



# Appendix

Reconciliation Of Non-GAAP  
Measures To GAAP Measures

**Honeywell**

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***Appendix***  
***Reconciliation of non-GAAP Measures***  
***to GAAP Measures***

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# Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin

**Honeywell**

(\$B)	2003 <sup>(1)</sup>	2004 <sup>(1)</sup>	2005 <sup>(1)</sup>	2006	2007
Segment Profit	\$2.4	\$2.8	\$3.2	\$4.0	\$4.6
Stock Based Compensation <sup>(2)</sup>	0.0	0.0	0.0	(0.1)	(0.1)
Repositioning and Other <sup>(2, 3)</sup>	(0.2)	(0.7)	(0.4)	(0.5)	(0.5)
Pension Expense-ongoing <sup>(2)</sup>	(0.1)	0.0	0.0	0.0	0.1
Pension Expense-mark to market <sup>(2)</sup>	(0.2)	(0.1)	(0.0)	0.0	0.0
OPEB Income (Expense) <sup>(2)</sup>	(0.2)	(0.2)	(0.1)	(0.1)	(0.2)
Operating Income	<u>\$1.7</u>	<u>\$1.8</u>	<u>\$2.7</u>	<u>\$3.3</u>	<u>\$3.9</u>
Segment Profit	\$2.4	\$2.8	\$3.2	\$4.0	\$4.6
÷ Sales	<u>\$22.1</u>	<u>\$24.5</u>	<u>\$26.5</u>	<u>\$30.3</u>	<u>\$33.5</u>
Segment Profit Margin %	<u>10.6%</u>	<u>11.4%</u>	<u>12.2%</u>	<u>13.1%</u>	<u>13.6%</u>
Operating Income	\$1.7	\$1.8	\$2.7	\$3.3	\$3.9
÷ Sales	<u>\$22.1</u>	<u>\$24.5</u>	<u>\$26.5</u>	<u>\$30.3</u>	<u>\$33.5</u>
Operating Income Margin %	<u>7.9%</u>	<u>7.3%</u>	<u>10.2%</u>	<u>10.9%</u>	<u>11.6%</u>

(1) Stock Based Compensation included in Segment Profit.

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

(3) Includes repositioning, asbestos and environmental expenses.

# Reconciliation of Segment Profit to Operating Income and Calculation of Segment Profit and Operating Income Margin

**Honeywell**

(\$B)	2008	2009	2010	2011	2012E
Segment Profit	\$4.8	\$4.0	\$4.5	\$5.4	\$5.7 - 5.9
Stock Based Compensation <sup>(1)</sup>	(0.1)	(0.1)	(0.2)	(0.2)	~(\$0.2)
Repositioning and Other <sup>(1, 2)</sup>	(1.1)	(0.5)	(0.6)	(0.8)	~(\$0.4)
Pension Expense-ongoing <sup>(1)</sup>	0.1	(0.3)	(0.2)	(0.1)	~(\$0.1)
Pension Expense-mark to market <sup>(1)</sup>	(3.3)	(0.7)	(0.5)	(1.8)	TBD
OPEB Income (Expense) <sup>(1)</sup>	(0.1)	0.0	(0.0)	0.1	~(\$0.1)
Operating Income	<u>\$0.3</u>	<u>\$2.4</u>	<u>\$3.0</u>	<u>\$2.6</u>	<u>\$4.9 - 5.1</u>
Segment Profit	\$4.8	\$4.0	\$4.5	\$5.4	\$5.7 - 5.9
÷ Sales	<u>\$35.5</u>	<u>\$30.0</u>	<u>\$32.4</u>	<u>\$36.5</u>	<u>\$37.8 - 38.9</u>
Segment Profit Margin %	<u>13.5%</u>	<u>13.3%</u>	<u>13.9%</u>	<u>14.7%</u>	<u>15.0 - 15.3%</u>
Operating Income	\$0.3	\$2.4	\$3.0	\$2.6	\$4.9 - 5.1
÷ Sales	<u>\$35.5</u>	<u>\$30.0</u>	<u>\$32.4</u>	<u>\$36.5</u>	<u>\$37.8 - 38.9</u>
Operating Income Margin %	<u>0.8%</u>	<u>7.9%</u>	<u>9.3%</u>	<u>7.0%</u>	<u>13.0 - 13.3%</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 (beginning 1/1/2008).

