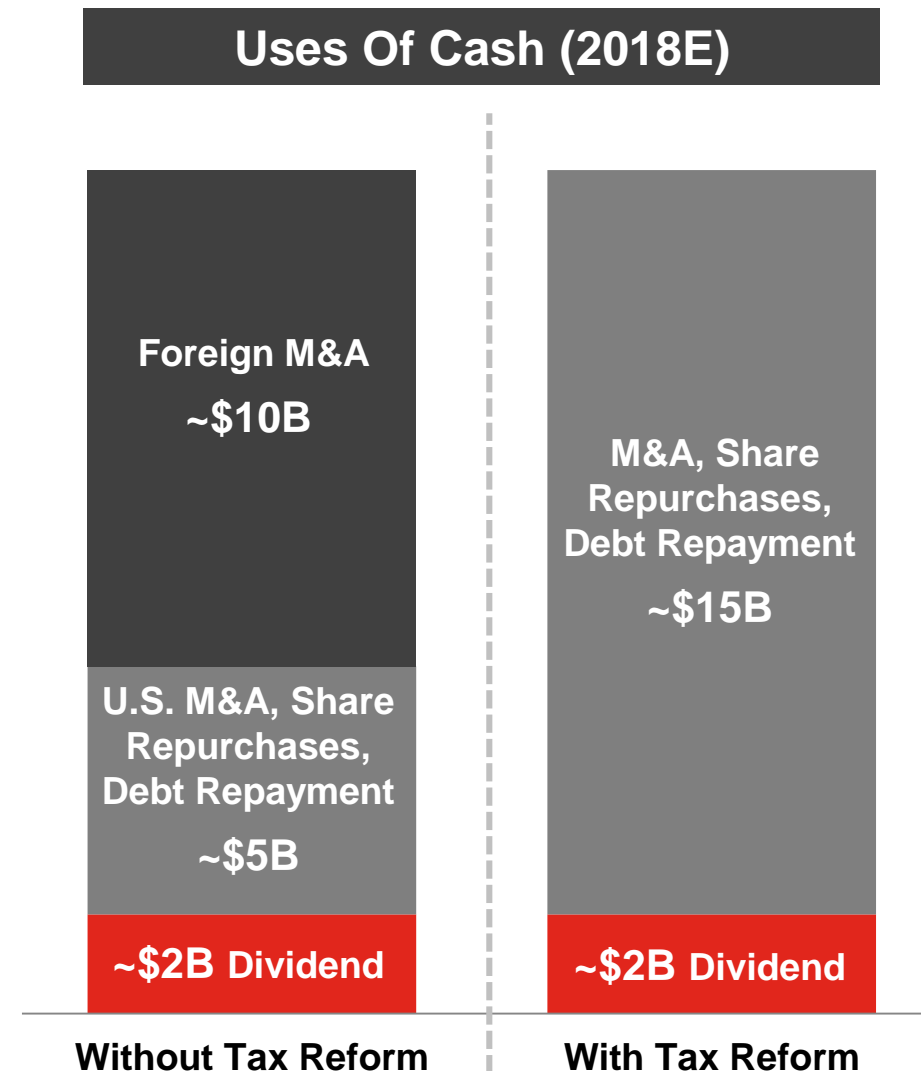
30 - 50 bps
Margin Expansion
Per Year

~100%
Free Cash Flow
Conversion

Moody's A2
Rating

Preliminary Transaction Impacts

- **Total Spin Dividend = ~\$3.0B**
- **Future Honeywell Retains Credit Rating (~2.3X - 2.5X Leverage)**
- **Reduced Future Legacy Liability Obligations**



Excited About The Future

- **More Focused, Growth-Oriented And Synergistic Honeywell Portfolio**
- **Clear Opportunities For Further Scale In Every Business In Portfolio**
- **Spin-Off Transactions Structured To Maximize Balance Sheet Strength**
- **SpinCos Strategically Positioned For Further Shareowner Value Creation**

Appendix

Reconciliation Of Organic Sales Percentage Change

	Preliminary
	3Q17
Honeywell	
Reported Sales Percentage Change	3%
Less: Foreign Currency Translation	1%
Less: Acquisitions and Divestitures, net	(3%)
Organic Sales Percentage Change	<u>5%</u>

Reconciliation Of Segment Profit To Operating Income And Calculation Of Segment Profit And Operating Income Margins

