

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

(\$M)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cash provided by operating activities	\$3,517	\$4,335	\$5,080	\$5,519	\$5,498	\$5,966	\$6,434	\$6,897	\$6,208	\$6,038
Expenditures for property, plant and equipment	(884)	(947)	(1,094)	(1,073)	(1,095)	(1,031)	(828)	(839)	(906)	(895)
Garrett cash receipts	-	-	-	-	-	-	-	-	-	586
Free cash flow	2,633	3,388	3,986	4,446	4,403	4,935	5,606	6,058	5,302	5,729
Separation cost payments	-	-	-	-	-	-	424	213	-	-
Adjusted free cash flow	<u>\$2,633</u>	<u>\$3,388</u>	<u>\$3,986</u>	<u>\$4,446</u>	<u>\$4,403</u>	<u>\$4,935</u>	<u>\$6,030</u>	<u>\$6,271</u>	<u>\$5,302</u>	<u>\$5,729</u>
Net income attributable to Honeywell	\$2,926	\$3,922	\$4,262	\$4,771	\$4,812	\$1,545	\$6,765	\$6,143	\$4,779	\$5,542
Pension mark-to-market expense ⁽¹⁾	627	38	179	43	215	67	28	94	33	30
Debt refinancing expense	-	-	-	-	93	-	-	-	-	-
Separation costs, includes net tax impacts	-	-	-	-	-	14	732	-	-	-
U.S. Tax Reform	-	-	-	-	-	3,891	(1,494)	(281)	-	-
Separation related tax adjustment	-	-	-	-	-	-	-	-	(186)	-
Garrett related adjustment ⁽²⁾	-	-	-	-	-	-	-	-	427	7
Gain on Sale of Retail Footwear Business	-	-	-	-	-	-	-	-	-	(76)
Changes in fair value for Garrett equity securities	-	-	-	-	-	-	-	-	-	(19)
UOP Matters	-	-	-	-	-	-	-	-	-	160
Adjusted net income attributable to Honeywell	<u>\$3,553</u>	<u>\$3,960</u>	<u>\$4,441</u>	<u>\$4,814</u>	<u>\$5,120</u>	<u>\$5,517</u>	<u>\$6,031</u>	<u>\$5,956</u>	<u>\$5,053</u>	<u>\$5,644</u>
Cash provided by operating activities	\$3,517	\$4,335	\$5,080	\$5,519	\$5,498	\$5,966	\$6,434	\$6,897	\$6,208	\$6,038
÷ Net income attributable to Honeywell	<u>\$2,926</u>	<u>\$3,922</u>	<u>\$4,262</u>	<u>\$4,771</u>	<u>\$4,812</u>	<u>\$1,545</u>	<u>\$6,765</u>	<u>\$6,143</u>	<u>\$4,779</u>	<u>\$5,542</u>
Operating cash flow conversion	<u>120%</u>	<u>111%</u>	<u>119%</u>	<u>116%</u>	<u>114%</u>	<u>386%</u>	<u>95%</u>	<u>112%</u>	<u>130%</u>	<u>109%</u>
Adjusted free cash flow	\$2,633	\$3,388	\$3,986	\$4,446	\$4,403	\$4,935	\$6,030	\$6,271	\$5,302	\$5,729
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Adjusted free cash flow conversion %	<u>74%</u>	<u>86%</u>	<u>90%</u>	<u>92%</u>	<u>86%</u>	<u>89%</u>	<u>100%</u>	<u>105%</u>	<u>105%</u>	<u>102%</u>
Cash provided by operating activities	\$3,517	\$4,335	\$5,080	\$5,519	\$5,498	\$5,966	\$6,434	\$6,897	\$6,208	\$6,038
÷ Net Sales	<u>\$37,665</u>	<u>\$39,055</u>	<u>\$40,306</u>	<u>\$38,581</u>	<u>\$39,302</u>	<u>\$40,534</u>	<u>\$41,802</u>	<u>\$36,709</u>	<u>\$32,637</u>	<u>\$34,392</u>
Operating cash flow margin %	<u>9%</u>	<u>11%</u>	<u>13%</u>	<u>14%</u>	<u>14%</u>	<u>15%</u>	<u>15%</u>	<u>19%</u>	<u>19%</u>	<u>18%</u>
Adjusted free cash flow	\$2,633	\$3,388	\$3,986	\$4,446	\$4,403	\$4,935	\$6,030	\$6,271	\$5,302	\$5,729
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Adjusted free cash flow margin %	<u>7%</u>	<u>9%</u>	<u>10%</u>	<u>12%</u>	<u>11%</u>	<u>12%</u>	<u>14%</u>	<u>17%</u>	<u>16%</u>	<u>17%</u>

(1) Pension mark-to-market uses a blended tax rate of 35%, 25.5%, 28.1%, 36.1%, 21.3%, 23%, 24%, 24%, 25%, and 25% for 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021, respectively. Debt refinancing expense uses a tax rate of 26.5%.

(2) For the twelve months ended December 31, 2021, the adjustment was \$7 million net of tax due to a non-cash charge associated with a further reduction in value of reimbursement receivables following Garrett's emergence from bankruptcy on April 30, 2021. For the twelve months ended December 31, 2020, adjustment was \$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 define free cash flow as cash provided by operating activities less cash expenditures for property, plant and equipment plus cash receipts from Garrett. We define adjusted free cash flow conversion as adjusted free cash flow divided by adjusted net income attributable to Honeywell. We define adjusted free cash flow margin as adjusted free cash flow divided by net sales.

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