



FOURTH QUARTER 2020 EARNINGS AND 2021 OUTLOOK

JANUARY 29, 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 transaction date; free cash flow, which we define as cash flow from operations less capital expenditures and should the proposed reorganization plan contemplated in the plan support agreement signed by Garrett Motion Inc. (Garrett) be confirmed, free cash flow definition would be revised to include cash payment from Garrett to Honeywell under such proposed reorganization plan; adjusted free cash flow conversion, which we define as free cash flow divided by net income attributable to Honeywell, excluding pension mark-to-market, adjustments to the charges taken in connection with the 4Q17 U.S. tax legislation charge, the impact of the favorable resolution of a foreign tax matter related to the spin-off transactions, and non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett, net of proceeds from settlement of related hedging transaction, if and as noted in the presentation; and adjusted earnings per share, which we adjust to exclude pension mark-to-market, adjustments to the charges taken in connection with the 4Q17 U.S. tax legislation charge, favorable resolution of a foreign tax matter related to the spin-off transactions, and non-cash charges associated with the reduction in value of reimbursement receivables due from Garrett, net of proceeds from settlement of related hedging transaction, 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. Refer to the Appendix attached to this presentation for reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures.

2020 RESULTS

4Q Highlights

- Double-digit organic growth in SPS, Defense and Space, fluorine products, and recurring connected software sales
- Segment margin expansion in Aero, HBT, and SPS
- Generated \$2.5 billion of free cash flow with 170% adjusted conversion
- Announced 4 acquisitions; repurchased \$1.6 billion of shares

Full Year Highlights

- \$7.10 adjusted earnings per share, \$0.05 above the high end of our reinstated guidance
- Double-digit organic growth in PPE, Intelligrated, Defense and Space, and recurring connected software sales
- Delivered \$1.5 billion fixed cost savings
- Deployed \$7.5 billion of capital to high-return capex, dividends, M&A, and 3% share count reduction

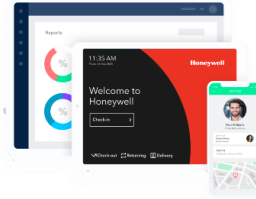
	FY 2020 Actual	4Q 2020 Actual	4Q 2020 Guidance
Adjusted Earnings Per Share	\$7.10	\$2.07	\$1.97 – \$2.02
Organic Sales Decline	(11%)	(7%)	(14%) – (11%)
Segment Margin Growth	(70 bps)	(30 bps)	(30) – (10) bps
Free Cash Flow	\$5.3B <i>105% Adjusted Conversion</i>	\$2.5B <i>170% Adjusted Conversion</i>	
Capital Deployment	\$7.5B <i>Dividends, Capital Expenditures, Share Repurchases, M&A</i>	\$2.8B <i>Dividends, Capital Expenditures, Share Repurchases, M&A</i>	

Adjusted EPS and adjusted EPS V% exclude 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 transaction, and 2Q20 favorable resolution of a foreign tax matter related to the spin-off transactions. Adjusted EPS V% also excludes adjustments to the charges taken in connection with the 4Q17 U.S. tax legislation charge. Adjusted free cash flow conversion excludes 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 transaction, and 2Q20 favorable resolution of a foreign tax matter related to the spin-off transactions.

Strong Execution Through the Downturn

ACTIVELY MANAGING THE PORTFOLIO

Recent M&A Activity



- Agreed to acquire **Sparta Systems**, a leading provider of enterprise quality management software (QMS) for the life sciences industry, for \$1.3 billion
- Sparta's AI-enabled SaaS QMS offering will combine with Honeywell Forge and Experion® Process Knowledge System to significantly enhance value for life sciences customers

- Acquired **Sine Group**, a technology and SaaS company that provides visitor management solutions that are readily accessible with mobile devices
- Sine's technologies will support a mobile platform for Honeywell Forge offerings and enhance Connected Buildings solutions



- Acquired **Rocky Research**, a technology leader specializing in power and thermal management
- Acquired **Ballard Unmanned Systems** to strengthen and expand UAS / UAM product portfolio
- Made a strategic investment with path to full ownership in **Trinity Mobility** to accelerate smart cities leadership