(\$M)	3Q16	Preliminary 3Q17
Segment Profit	<u>\$1,720</u>	<u>\$1,895</u>
Stock Compensation Expense ⁽¹⁾	(49)	(39)
Repositioning and Other ^(2,3)	(290)	(243)
Pension Ongoing Income ⁽¹⁾	146	183
Pension Mark-to-Market Adjustment ⁽¹⁾	-	-
Other Postretirement Income ⁽¹⁾	<u>7</u>	<u>6</u>
Operating Income	<u><u>\$1,534</u></u>	<u><u>\$1,802</u></u>
Segment Profit	<u>\$1,720</u>	<u>\$1,895</u>
÷ Sales	<u>\$9,804</u>	<u>\$10,121</u>
Segment Profit Margin %	<u>17.5%</u>	<u>18.7%</u>
Operating Income	<u>\$1,534</u>	<u>\$1,802</u>
÷ Sales	<u>\$9,804</u>	<u>\$10,121</u>
Operating Income Margin %	<u>15.6%</u>	<u>17.8%</u>

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

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

(3) Included in cost of products and services sold, selling, general and administrative expenses, and other income/expense.

Calculation Of Earnings Per Share At 26% Tax Rate Excluding Additional Restructuring And 2016 Divestitures

<i>(\$M except per share amounts)</i>	3Q16 ⁽¹⁾	Preliminary 3Q17 ⁽²⁾
Income Before Taxes	\$1,632	\$1,783
Taxes at 26%	424	464
Net Income at 26% Tax Rate	\$1,208	\$1,319
Less: Net Income Attributable to the Noncontrolling Interest	8	17
Net Income Attributable to Honeywell at 26% Tax Rate	<u>\$1,200</u>	<u>\$1,302</u>
Weighted Average Number of Shares Outstanding - Assuming Dilution	<u>774.4</u>	<u>771.4</u>
Earnings Per Share at 26% Tax Rate	\$1.55	\$1.69
Less: Earnings per share attributable to 2016 divestitures ⁽¹⁾	0.04	
Less: Earnings per share attributable to additional restructuring ⁽²⁾		(0.06)
Earnings Per Share of Common Stock - Assuming Dilution, at 26% Tax Rate, excluding additional restructuring and 2016 divestitures	<u>\$1.51</u>	<u>\$1.75</u>
Earnings per share of common stock - assuming dilution	\$1.60	\$1.75
Less: Earnings per share impact of normalizing to 26% tax rate	0.05	0.06
Less: Earnings per share attributable to 2016 divestitures ⁽¹⁾	0.04	
Less: Earnings per share attributable to additional restructuring ⁽²⁾		(0.06)
Earnings per share of common stock - assuming dilution, at 26% tax rate, excluding additional restructuring and 2016 divestitures	<u>\$1.51</u>	<u>\$1.75</u>

(1) Earnings per share attributable to 2016 divestitures utilizes weighted average shares of 774.4 million and a blended tax rate of 32.9% for the three months ended September 30, 2016.

(2) The Company has and continues to have an ongoing level of restructuring activities, for which there is a planned amount of restructuring-related charges. Additional restructuring represents only amounts that are incremental to those planned restructuring amounts. For the three months ended September 30, 2017, the Company funded approximately \$100 million of restructuring, approximately \$60 million of which was incremental to the planned amount. This additional restructuring was enabled by a lower than expected effective tax rate for the period. We believe that the exclusion of this additional restructuring provides a more comparable measure of year-on-year results. Earnings per share attributable to additional restructuring uses a tax rate of 26% for three months ended September 30, 2017.

We believe earnings per share adjusted to normalize for the expected effective tax rate of 26% for the most recently completed fiscal quarter (as presented in prior guidance for such quarter) and to exclude the 2016 divestitures is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

Reconciliation Of Cash Provided By Operating Activities To Free Cash Flow And Calculation Of Free Cash Flow Conversion

(\$M)	Preliminary 3Q17	YTD3Q16	Preliminary YTD3Q17
Cash Provided by Operating Activities	\$1,407	\$3,456	\$3,794
Expenditures for Property, Plant and Equipment	(212)	(749)	(613)
Free Cash Flow	<u>\$1,195</u>	<u>\$2,707</u>	<u>\$3,181</u>
Free Cash Flow	\$1,195	\$2,707	\$3,181
÷ Net Income Attributable to Honeywell	<u>1,348</u>	<u>3,775</u>	<u>4,066</u>
Free Cash Flow Conversion %	<u>89%</u>	<u>72%</u>	<u>78%</u>