## Reconciliation of EPS to EPS, Excluding Mark-to-Market Pension Adjustment (Proforma)

**Honeywell**

	<u>2002</u> <sup>(1)</sup>
EPS, Previously Reported	(\$0.31)
Effect of Pension Accounting Change	(1.95)
EPS	(\$2.26)
Mark-To-Market Pension Adjustment	1.87
Asbestos Related Litigation Charges, net of tax	1.23
Business Impairment Charges, net of tax	0.69
Repositioning Charges, net of tax	0.48
EPS, Excluding Mark-to Market Pension Adjustment (Proforma)	<u>\$2.01</u>

(1) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a tax rate of 38% for 2002.

# Reconciliation of EPS to EPS, Excluding Mark-to-Market Pension Adjustment (Proforma)

**Honeywell**

	<u>2003</u> <sup>(1)</sup>	<u>2011</u> <sup>(1)</sup>
EPS	\$1.39	\$2.61
Mark-To-Market Pension Adjustment	0.12	1.44
EPS, Excluding Mark-to Market Pension Adjustment (Proforma)	<u>\$1.51</u>	<u>\$4.05</u>

(1) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a tax rate of 33.5% and 36.9% for 2003 and 2011, respectively.

# Reconciliation of Free Cash Flow, Prior to U.S. Pension Cash Contributions, to Cash Provided By Operating Activities and Calculation of Cash Flow Conversion Honeywell

(\$B)	<u>2002</u>	<u>2003</u>	<u>2011</u>
Cash Provided by Operating Activities	\$2.4	\$2.2	\$2.8
Expenditures for Property, Plant and Equipment	<u>(0.7)</u>	<u>(0.7)</u>	<u>(0.8)</u>
Free Cash Flow	\$1.7	\$1.5	\$2.0
US Pension Cash Contributions	<u>0.1</u>	<u>0.7</u>	<u>1.7</u>
Free Cash Flow, prior to U.S. Pension Cash Contributions	\$1.8	\$2.2	\$3.7
Net Income Attributable to Honeywell	(\$1.8)	\$1.2	\$2.1
Mark-to-Market pension adjustment, net of tax <sup>(1)</sup>	<u>1.5</u>	<u>0.1</u>	<u>1.1</u>
Net Income Attributable to Honeywell Excluding Mark-to-Market Pension Adjustment (Proforma)	(\$0.3)	\$1.3	\$3.2
Cash Provided by Operating Activities	\$2.4	\$2.2	\$2.8
÷ Net Income Attributable to Honeywell	<u>(1.8)</u>	<u>1.2</u>	<u>2.1</u>
Operating Cash Flow Conversion %	<u>N/A</u>	<u>183%</u>	<u>137%</u>
Free Cash Flow, prior to U.S. Pension Cash Contributions	\$1.8	\$2.2	\$3.7
÷ Net Income Attributable to Honeywell Excluding Mark-to-Market Pension Adjustment (Proforma)	<u>(\$0.3)</u>	<u>\$1.3</u>	<u>\$3.2</u>
Free Cash Flow Conversion % <sup>(2)</sup>	<u>N/A</u>	<u>170%</u>	<u>115%</u>

(1) Mark-to-market uses a tax rate of 38%, 33.5% and 36.9% for 2002, 2003 and 2011, respectively.

(2) Reflects Free Cash Flow prior to U.S. pension cash contributions and net income excluding the impact of mark-to-market pension adjustment.

## Discontinued Operations Reconciliation

**Honeywell**

<i>(\$B)</i>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Sales - Total Honeywell	\$22.3	\$23.1	\$25.6	\$27.7	\$31.4
Sales - CPG	1.0	1.0	1.1	1.2	1.1
Sales - Continuing Operations	<u>\$21.3</u>	<u>\$22.1</u>	<u>\$24.5</u>	<u>\$26.5</u>	<u>\$30.3</u>



## Calculation Methodology

- **Dividend Yield**  
= Annualized Dividend per Share (Last Announced) ÷ 2/29/2012 Closing Stock Price
- **FCF Multiple**  
= 2/29/2012 Market Capitalization at Closing ÷ 2011 FCF\*
- **ROIC**  
= Net Income Before Interest\*\* ÷ Net Investment (2-Point Average)
  - ◆ Net Income Before Interest = Net Income Attributable to Honeywell (or Peer) + After-Tax Interest
  - ◆ Net Investment = Book Value of Equity + Total Debt
- **P/E Ratio (2012)**  
= 2/29/2012 Closing Stock Price ÷ 2012 Consensus Estimate EPS
- **PEG Ratio**  
= 2012 P/E ÷ Analysis for Consensus Five Year EPS Growth Rate

## Eight Industry Peers

- COL, DHR, EMR, GE, ITW, MMM, TYC, UTX

*\*HON FCF Prior to U.S. Cash Pension Contributions; \*\*HON Reflects Proforma Excluding Mark-to-Market Pension Adjustment*