

October 19, 2018

THIRD QUARTER 2018

Earnings Release

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 presentation 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 Resideo separation. 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 Resideo separation. 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.

Information regarding the impact of Tax Legislation consists of preliminary estimates which are forward-looking statements and are subject to change, possibly materially, as the firm completes its financial statements. Information regarding the impact of Tax Legislation is based on our current calculations, as well our current interpretations, assumptions and expectations relating to Tax Legislation, which are subject to further change.

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, acquisitions and divestitures for the first 12 months following transaction date, and impacts from adoption of the new accounting guidance on revenue from contracts with customers that arise solely due to non-comparable accounting treatment of contracts existing in the prior period; 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 costs related to the spin-offs of Resideo and Garrett, if and as noted in the presentation; adjusted free cash flow conversion, which we define as adjusted free cash flow divided by net income attributable to Honeywell, excluding pension mark-to-market expenses, separation costs related to the spin-offs, the 4Q17 U.S. tax legislation charge, and adjustments to such charge, if and as noted in the presentation; adjusted effective tax rate, which we adjust to exclude pension mark-to-market impacts, as well as for other components, such as separation cost impacts related to the spin-offs and adjustments to the 4Q17 U.S. tax legislation charge, if and as noted in the presentation; and adjusted earnings per share, which we adjust to exclude pension mark-to-market expenses, as well as for other components, such as separation costs related to the spin-offs, the 4Q17 U.S. tax legislation charge, and adjustments to such charge, if and as noted in the presentation. 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 the presentation or in the 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.

For additional information with respect to Garrett and the proposed Resideo spin-offs, please refer to the Form 10 Registration Statements, as they may be further amended, and other reports on file with the Securities and Exchange Commission.

The Resideo spin-off is subject to customary conditions. This communication shall not constitute an offer of any securities for sale, nor shall there be any offer, sale or distribution of securities in any jurisdiction in which such offer, sale or distribution would be unlawful prior to appropriate registration or qualification under the securities laws of such jurisdiction.

Strong Third Quarter

High-quality result, broad-based strength

Actual

\$2.03

Adjusted Earnings Per Share

Guidance

\$1.95 - \$2.00

Robust sales, orders, and backlog growth

7%

Organic Sales Growth

5% - 7%

Strong operational performance; 19.4% segment margin

70 bps

Segment Margin Expansion

30 - 50 bps

Adjusted free cash flow growth of 51%; 119% conversion

- +30-point conversion improvement year over year

\$1.8B

Adjusted Free Cash Flow

3Q17 Results

\$1.2B

Continued disciplined capital deployment

- \$2.3B share repurchases through 3Q18 vs. \$1.3B through 3Q17
- \$1.7B dividends paid through 3Q18 vs. \$1.6B through 3Q17; 10% dividend raise
- Announced acquisition of Transnorm for ~€425M

\$4.5B

Total Share Repurchase,
Dividend, Committed M&A
YTD

\$3.0B

YTD

Adjusted EPS excludes impacts from separation costs related to the spin-offs of GTX and REZI and adjustments to the 4Q17 U.S. tax legislation charge.

Adjusted FCF, associated conversion and adjusted FCF V% exclude impacts from separation costs related to the spin-offs. Conversion also excludes adjustments to the 4Q17 U.S. tax legislation charge.

Recent Highlights

Aerospace



Gulf Air selected Honeywell's **GoDirect® Flight Efficiency analytics software** to **reduce fuel costs** across its entire Airbus and Boeing fleet and to help minimize the carbon footprint of the airline

Home and Building Technologies



Partnered with Dubai Properties to upgrade and implement a **fully-digital building management system** to monitor and control mechanical and electrical utilities of Business Bay Executive Towers, contributing to a 3.3M kWh energy savings per year

Performance Materials and Technologies



Jizzakh Petroleum will use Honeywell UOP technologies to build a new refinery capable of processing 5 million tons per year of crude oil to produce clean-burning gasoline, diesel and jet fuel

Safety and Productivity Solutions



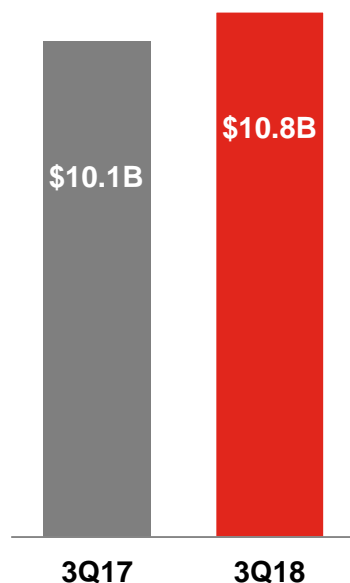
Announced acquisition of **Transnorm, a leading provider of warehouse automation solutions** based in Germany with an installed base of 160K units and a large and growing aftermarket parts and services business

3Q18 Financial Summary

Sales

Up 7%

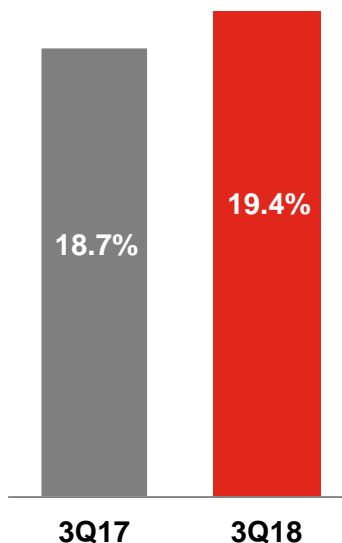
Organic



- Reported sales up 6%
- + Aero Comm'l OE and Aftermarket
- + U.S. and International Defense
- + Intelligrated (SPS), Advanced Materials

Segment Margin

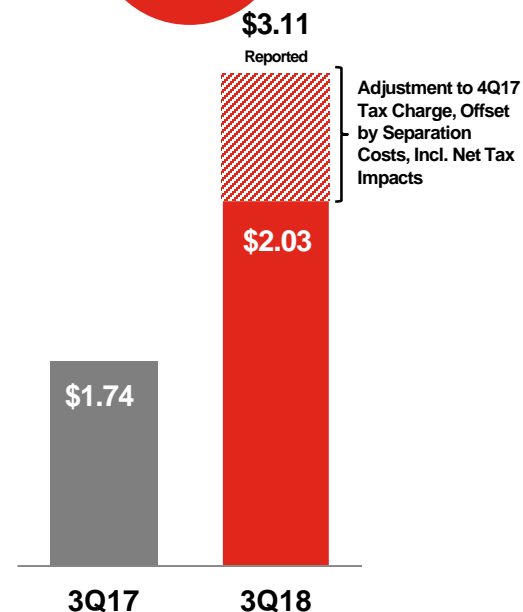
Up 70
bps



- Segment profit up 10%
- + Commercial Excellence
- + Higher sales volumes
- + Productivity, repositioning

Adjusted EPS

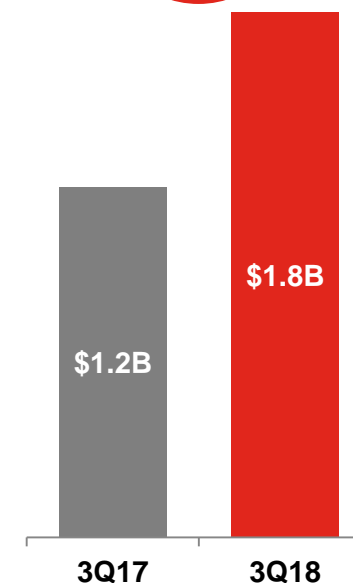
Up 17%



- + Strong segment profit, lower share count, and lower ETR (21.9% vs. 23.4% in 3Q17)
- \$1.0B adj. to 4Q17 tax charge; \$233M separation costs, incl. net tax impacts

Adjusted FCF

Up 51%



- Operating cash flow up 33%
- + 119% conversion (89% in 3Q17)
- + 0.6x working capital turns improvement year-on-year

Adjusted EPS, adjusted EPS V%, effective tax rate exclude impacts from separation costs related to the spin-offs of GTX and REZI and adjustments to the 4Q17 U.S. tax legislation charge.

Adjusted FCF, associated conversion and adjusted FCF V% exclude impacts from separation costs related to the spin-offs. Conversion also excludes adjustments to the 4Q17 U.S. tax legislation charge.

3Q 2018 Segment Results

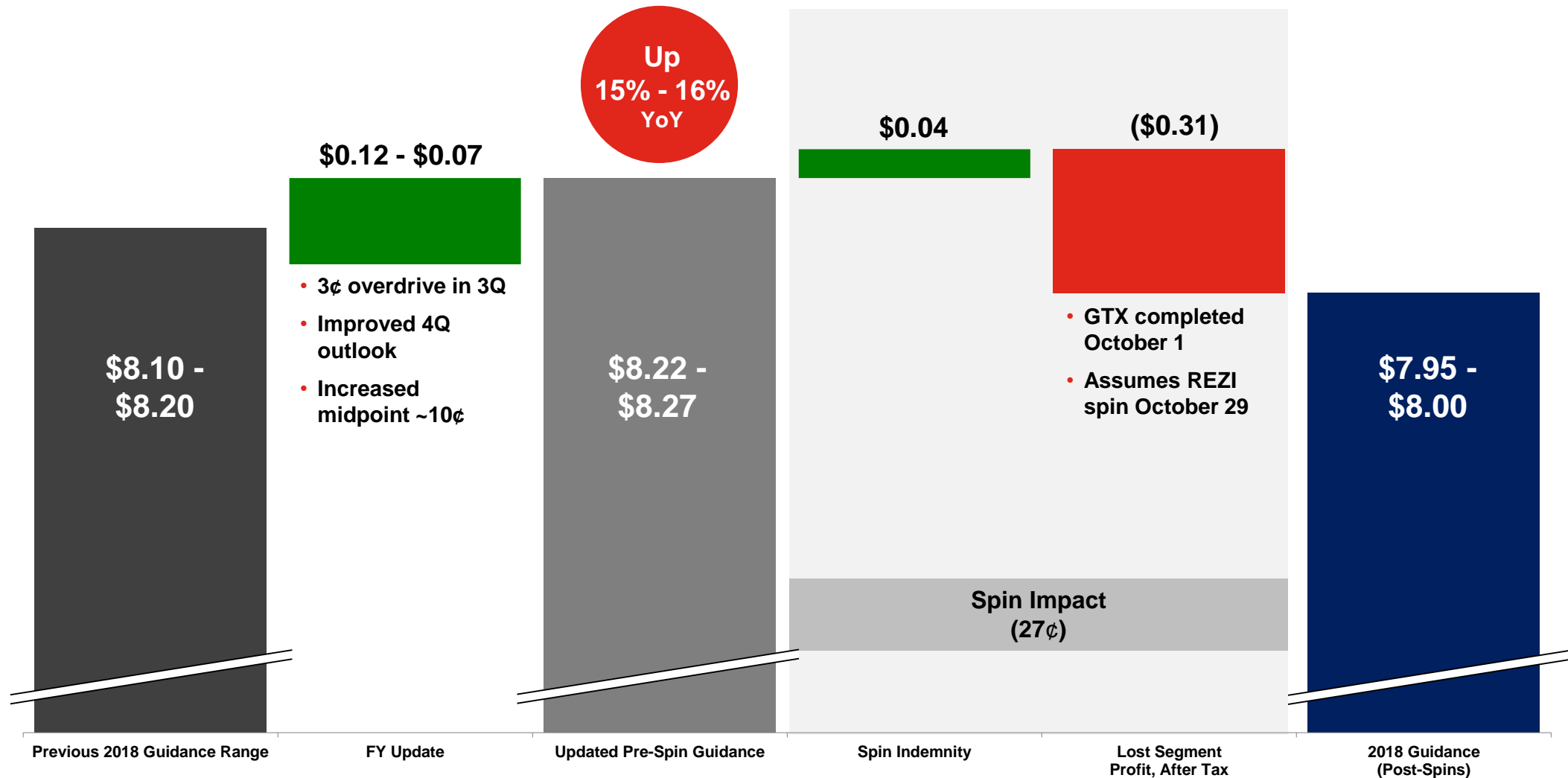
| (\$M) | Sales | Segment Margin Change (bps) | Commentary |
|-------|--|-----------------------------|--|
| Aero | \$4,030 Up 10% Up 10% Organic | 22.1% Up 80 | <ul style="list-style-type: none"> + Robust business aviation and defense shipment volumes + Continued strength in commercial aftermarket; gas turbo volume (TS) + Margin expansion driven by higher aftermarket volumes and Commercial Excellence |
| HBT | \$2,517 Up 2% Up 3% Organic | 17.1% Up 10 | <ul style="list-style-type: none"> + Strength in residential thermal solutions (Americas, Europe) and ADI Global Distribution + Building products growth in commercial fire (global) and Building Solutions - China air and water volume declines; margins impacted by inflation and unfavorable mix |
| PMT | \$2,640 Up 3% Up 4% Organic | 21.2% Down (70) | <ul style="list-style-type: none"> + Continued Solstice® strength in Advanced Materials; robust orders growth in UOP and HPS + Process Solutions short-cycle products, services, and software growth - Margins down as anticipated, driven by unfavorable mix in UOP |
| SPS | \$1,575 Up 11% Up 12% Organic | 16.6% Up 150 | <ul style="list-style-type: none"> + Double-digit sales growth in Intelligrated driven by large 1H18 orders for major systems + Strength across sensing and safety; new mobility launches in Productivity Products + Margin expansion driven by Commercial Excellence, productivity, and higher volumes |

4Q 2018 Preview

| Total Honeywell | | What We Are Seeing |
|---|--|--|
| <p>Sales</p> <hr/> <p>\$9.6B - \$9.7B</p> <p>Down (11%) - (10%)</p> <p>Up 5% - 6% Organic</p> | <p>Segment Margin</p> <hr/> <p>19.9% - 20.1%</p> <p>Up 60 - 80 bps</p> | <ul style="list-style-type: none"> + Continued strong demand in long-cycle businesses - Aero commercial aviation OE, Defense, and Intelligrated + Short-cycle strength in Process Solutions and Safety and Productivity Solutions + PMT margins increase driven by favorable catalyst shipment timing in UOP ± Aerospace sales growth strong, but margins impacted by tough YoY comparison (~300+ bps in 4Q17) and industry-wide supply chain challenges - ~(\$0.27) earnings dilution from spins, net of indemnification |
| <p>Adjusted EPS</p> <hr/> <p>\$1.85 - \$1.90</p> | <p>Other</p> <hr/> <p>Effective Tax Rate: ~22%</p> | |

Adjusted EPS excludes GTX spin segment profit in 4Q and REZI spin segment profit in the months of November and December, impacts from separation costs related to the spin-offs of GTX and REZI, and the 4Q17 U.S. tax legislation charge and adjustments to such charge. Effective tax rate excludes impacts from separation costs related to the spin-offs of GTX and REZI and adjustments to the 4Q17 U.S. tax legislation charge. \$0.27 spin impact is calculated as the sum of GTX spin segment profit in 4Q18 and REZI spin segment profit in the months of November and December 2018, net of spin indemnification impacts, at a tax rate of 22% and weighted average share count of 754M

Full Year Adjusted EPS Guidance



Adjusted EPS and adjusted EPS % exclude impacts from separation costs related to the spin-offs of GTX and REZI, and the 4Q17 U.S. tax legislation charge and adjustments to such charge. \$0.27 spin impact is calculated as the sum of GTX spin segment profit in 4Q18 and REZI spin segment profit in the months of November and December 2018, net of spin indemnification impacts, at a tax rate of 22% and weighted average share count of 754M.

2018 Financial Guidance Summary

Original 2018 Guidance

(as of December Outlook Call)

Sales

\$41.8B - \$42.5B

Up 3% - 5%

2% - 4% Organic

Segment Margin

19.2% - 19.5%

Up 20 - 50 bps

Adjusted EPS

\$7.55 - \$7.80¹

Up 6% - 9%

Adjusted FCF

\$5.2B - \$5.9B³

Up 5% - 20%

Updated Guidance

(incl. spin impact)

Sales

\$41.7B - \$41.8B

Up ~3%

~6% Organic

Segment Margin

19.5% - 19.6%

Up 50 - 60 bps

Adjusted EPS

\$7.95 - \$8.00^{1,2}

Up 11% - 12%

Adjusted FCF

\$5.8B - \$6.2B³

Up 18% - 26%

By Segment

Sales

~\$15.4B

Up ~4%

Up ~8% Organic

Margin

22.6% - 22.7%

Up 40 - 50 bps

Aero

~\$9.3B

Down ~(5%)

Up ~2% Organic

17.2% - 17.4%

Up 30 - 50 bps

HBT

~\$10.8B

Up ~5%

Up ~4% Organic

21.5% - 21.8%

Up 20 - 50 bps

PMT

\$6.2B - \$6.3B

Up ~11%

Up ~10% Organic

16.3% - 16.4%

Up 120 - 130 bps

SPS

¹Adjusted EPS and adjusted EPS V% exclude impacts from separation costs related to the spin-offs of GTX and REZI, and the 4Q17 U.S. tax legislation charge and adjustments to such charge.

²Adjusted EPS and adjusted EPS V% exclude GTX spin segment profit in 4Q and REZI spin segment profit in the months of November and December.

³Adjusted FCF and adjusted FCF V% exclude impacts from separation costs related to the spin-offs.

Preliminary Thoughts on 2019

- **Anticipate continued macro strength across major end markets**
 - E-commerce, commercial aviation, defense, and process automation
 - Driven by flight hours growth, robust defense budgets, and new warehouse builds
 - Manageable impact from tariffs in 2018 based on amounts enacted to date
 - Executing mitigation plans to address all Section 301 tariffs, incl. carryover into 2019, and potential List 4 impact
- **Intend to eliminate all corporate and other functional stranded costs by end of 2019**
 - ~\$340M identified stranded costs; take-out funded through restructuring
 - More than 50% of costs eliminated by end of 2018
 - Estimated full-year EPS dilution from spins segment profit, net of indemnity ~(\$0.90)
- **Other 2019 planning considerations**
 - 10% dividend increase announced September 2018; share count reduction of at least 1%
 - Pension income ~\$300M lower driven by de-risking (shift to fixed income investments)
 - Repositioning funding ~\$325M
 - Asbestos and environmental expenses lower by ~\$425M
 - Effective tax rate expected to be 21.5% - 22.5%

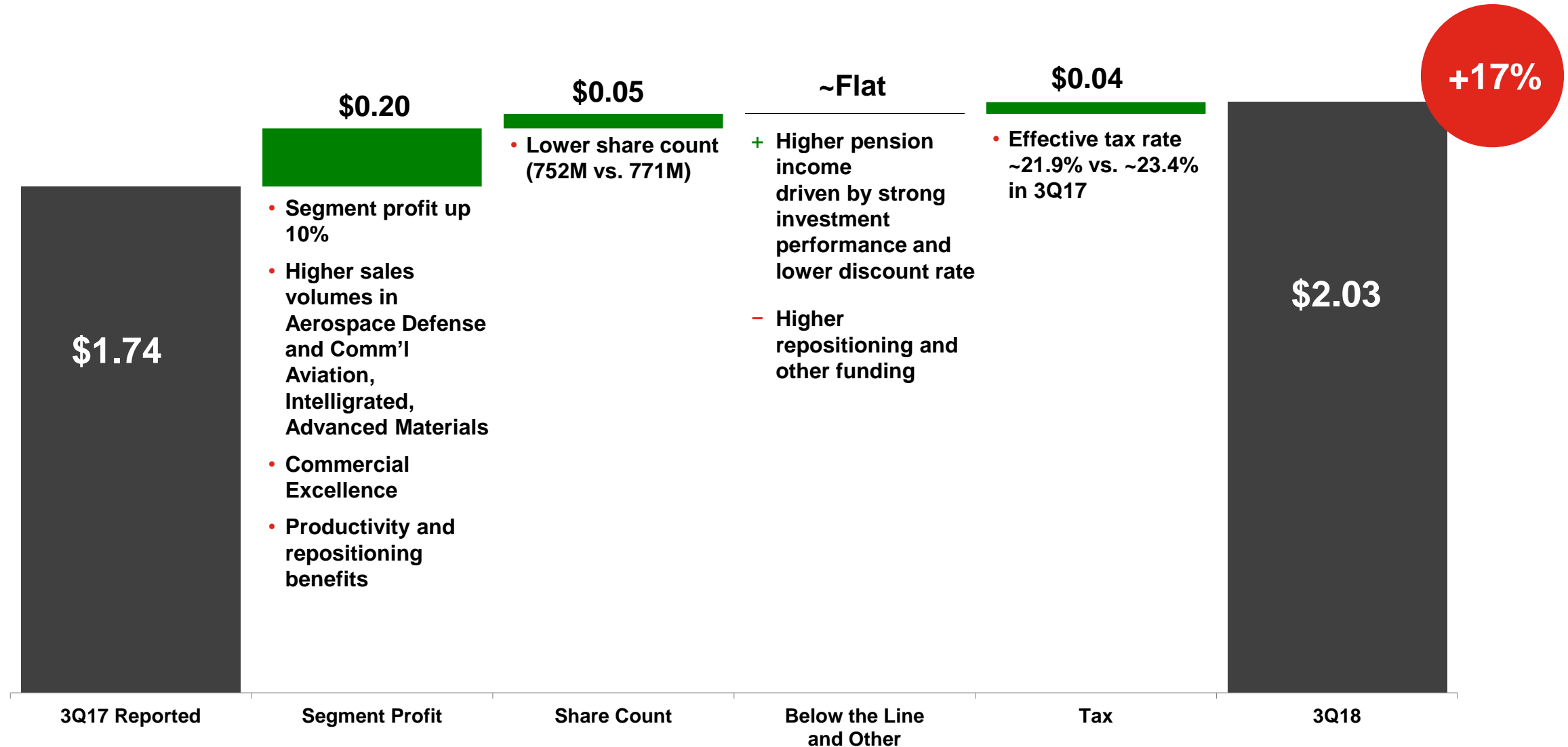
Effective tax rate excludes impacts from separation costs related to the spin-offs of GTX and REZI

A New Honeywell

- **Industry-leading franchises with multiple growth and margin expansion levers, both organic and inorganic**
- **Free cash flow conversion rapidly approaching 100%**
- **Distinguished balance sheet capacity to deploy smartly and aggressively**
- **Our say will continue to equal our do driven by strong performance culture**
- **2019 outlook call planned for January 2019**

Appendix

3Q 2018 Adjusted EPS



Adjusted EPS, adjusted EPS V%, effective tax rate exclude impacts from separation costs related to the spin-offs of GTX and REZI, and adjustments to the 4Q17 U.S. tax legislation charge.

3Q18 Segment Sales Results

| | Reported | Organic |
|---|------------|------------|
| Aerospace | 10% | 10% |
| Commercial Aviation Original Equipment | 22% | 19% |
| Commercial Aviation Aftermarket | 4% | 6% |
| Defense & Space | 14% | 14% |
| Transportation Systems | 6% | 7% |
| Home And Building Technologies | 2% | 3% |
| Homes | 5% | 5% |
| Buildings | (1%) | 1% |
| Performance Materials And Technologies | 3% | 4% |
| UOP | 2% | 3% |
| Honeywell Process Solutions | 2% | 4% |
| Advanced Materials | 5% | 6% |
| Safety And Productivity Solutions | 11% | 12% |
| Safety | 5% | 6% |
| Productivity Solutions | 15% | 16% |

Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margins

| (\$M) | 3Q18 | 3Q17 | 4Q17 | 2017 |
|---|-----------------|-----------------|-----------------|-----------------|
| Aerospace | \$4,030 | \$3,657 | \$3,902 | \$14,779 |
| Home and Building Technologies | 2,517 | 2,479 | 2,615 | 9,777 |
| Performance Materials and Technologies | 2,640 | 2,571 | 2,854 | 10,339 |
| Safety and Productivity Solutions | 1,575 | 1,414 | 1,472 | 5,639 |
| Net sales | \$10,762 | \$10,121 | \$10,843 | \$40,534 |
| | | | | |
| Aerospace | \$891 | \$780 | \$893 | \$3,288 |
| Home and Building Technologies | 430 | 421 | 461 | 1,650 |
| Performance Materials and Technologies | 560 | 563 | 607 | 2,206 |
| Safety and Productivity Solutions | 262 | 213 | 231 | 852 |
| Corporate | (53) | (82) | (96) | (306) |
| Segment profit | \$2,090 | \$1,895 | \$2,096 | \$7,690 |
| | | | | |
| Stock compensation expense ⁽¹⁾ | (41) | (39) | (43) | (176) |
| Repositioning and other ^(2,3) | (313) | (249) | (371) | (962) |
| Pension and other postretirement service costs ⁽⁴⁾ | (54) | (64) | (63) | (249) |
| Operating income | \$1,682 | \$1,543 | \$1,619 | \$6,303 |
| | | | | |
| Segment profit | \$2,090 | \$1,895 | \$2,096 | \$7,690 |
| ÷ Net sales | \$10,762 | \$10,121 | \$10,843 | \$40,534 |
| Segment profit margin % | 19.4% | 18.7% | 19.3% | 19.0% |
| | | | | |
| Operating income | \$1,682 | \$1,543 | \$1,619 | \$6,303 |
| ÷ Net sales | \$10,762 | \$10,121 | \$10,843 | \$40,534 |
| Operating income margin % | 15.6% | 15.2% | 14.9% | 15.5% |

(1) Amounts included in 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.

(4) Amounts included in Cost of products and services sold and Selling, general and administrative expenses (service costs). (Note - Other income/expense includes non-service cost components).

Certain amounts in the prior year reconciliation have been reclassified to conform with current year presentation, including changes made due to the adoption of the accounting standard related to classification of pension and other postretirement benefit costs.

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 EPS to Adjusted EPS

| | <u>3Q18</u> | <u>3Q17</u> |
|---|---------------|---------------|
| Earnings per share of common stock - assuming dilution (EPS) ⁽¹⁾ | \$3.11 | \$1.74 |
| Separation costs ⁽²⁾ | 0.31 | - |
| Adjustments to 4Q17 U.S. tax legislation charge | <u>(1.39)</u> | <u>-</u> |
| Adjusted EPS | <u>\$2.03</u> | <u>\$1.74</u> |

(1) For the three months ended September 30, 2018 and 2017, utilizes weighted average shares of 752 million and 771.4 million.

(2) Separation costs of \$248 million (\$233 million including net tax impacts) includes \$132 million of tax costs we incurred in the restructuring of the ownership of various legal entities in anticipation of the spin-off transactions ("frictional tax costs") and \$116 million (\$101 million including net tax impacts) of other separation costs.

We believe Adjusted EPS is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

Reconciliation of Organic Sales % Change

| | |
|---|-------------|
| Honeywell | 3Q18 |
| Reported sales % change | 6% |
| Less: Foreign currency translation | (1%) |
| Less: Acquisitions, divestitures and other, net | - |
| Organic sales % change | <u>7%</u> |
| | |
| Aerospace | |
| Reported sales % change | 10% |
| Less: Foreign currency translation | - |
| Less: Acquisitions, divestitures and other, net | - |
| Organic sales % change | <u>10%</u> |
| | |
| Home and Building Technologies | |
| Reported sales % change | 2% |
| Less: Foreign currency translation | (1%) |
| Less: Acquisitions, divestitures and other, net | - |
| Organic sales % change | <u>3%</u> |
| | |
| Performance Materials and Technologies | |
| Reported sales % change | 3% |
| Less: Foreign currency translation | (1%) |
| Less: Acquisitions, divestitures and other, net | - |
| Organic sales % change | <u>4%</u> |
| | |
| Safety and Productivity Solutions | |
| Reported sales % change | 11% |
| Less: Foreign currency translation | (1%) |
| Less: Acquisitions, divestitures and other, net | - |
| Organic sales % change | <u>12%</u> |

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, acquisitions, net of divestitures and non-comparable impacts from adoption of the new revenue recognition standard. 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 Cash Provided by Operating Activities to Adjusted Free Cash Flow

| | <u>2017 (\$M)</u> | <u>2018E (\$B)</u> |
|--|-------------------|-----------------------|
| Cash provided by operating activities | \$5,966 | ~\$6.2 - \$6.8 |
| Expenditures for property, plant and equipment | <u>(1,031)</u> | <u>~(0.9)</u> |
| Free cash flow | 4,935 | ~\$5.3 - \$5.9 |
| Separation cost payments | - | ~\$0.3 - \$0.5 |
| Adjusted free cash flow | <u>\$4,935</u> | <u>~\$5.8 - \$6.2</u> |

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

We believe adjusted free cash flow is a measure that is useful to investors and management in understanding our ongoing operations and in analysis of ongoing operating trends.

We believe that this metric is useful to investors and management as a measure of cash generated by business 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 business operations and the impact that this cash flow has on our liquidity.

Calculation of Adjusted Effective Tax Rate

| (\$M) | 3Q18 |
|---|----------------|
| Income before taxes | \$1,858 |
| Pension mark-to-market expense | - |
| Separation costs | 116 |
| Adjusted income before taxes | \$1,974 |
| | |
| Tax (benefit) expense | (\$498) |
| Adjustments to 4Q17 U.S. tax legislation charge | 1,047 |
| Separation costs tax impact ⁽¹⁾ | (117) |
| Pension mark-to-market impact | - |
| Adjusted tax (benefit) expense | \$432 |
| | |
| Adjusted tax (benefit) expense | \$432 |
| ÷ Adjusted income before taxes | \$1,974 |
| Adjusted effective tax rate | 21.9% |

(1) For the quarter ended September 30, 2018, separation costs tax impact includes \$132 million of frictional tax costs partially offset by an \$15 million benefit from other separation costs. For the quarter ended September 30, 2017, separation costs tax impact includes a \$2 million benefit from other separation costs.

We believe adjusted effective tax rate 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, without unreasonable effort, the tax impacts of separation costs given the inherent uncertainty of the estimates and any adjustments to the charge from 4Q17 U.S. tax legislation as the charge is provisional. We therefore do not include an estimated adjusted effective tax rate in this reconciliation.

Reconciliation of Cash Provided by Operating Activities to Adjusted Free Cash Flow and Calculation of Adjusted Free Cash Flow Conversion

| (\$M) | 3Q18 | 3Q17 |
|---|----------------|----------------|
| Cash provided by operating activities | \$1,878 | \$1,407 |
| Expenditures for property, plant and equipment | (183) | (212) |
| Free cash flow | 1,695 | 1,195 |
| Separation cost payments | 114 | - |
| Adjusted free cash flow | <u>\$1,809</u> | <u>\$1,195</u> |
| Net income attributable to Honeywell | \$2,338 | \$1,345 |
| Separation costs, includes net tax impacts | 233 | - |
| Adjustments to 4Q17 U.S. tax legislation charge | (1,047) | - |
| Adjusted net income attributable to Honeywell | <u>\$1,524</u> | <u>\$1,345</u> |
| Cash provided by operating activities | \$1,878 | \$1,407 |
| ÷ Net income attributable to Honeywell | <u>\$2,338</u> | <u>\$1,345</u> |
| Operating cash flow conversion | <u>80%</u> | <u>105%</u> |
| Adjusted free cash flow | \$1,809 | \$1,195 |
| ÷ Adjusted net income attributable to Honeywell | <u>\$1,524</u> | <u>\$1,345</u> |
| Adjusted free cash flow conversion % | <u>119%</u> | <u>89%</u> |

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

We believe that this metric is useful to investors and management as a measure of cash generated by business 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 business operations and the impact that this cash flow has on our liquidity.

Reconciliation of EPS to Adjusted EPS

| | <u>2017 ⁽¹⁾</u> | <u>4Q18E</u> | <u>2018E</u> |
|--|----------------------------|-------------------------|-------------------------|
| Earnings per share of common stock - assuming dilution (EPS) | \$2.00 | TBD | TBD |
| Pension mark-to-market expense | 0.09 | TBD | TBD |
| Separation costs | 0.02 | TBD | TBD |
| Adjustments to 4Q17 U.S. tax legislation charge | 5.04 | TBD | TBD |
| Adjusted EPS | <u>\$7.15</u> | <u>~\$1.85 - \$1.90</u> | <u>~\$7.95 - \$8.00</u> |

(1) Utilizes weighted average shares of 772.1 million full year. Pension mark-to-market expense uses a blended tax rate of 23%.

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, without unreasonable effort, the pension mark-to-market expense as it is dependent on macroeconomic factors, such as interest rates and the return generated on invested pension plan assets, the separation costs given the inherent uncertainty of the estimates, and any adjustments to the charge from 4Q17 U.S. tax legislation as the charge is provisional. We therefore do not include an estimate for the pension mark-to-market expense, separation costs, or adjustments to 4Q17 U.S. tax legislation charge in this reconciliation. Based on economic and industry conditions, future developments and other relevant factors, these assumptions are subject to change.