Honeywell and Garrett Motion Inc.
Investor Update on Proposed Plan of Reorganization

The proposed restructuring plan presented to Garrett Motion by Oaktree and Centerbridge is a win for all stakeholders.

- On October 13, 2020, Oaktree Capital Management L.P., Centerbridge Partners, L.P., (together the "Plan Sponsors") and Honeywell entered into a Coordination Agreement in anticipation of submitting a proposal for a plan of reorganization (the "Proposal") to the Debtors ("Garrett Motion" or "Garrett").
- The Proposal was then amended and restated on October 21, 2020, to include the support of existing equity holders who, together with the Plan Sponsors, represent approximately 50% of the total shares outstanding.
- Under the Coordination Agreement, the Plan Sponsors have agreed to recapitalize Garrett by providing $1.15 billion of new capital in exchange for shares of Convertible Series A Preferred Stock ("Series A Preferred Stock"). The Proposal also provides for up to an additional $100 million of new capital should existing equity holders purchase additional Series A Preferred Stock.
- The Proposal allows for the satisfactory resolution of all claims, including:
  - Outstanding Debtor-in-possession Financing: Payment in full in cash
  - Senior Secured Credit Facility: Payment in full in cash or reinstatement
  - Senior Notes: Payment in full in cash or reinstatement
  - Honeywell Indemnification and Reimbursement Agreement ("IRA") and Tax Matters Agreement ("TMA"): Termination of existing agreements in full and final exchange for the claims related to these agreements for an initial cash payment and new Series B Preferred Stock ("Series B Preferred Stock"), detailed below.
  - General Unsecured Claims: Payment in full in cash or reinstatement
  - Equity: Reinstatement of the Common Stock and an opportunity to invest in the Series A Preferred Stock (subject to applicable securities laws)

Under the Proposal, Honeywell resolves its Indemnification and Reimbursement Agreement ("IRA") and Tax Matters Agreement ("TMA").

- As part of the Proposal, Honeywell will receive grand total payments of $1.45 billion, comprising the following:
  - An initial cash payment of $275 million at the effective date when Garrett emerges from bankruptcy;
  - New Series B Preferred Stock with annual payment streams of $100 million per year from 12/31/23 through 12/31/33, and $75 million by 12/31/34 for a total of $1.175 billion in annual payments.
- As of September 30, 2020, the carrying value of the undiscounted receivables owed to us by Garrett under the IRA and TMA were collectively $1.4 billion, or approximately 1% of our market capitalization, prior to taking the $350 million pre-tax and after-tax non-cash charge associated with the balance sheet adjustments described herein.
- The Series B Preferred Stock has a number of features that benefit Honeywell while maintaining flexibility for Garrett, including:
  - A call option for Garrett to repay the remaining Series B preferred payments on a present value basis at a 7.25% discount rate;

- A put option for Honeywell to cause repayment of the remaining Series B preferred payments on a present value basis at a 7.25% discount rate in the event Garrett's adjusted EBITDA for the prior twelve months reaches $600 million for two consecutive quarters;
- The repayment of the remaining Series B preferred payments on a present value basis at a 7.25% discount rate in the event of a change of control of Garrett;
- The ability for Garrett to defer annual payments if Garrett's adjusted EBITDA falls below $425 million in any year. In this case, the deferred payment shall be paid in equal installments over the subsequent two years following the payment year of such deferral.

The Proposal reduces Garrett's leverage and results in a strengthened and sustainable pro forma balance sheet for the company.

- Based on the Proposal's terms, it is anticipated the pro forma company will have approximately $1.2 billion in total debt.

The Proposal has several advantages over Garrett's proposed plan – which is built around an asset sale to KPS Capital Partners. This is still the case even following the revised stalking horse bid from KPS (the "Revised Stalking Horse Bid")

- Unlike the Revised Stalking Horse Bid, the Proposal comes with no break fee or any financing fee and provides clarity and finality to claim distributions, rather than leaving recoveries contingent on the resolution of certain claims and causes of action. It also fully resolves the pending litigation between Garrett and Honeywell.
- Importantly, the Proposal immediately resolves the Honeywell IRA and TMA claims, offering increased clarity and settling outstanding and potentially very expensive litigation over a long time period – the cost of which would further reduce value available to stakeholders.
- In addition, unlike the Revised Stalking Horse Bid, the Proposal reinstates all equity.
- Under the new Proposal, Garrett could emerge from bankruptcy either on the same timeline or faster than the timeline contemplated under the Revised Stalking Horse Bid proposal.

The Proposal has the support of existing equity holders representing approximately 50% of Garrett's total shares outstanding.

- Unlike the Revised Stalking Horse Bid, the Proposal reinstates all equity.
- The Proposal also gives equity holders the opportunity to invest in the new Series A Preferred Stock up to $100 million.