Recent Divestiture

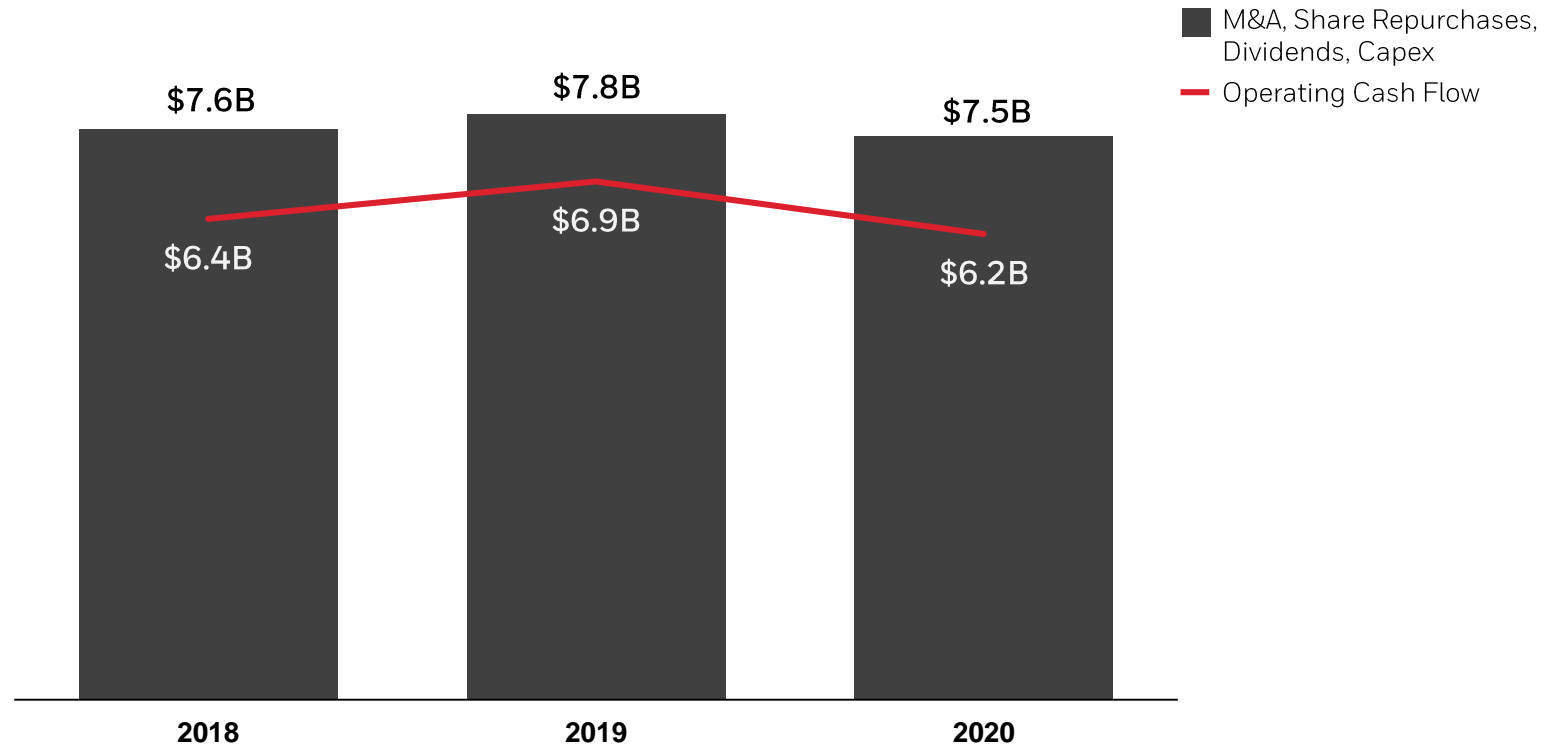


- Agreed to sell **performance and lifestyle footwear business** to Rocky Brands, a leading manufacturer of premium footwear and apparel, for ~\$230 million
- Honeywell will divest five footwear brands: The Original Muck Boot Company, XTRATUF, Ranger, NEOS, and Servus
- Expected to close at end of 1Q21

Continuing to Reshape the Portfolio to Fit Strategic Objectives

DEPLOYING CAPITAL IN EXCESS OF CASH FLOW

3-Year Capital Deployment

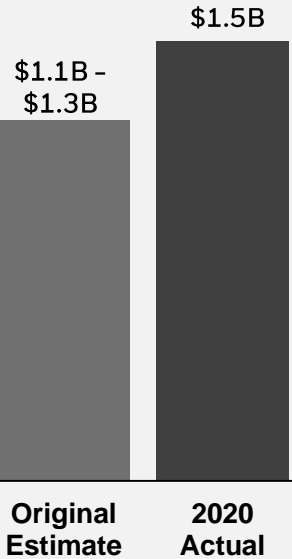


Investing in High-Return Opportunities Even During the Pandemic

EXECUTED IN DOWNTURN – COST AND INNOVATION

Acted Quickly

Fixed Cost Reduction



Cash and Short-Term Investments

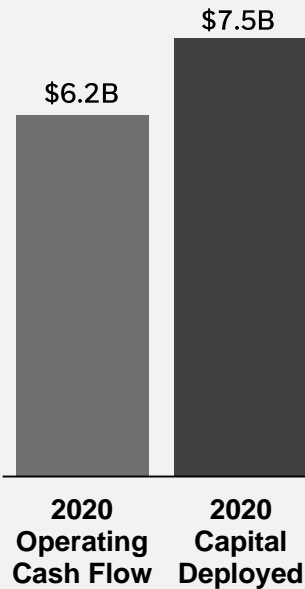


Deployed Cost Plans Decisively

Increased Liquidity

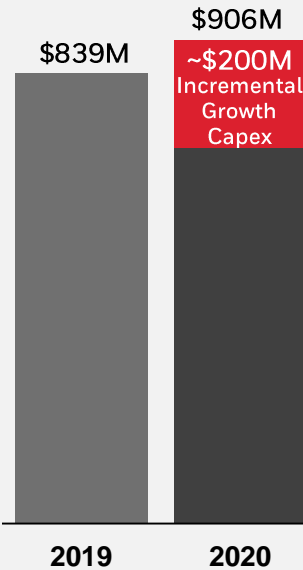
Deployed Capital to Drive Growth and Productivity

M&A, Share Repurchases, Dividends, Capex



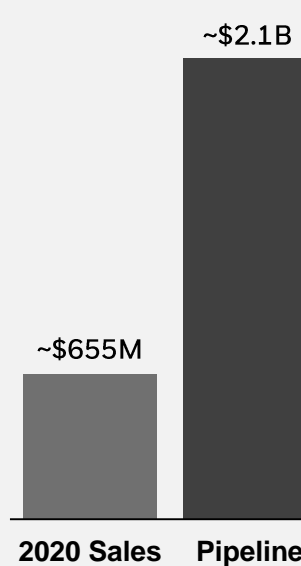
Effectively Deployed Capital

Capital Expenditures



Invested in Growth Through Downturn

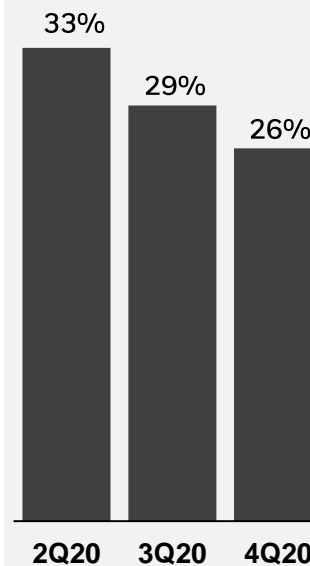
New Healthy Solutions



Quickly Addressed New Customer Needs

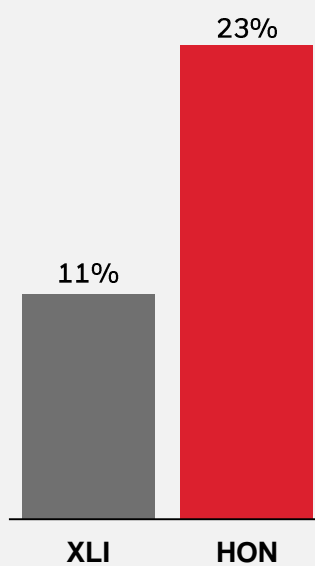
Protected Margin, Positioned for 2021

Decremental Margin



Improved Margin Sequentially

1-Year Total Shareholder Return

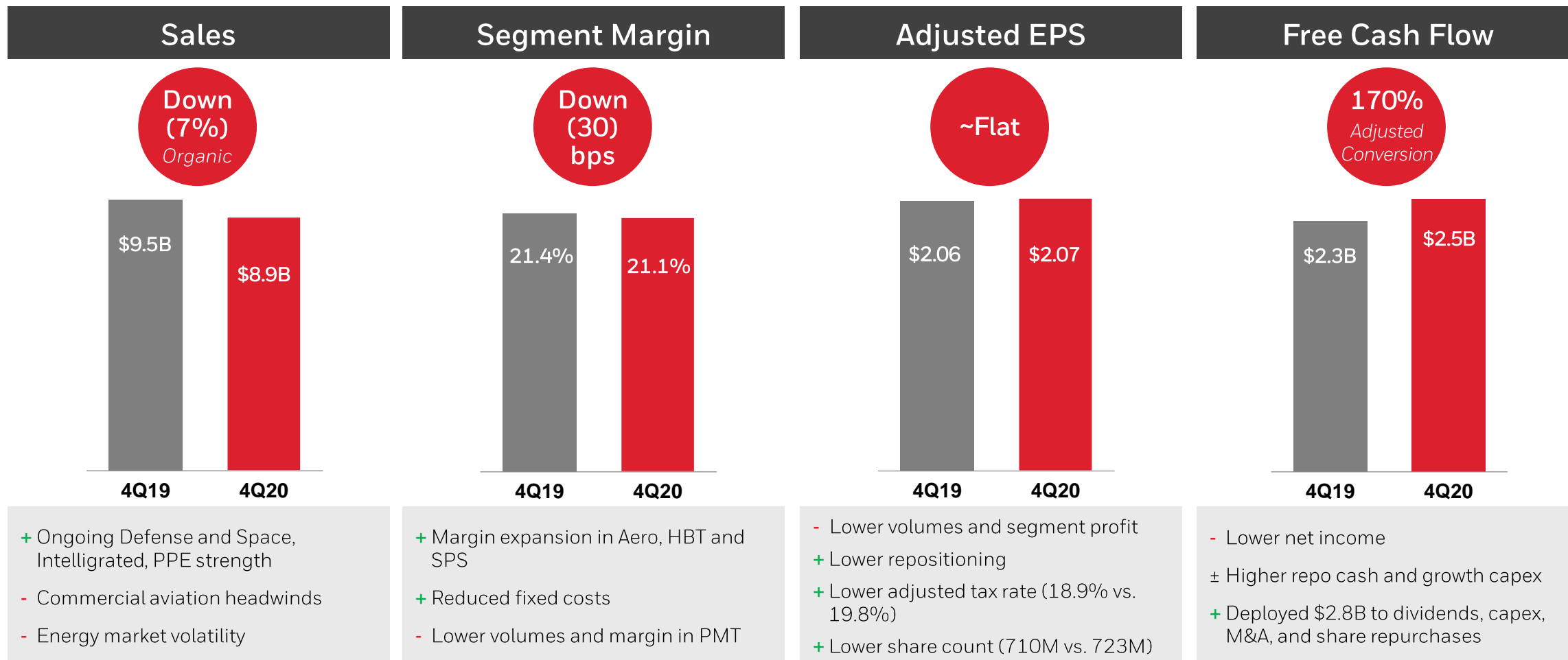


Outperformed Peers

Source: Capital IQ as of 12/31/2020

Continued to Focus on Transformation While Positioning for Recovery

4Q 2020 FINANCIAL SUMMARY



Adjusted EPS and adjusted EPS V% exclude 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 transaction, and adjustments to the charges taken in connection with the 4Q17 U.S. tax legislation charge. Adjusted free cash flow conversion excludes 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 transaction.







Overdelivered on Sales and Earnings Per Share Guidance

2021 PLANNING ASSUMPTIONS

- Vaccine widely distributed in 2021; infection rates are manageable
- Fiscal stimulus is supportive of economy
- Commercial flight hours improve throughout the year
- Defense budget spending is stable
- Oil consumption rises moderately in 2H
- Global economic environment improves throughout 2021

Planning for a Stronger 2H than 1H

2021 SEGMENT OUTLOOK

	Primary End Market	Market Indicator	Organic Growth Rate	Segment Commentary
Aero	Commercial Aerospace		Flat - LSD	<ul style="list-style-type: none"> • Gradual ramp in commercial aftermarket growth as passengers return to flying • Slow ramp in commercial OE build rates • Defense business remains stable; growth at more moderate rates in 2021
	Defense & Space			
HBT	Non-Residential		LSD	<ul style="list-style-type: none"> • Demand for commercial fire and security products in key verticals; other verticals remain challenged • Continued demand for healthy buildings solutions • Sequential recovery in building solutions orders and project execution aligned to macro-economy
PMT	Oil & Gas / PetroChem		±LSD	<ul style="list-style-type: none"> • HPS recovery led by process automation mega projects backlog, products businesses • Slow recovery in O&G capex; petrochem expected to recover sooner; growing renewable fuels investment • Advanced Materials growth driven by demand in auto, resi construction, and global healthcare sectors
	Specialty Chemicals			
SPS	Industrial Productivity		DD	<ul style="list-style-type: none"> • Intelligrated growth driven by strong 2020 orders; backlog up ~70% • Continued personal protective equipment demand; backlog up >750% • Short-cycle recovery in productivity solutions and gas sensing

Improvement in Most End Markets

2021 PLAN OVERVIEW

Guidance

Sales <i>Organic Growth</i>	\$33.4B – \$34.4B <i>Up 1% – 4%</i>
Segment Margin <i>Margin Expansion</i>	20.7% – 21.1% <i>Up 30 – 70 bps</i>
Net Below the Line Impact	(\$130M) – \$20M
Effective Tax Rate	21% – 22%
Share Count	~705M
Earnings Per Share <i>Adjusted Growth</i>	\$7.60 – \$8.00 <i>Up 7% – 13%</i>
Free Cash Flow	\$5.1B – \$5.5B

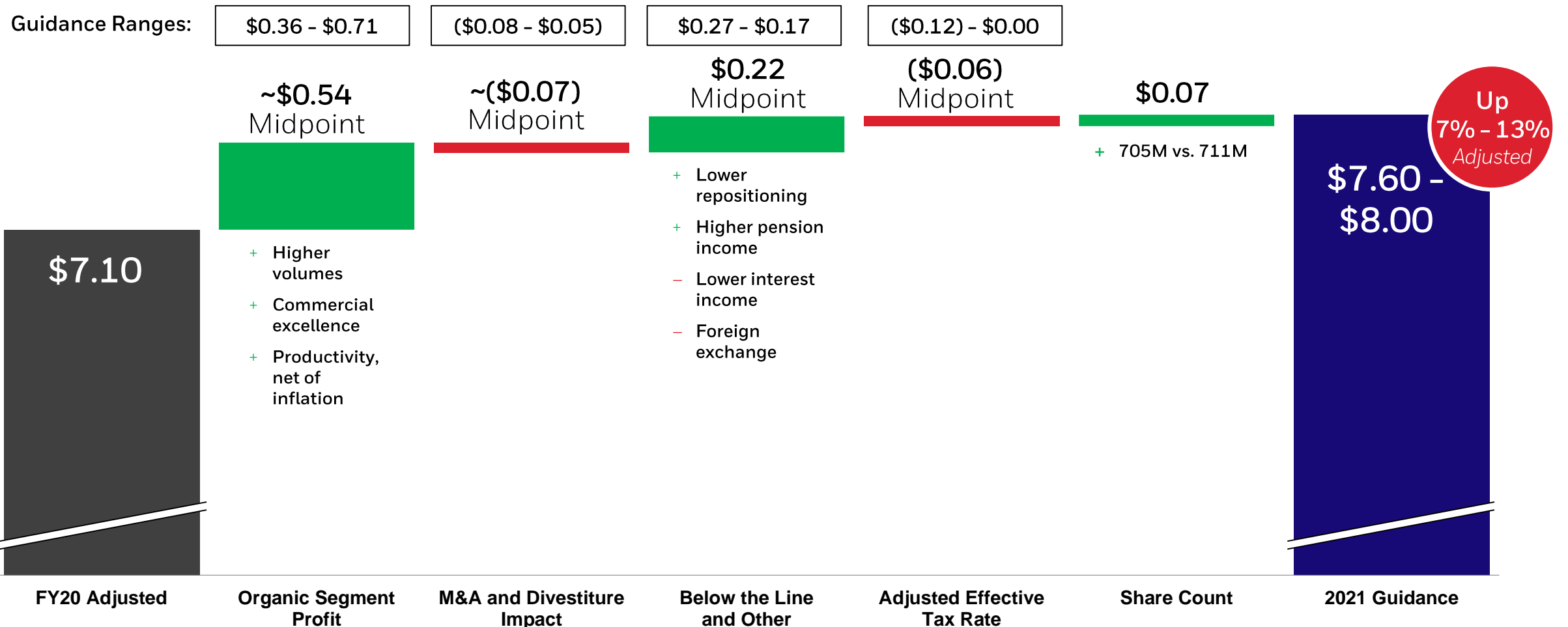
What We Expect

- Organic sales growth returns to long-term LSD – MSD commitment
- Segment margin expansion across all four segments
- Minimum 1% share count reduction
- Continued focus on capital deployment
- Capacity for \$400M – \$525M repositioning
- Guidance predicated on no material supply chain or end market disruptions

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 V% guidance excludes 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 transaction, and 2Q20 favorable resolution of a foreign tax matter related to the spin-off transactions. Free cash flow guidance assumes proposed reorganization plan contemplated in the plan support agreement signed by Garrett is confirmed; should such plan be confirmed free cash flow definition would be revised to include cash payment from Garrett to Honeywell under such proposed reorganization plan. See appendix for details.

Prepared for the Recovery in 2021

2021 EARNINGS PER SHARE BRIDGE



Adjusted EPS V% guidance excludes 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 transaction, and 2Q20 favorable resolution of a foreign tax matter related to the spin-off transactions. Adjusted EPS and EPS V% guidance exclude the impact of the divestiture of the performance and lifestyle footwear business.

Segment Profit Driving Earnings Growth

1Q 2021 PREVIEW

Guidance

Sales <i>Organic Growth</i>	\$7.8B – \$8.2B <i>Down (10%) – (5%)</i>
Segment Margin <i>Margin Expansion</i>	20.4% – 20.9% <i>Down (140) – (90) bps</i>
Net Below the Line Impact	(\$40M) – \$5M
Effective Tax Rate	23% – 24%
Share Count	~705M
Earnings Per Share <i>Growth</i>	\$1.68 – \$1.83 <i>Down (24%) – (17%)</i>

What We Expect

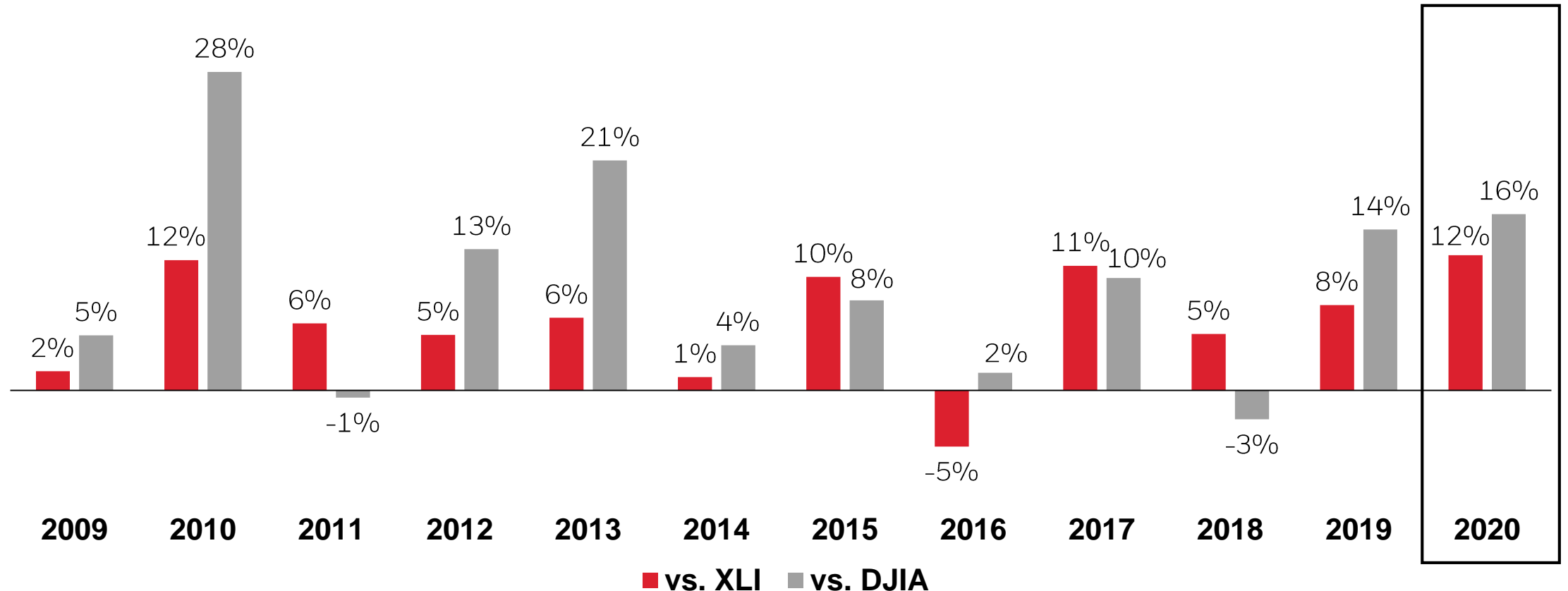
- Recovery continues across portfolio but up against strong 1Q20 comps
- Monitoring impact of recent COVID-19 infection rates
- Continued strength in warehouse automation, PPE, and Advanced Materials
- Ongoing recovery in building products, productivity solutions, and HPS products; commercial aftermarket ramp starting 2Q21
- Momentum from our portfolio of healthy solutions
- Margin contraction driven by lower volumes and sales mix; sequential segment margin improvement after 1Q21
- Guidance predicated on no material supply chain or end market disruptions

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.

Cautious Start to 2021; Toughest Comps in 1Q

ANNUAL TSR PERFORMANCE VS. BENCHMARKS

Honeywell Annual Total Shareowner Return (TSR) vs. XLI and DJIA



Source: Capital IQ as of 12/31/20

Honeywell Value Creation Framework Drove Outperformance Again in 2020

COMMITMENT TO COMMUNITIES AND EMPLOYEES

Partnered with State of North Carolina to Coordinate Mass Vaccination Events

- Announced a partnership with the State of North Carolina to support the goal of 1 million COVID-19 vaccinations by July 4, 2021
- Mass vaccination events will focus on frontline workers, the general public, and underserved communities



Delivered 225 Million N95 and Surgical Masks in December

- Achieved a significant milestone by delivering more than 225 million face masks to help protect workers
- Delivered N95 respirators and surgical face masks to multiple U.S. locations for health care systems, the Federal Emergency Management Agency, and the U.S. Department of Health and Human Services
- Shipped millions of masks to state and local governments in support of their response to COVID-19 and for their personal protective equipment stockpiles



Recognized our Integrated Supply Chain Production Teams

- Announced a special \$500 award for each of our frontline production and production support employees, recognizing their dedication in keeping manufacturing sites running safely and enabling us to meet critical customer needs

Committed to Corporate Social Responsibility

SUMMARY

- The Honeywell value creation framework delivers outperformance in all economic / market conditions
 - 2020 was another proof point
- Managed through 2020 downturn by focusing on liquidity, cost management, execution, and growth investments
- Our growth investments will continue to create value for customers, solve some of the most challenging global sustainability issues, and create superior returns for shareholders
- Returning to core long-term growth commitments in 2021

Positioned For Recovery in 2021 and Beyond

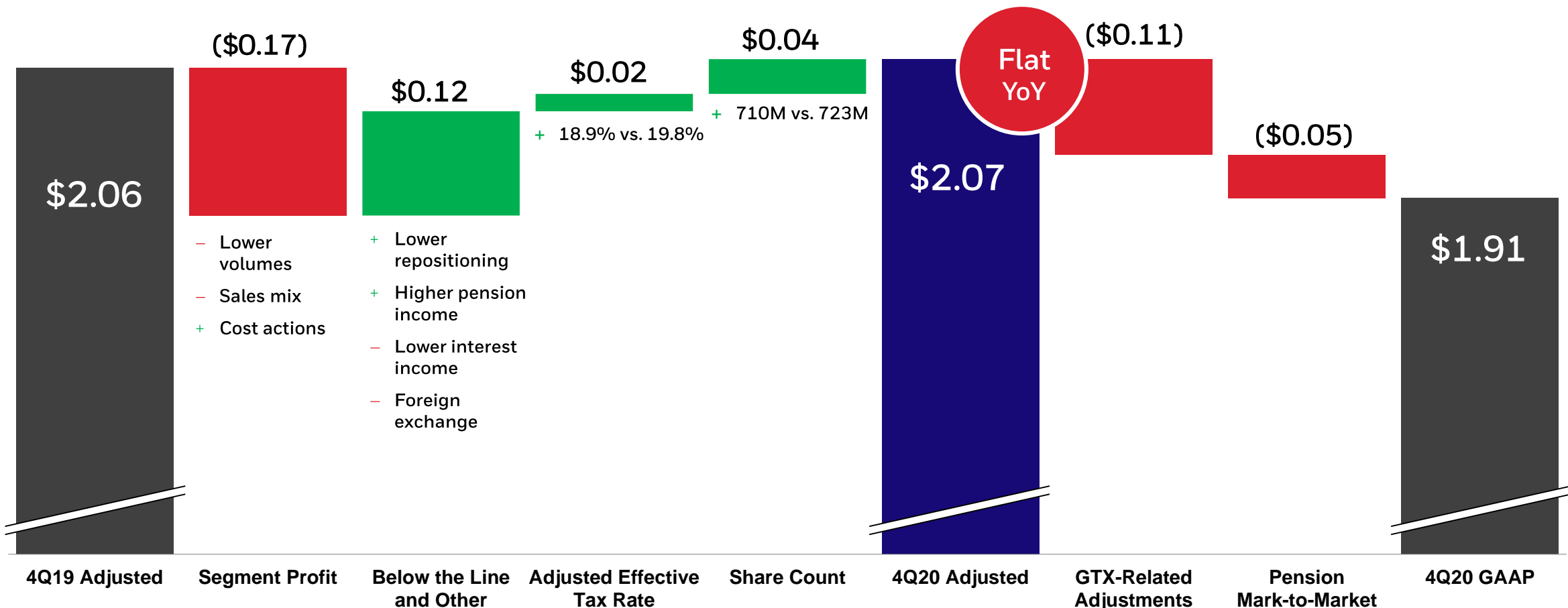
Appendix

4Q 2020 SEGMENT RESULTS

(\$M)	Sales	Segment Margin Change (bps)	Commentary
Aero	\$2,978 4Q: <i>Down (19%) Organic</i> 3Q: <i>Down (25%) Organic</i>	27.6% 4Q: <i>Up 150</i> 3Q: <i>Down (240)</i>	<ul style="list-style-type: none"> • Double-digit growth in Defense and Space; commercial aftermarket up 26% sequentially from 3Q • Lower commercial aerospace demand due to ongoing impact of reduced flight hours and build rates • Margin expansion driven by productivity actions and commercial excellence
HBT	\$1,426 4Q: <i>Down (4%) Organic</i> 3Q: <i>Down (8%) Organic</i>	21.4% 4Q: <i>Up 110</i> 3Q: <i>Up 60</i>	<ul style="list-style-type: none"> • Timing of Building Solutions projects, partially offset by services growth; double-digit orders growth; service backlog up double-digits • Sequential improvement in building products sales and orders; return to growth in commercial fire • Margin performance driven by commercial excellence and productivity actions
PMT	\$2,556 4Q: <i>Down (12%) Organic</i> 3Q: <i>Down (16%) Organic</i>	18.7% 4Q: <i>Down (380)</i> 3Q: <i>Down (220)</i>	<ul style="list-style-type: none"> • Process Solutions projects and services delays; product volume declines; orders up 30% sequentially from 3Q • Lower gas processing investment; lower licensing, engineering, and catalyst shipments in UOP • Advanced Materials growth driven by fluorine products strength
SPS	\$1,940 4Q: <i>Up 27% Organic</i> 3Q: <i>Up 8% Organic</i>	15.3% 4Q: <i>Up 260</i> 3Q: <i>Up 50</i>	<ul style="list-style-type: none"> • Double-digit Intelligrated growth driven by major systems projects; exiting 2020 with \$2.6B backlog • Double-digit growth in personal protective equipment led by strong demand for respiratory products • Productivity solutions and services growth; sequential gas sensing improvement

All SBGs Continue Making Sequential Progress

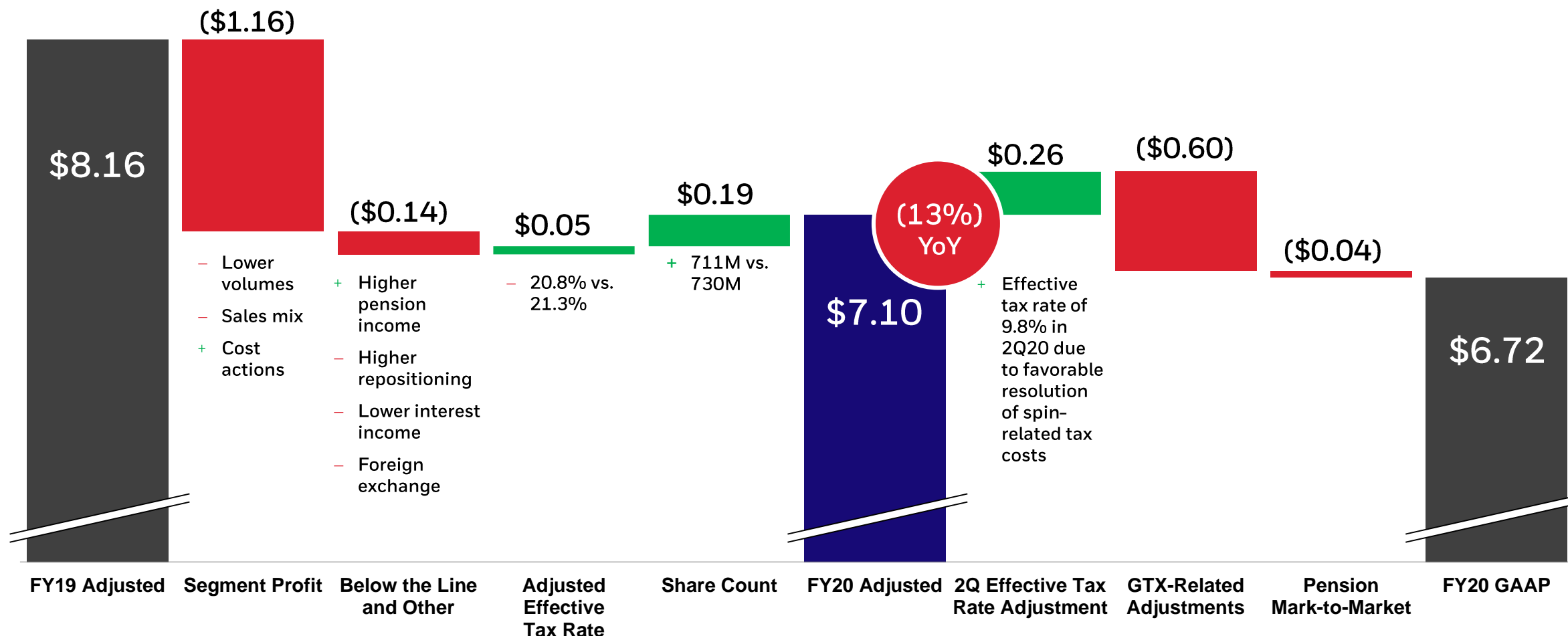
4Q 2020 EARNINGS PER SHARE BRIDGE



Adjusted EPS and adjusted EPS V% exclude 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 transaction, and adjustments to the charges taken in connection with the 4Q17 U.S. tax legislation charge.

4Q20 Adjusted EPS Recovered to 2019 Levels

FY 2020 EARNINGS PER SHARE BRIDGE



Adjusted EPS and adjusted EPS V% exclude 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 transaction, 2Q20 favorable resolution of a foreign tax matter related to the spin-off transactions, and adjustments to the charges taken in connection with the 4Q17 U.S. tax legislation charge.

High-Quality Execution Drove Sequential Margin and EPS Growth Through Downturn

2020 SALES

	4Q Reported	4Q Organic	FY Reported	FY Organic
Aerospace	(19%)	(19%)	(18%)	(18%)
Commercial Aviation Original Equipment	(45%)	(44%)	(36%)	(35%)
Commercial Aviation Aftermarket	(35%)	(35%)	(34%)	(34%)
Defense & Space	11%	11%	9%	10%
Honeywell Building Technologies	(3%)	(4%)	(9%)	(9%)
Products	(1%)	(2%)	(10%)	(10%)
Building Solutions	(5%)	(7%)	(9%)	(8%)
Performance Materials And Technologies	(11%)	(12%)	(13%)	(13%)
UOP	(30%)	(30%)	(25%)	(25%)
Honeywell Process Solutions	(9%)	(10%)	(11%)	(10%)
Advanced Materials	11%	8%	(5%)	(6%)
Safety And Productivity Solutions	28%	27%	6%	6%
Safety	43%	41%	9%	9%
Productivity Solutions and Services	10%	9%	(1%)	0%
Warehouse and Workflow Solutions	37%	36%	14%	14%
Sensing & IoT	(1%)	(2%)	(6%)	(6%)

ADDITIONAL 2021 INPUTS

	2020	2021E	Commentary
Pension / OPEB	\$842M	~\$1,100M	<ul style="list-style-type: none"> Larger asset base from robust 2020 portfolio returns and lower discount rates reducing expenses, resulting in higher pension income; excludes pension mark-to-market
Repositioning	(\$518M)	(\$400M – \$525M)	<ul style="list-style-type: none"> Retain capacity for high-return projects to support cost management and productivity initiatives
Other Below the Line	(\$501M)	(\$680M – \$705M)	<ul style="list-style-type: none"> Asbestos and environmental expenses net of spin reimbursements, net interest, F/X, stock option expense, RSU expense, M&A and other expenses
Total Below the Line	(\$177M)	\$20M – (\$130M)	<ul style="list-style-type: none"> Excludes 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 transaction

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

(\$M)	3Q19	4Q19	1Q20	3Q20	4Q20	2019	2020
Aerospace	\$3,544	\$3,661	\$3,361	\$2,662	\$2,978	\$14,054	\$11,544
Honeywell Building Technologies	1,415	1,463	1,281	1,305	1,426	5,717	5,189
Performance Materials and Technologies	2,670	2,857	2,397	2,252	2,556	10,834	9,423
Safety and Productivity Solutions	1,457	1,515	1,424	1,578	1,940	6,104	6,481
Net sales	\$9,086	\$9,496	\$8,463	\$7,797	\$8,900	\$36,709	\$32,637
Aerospace	\$908	\$954	\$937	\$617	\$822	\$3,607	\$2,904
Honeywell Building Technologies	297	297	262	282	305	1,165	1,099
Performance Materials and Technologies	582	643	512	442	478	2,433	1,851
Safety and Productivity Solutions	195	192	178	219	297	790	907
Corporate	(54)	(54)	(41)	(7)	(23)	(256)	(96)
Segment profit	\$1,928	\$2,032	\$1,848	\$1,553	\$1,879	\$7,739	\$6,665
Stock compensation expense ⁽¹⁾	(37)	(41)	(44)	(40)	(50)	(153)	(168)
Repositioning, Other ^(2,3)	(109)	(259)	(74)	(161)	(111)	(598)	(641)
Pension and other postretirement service costs ⁽⁴⁾	(30)	(37)	(39)	(41)	(42)	(137)	(160)
Operating income	\$1,752	\$1,695	\$1,691	\$1,311	\$1,676	\$6,851	\$5,696
Segment profit	\$1,928	\$2,032	\$1,848	\$1,553	\$1,879	\$7,739	\$6,665
÷ Net sales	\$9,086	\$9,496	\$8,463	\$7,797	\$8,900	\$36,709	\$32,637
Segment profit margin %	21.2%	21.4%	21.8%	19.9%	21.1%	21.1%	20.4%
Operating income	\$1,752	\$1,695	\$1,691	\$1,311	\$1,676	\$6,851	\$5,696
÷ Net sales	\$9,086	\$9,496	\$8,463	\$7,797	\$8,900	\$36,709	\$32,637
Operating income margin %	19.3%	17.8%	20.0%	16.8%	18.8%	18.7%	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 EPS TO ADJUSTED EPS

	4Q19	4Q20	2019	2020
Earnings (loss) per share of common stock - assuming dilution (EPS) ⁽¹⁾	\$2.16	\$1.91	\$8.41	\$6.72
Pension mark-to-market expense ⁽²⁾	0.13	0.05	0.13	0.04
Separation related tax adjustment ⁽³⁾	-	-	-	(0.26)
Impacts from U.S. Tax Reform	(0.23)	-	(0.38)	-
Garrett related adjustment ⁽⁴⁾	-	0.11	-	0.60
Adjusted earnings per share of common stock - assuming dilution	\$2.06	\$2.07	\$8.16	\$7.10

(1) For the three months ended December 31, 2020 and 2019, adjusted earnings per share utilizes weighted average shares of approximately 710.0 million and 722.6 million. For the twelve months ended December 31, 2020 and 2019, adjusted earnings per share utilizes weighted average shares of approximately 711.2 million and 730.3 million.

(2) Pension mark-to-market expense uses a blended tax rate of 25% and 24% for 2020 and 2019.

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

(4) 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.

We believe adjusted earnings per share, excluding spin-off impact, 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. We therefore do not include an estimate for the pension mark-to-market expense. Based on economic and industry conditions, future developments and other relevant factors, these assumptions are subject to change.

RECONCILIATION OF ORGANIC SALES % CHANGE

	3Q20	4Q20	2020
Honeywell			
Reported sales % change	(14%)	(6%)	(11%)
Less: Foreign currency translation	-	1%	-
Less: Acquisitions, divestitures and other, net	-	-	-
Organic sales % change	<u>(14%)</u>	<u>(7%)</u>	<u>(11%)</u>
Aerospace			
Reported sales % change	(25%)	(19%)	(18%)
Less: Foreign currency translation	-	-	-
Less: Acquisitions, divestitures and other, net	-	-	-
Organic sales % change	<u>(25%)</u>	<u>(19%)</u>	<u>(18%)</u>
Honeywell Building Technologies			
Reported sales % change	(8%)	(3%)	(9%)
Less: Foreign currency translation	-	1%	-
Less: Acquisitions, divestitures and other, net	-	-	-
Organic sales % change	<u>(8%)</u>	<u>(4%)</u>	<u>(9%)</u>
Performance Materials and Technologies			
Reported sales % change	(16%)	(11%)	(13%)
Less: Foreign currency translation	-	1%	-
Less: Acquisitions, divestitures and other, net	-	-	-
Organic sales % change	<u>(16%)</u>	<u>(12%)</u>	<u>(13%)</u>
Safety and Productivity Solutions			
Reported sales % change	8%	28%	6%
Less: Foreign currency translation	-	1%	-
Less: Acquisitions, divestitures and other, net	-	-	-
Organic sales % change	<u>8%</u>	<u>27%</u>	<u>6%</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 and net of divestitures. 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 AND CALCULATION OF ADJUSTED FREE CASH FLOW CONVERSION

(\$M)	4Q19	4Q20	2020
Cash provided by operating activities	\$2,614	\$2,782	\$6,208
Expenditures for property, plant and equipment	(335)	(291)	(906)
Free cash flow	2,279	2,491	5,302
Separation cost payments	13	-	-
Adjusted free cash flow	<u>\$2,292</u>	<u>\$2,491</u>	<u>\$5,302</u>
Net income (loss) attributable to Honeywell	\$1,562	\$1,359	\$4,779
Separation related tax adjustment	-	-	(186)
Pension mark-to-market expense	94	33	33
Impacts from U.S. Tax Reform	(167)	-	-
Garrett related adjustment ⁽¹⁾	-	77	427
Adjusted net income attributable to Honeywell	<u>\$1,489</u>	<u>\$1,469</u>	<u>\$5,053</u>
Cash provided by operating activities	\$2,614	\$2,782	\$6,208
÷ Net income (loss) attributable to Honeywell	<u>\$1,562</u>	<u>\$1,359</u>	<u>\$4,779</u>
Operating cash flow conversion	<u>167%</u>	<u>205%</u>	<u>130%</u>
Adjusted free cash flow	\$2,292	\$2,491	\$5,302
÷ Adjusted net income attributable to Honeywell	<u>\$1,489</u>	<u>\$1,469</u>	<u>\$5,053</u>
Adjusted free cash flow conversion %	<u>154%</u>	<u>170%</u>	<u>105%</u>

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

(1) 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.

We believe that this metric 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.

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

(\$M)	2021E(\$B)
Cash provided by operating activities	~\$5.7 - \$6.1
Expenditures for property, plant and equipment	~(1)
Garrett Cash Receipts	0.4
Free cash flow	<u>~\$5.1 - \$5.5</u>

We define free cash flow as cash provided by operating activities less cash expenditures for property, plant and equipment plus Garrett cash receipts. Refer to further details below.

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 as it is dependent on macroeconomic factors, such as interest rates and the return generated on invested pension plan assets.

Should the proposed reorganization plan contemplated in the Plan Support Agreement signed by Centerbridge, Oaktree, Honeywell, Garrett and certain other parties thereto (the "Reorganization Plan") be confirmed by the bankruptcy court, we will revise our definition of free cash flow to include cash payments from Garrett to Honeywell. We believe this revised definition will be useful to investors and management because, under the IRA and TMA, cash reimbursements from Garrett were classified as cash flow from operations, which offset cash payments made by the Company for asbestos and tax related matters. Should the Reorganization Plan be confirmed, the IRA and TMA will terminate, and instead of reimbursements classified as cash flow from operations, Honeywell will receive the cash payment stream contemplated under the Reorganization Plan. However, because the underlying reason for a cash payment stream from Garrett will not have changed, we believe that continuing to include cash payments from Garrett in free cash flow is useful to investors and management for comparability to prior periods.

RECONCILIATION OF SEGMENT PROFIT TO OPERATING INCOME AND CALCULATION OF DECREMENTAL MARGIN

(\$M)	2Q19	3Q19	4Q19	2Q20	3Q20	4Q20
Sales	\$9,243	\$9,086	\$9,496	\$7,477	\$7,797	\$8,900
Segment profit	\$1,970	\$1,928	\$2,032	\$1,385	\$1,553	\$1,879
Stock compensation expense ⁽¹⁾	(34)	(37)	(41)	(34)	(40)	(50)
Repositioning, Other ^(2,3)	(137)	(109)	(259)	(295)	(161)	(111)
Pension and other postretirement service costs ⁽⁴⁾	(37)	(30)	(37)	(38)	(41)	(42)
Operating income	<u>\$1,762</u>	<u>\$1,752</u>	<u>\$1,695</u>	<u>\$1,018</u>	<u>\$1,311</u>	<u>\$1,676</u>
Year-over-year change in Segment Profit				(\$585)	(\$375)	(\$153)
÷ Year-over-year change in Net Sales				<u>(\$1,766)</u>	<u>(\$1,289)</u>	<u>(\$596)</u>
Decremental Margin				<u>33%</u>	<u>29%</u>	<u>26%</u>

(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.

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.

Honeywell