Q&A

What are the implications of the Proposal for Garrett governance?

- As is typical in most restructurings, the Plan Sponsors shall select a new Board of Directors for the re-organized Garrett.
- As holders of the Series B Preferred Stock, Honeywell has the right to appoint one board member unless and until the Series B Preferred Stock is repaid in full.
- The Proposal does not provide Honeywell with any common equity ownership or stockholder voting rights in Garrett nor does Honeywell control Garrett.

- The Plan Sponsors, through virtue of their Series A Preferred Stock will, in aggregate, have a voting majority of Garrett.

Honeywell recently issued an 8-K with regard to the Garrett IRA and TMA. How does that relate to the Proposal?

- Honeywell's 8-K, issued on October 23, 2020, is unrelated to the Proposal. Following Garrett's bankruptcy filing, Honeywell lowered the aggregate carrying value of the receivables owed to us under the IRA and TMA by $350 million, which has a corresponding $350 million pre-tax and after-tax non-cash charge to our third quarter 2020 income statement. The charge represents the difference between the $1.4 billion carrying value of the undiscounted receivables owed to us by Garrett under these agreements and the present value of amounts owed to us over the full term of these agreements. Garrett is still in the early stages of its bankruptcy process, and related impacts on our financial statements remain subject to the final outcome approved by the Bankruptcy Court.
- In the event that the Proposal is accepted and made effective, the $1.45 billion owed to Honeywell would be booked on our balance sheet on a present value basis, likely resulting in an additional immaterial, non-cash charge.

How material are the IRA and TMA to Honeywell's financials?

- During 2019, Garrett paid Honeywell $152 million under the IRA, well below the $175 million annual cap and representing ~2% of our 2019 adjusted free cash flow*. Garrett made a $36 million payment to Honeywell during 1Q 2020, but has been deferring payments under the IRA since 2Q 2020 pursuant to an agreement with Honeywell. We are not currently receiving cash payments from Garrett under either the IRA or TMA. Also, the benefits to Honeywell under the IRA and TMA are primarily cash in nature. During 2019, the impact from the agreements was ~$0.02 of EPS, representing less than ~1% of 2019 EPS.

*See Table 1 for a definition of and reconciliation of this non-GAAP financial measure.

References

13D/A Filings of Centerbridge Partners and Oaktree Capital Management (Details the Proposed Plan of Reorganization)
https://www.sec.gov/Archives/edgar/data/1584544/000119312520273297/d44597dsc13da.htm
https://www.sec.gov/Archives/edgar/data/1584544/000119312520271223/d47520dex991.htm

https://www.sec.gov/Archives/edgar/data/949509/000119312520273299/d56462dsc13da.htm
https://www.sec.gov/Archives/edgar/data/949509/000119312520271225/d47496dex991.htm

Honeywell's initial court response to Garrett's bankruptcy filing
http://www.kccllc.net/garrettmotion/document/2012212200921000000000004

Amendment to Indemnification and Reimbursement Agreement
https://www.sec.gov/Archives/edgar/data/1735707/000119312520167237/d937093dex102.htm

Honeywell Second-Quarter 2020 10-Q
Discussion about the amendment to the Indemnification and Reimbursement Agreement appears on page 31
https://investor.honeywell.com/Cache/IRCache/a8bfb238-b3e5-3b9a-44e3-eb4da91e000a.pdf

Honeywell's 2019 10-K
http://investor.honeywell.com/file//Index?KeyFile=402807383&Output=3&OSID=9

Appendix

TABLE 1: CALCULATION OF ADJUSTED FREE CASH FLOW

($M)	2019
Cash provided by operating activities	$6,897
Expenditures for property, plant and equipment	(839)
Free cash flow	6,058
Separation cost payments	213
Adjusted free cash flow	$6,271

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

Honeywell (www.honeywell.com) is a Fortune 100 technology company that delivers industry specific solutions that include aerospace products and services; control technologies for buildings and industry; and performance materials globally. Our technologies help everything from aircraft, buildings, manufacturing plants, supply chains, and workers become more connected to make our world smarter, safer, and more sustainable. For more news and information on Honeywell, please visit www.honeywell.com/newsroom.

This document contains certain statements that may be deemed “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. 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 document are also subject to a number of material risks and uncertainties, including but not limited to developments related to Garrett’s bankruptcy proceedings as it may affect amounts owed to Honeywell, and 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.

In this document, Honeywell uses a non-GAAP financial measure, adjusted free cash flow, which we define as cash flow from operations less capital expenditures and which we adjust to exclude the impact of separation cost related to the spin-offs of Resideo Technologies Inc. and Garrett. Management believes that, when considered together with reported amounts, this measure is 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 Table 1 above for reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure.