

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

(\$M)	2014	2015	2016	2017	2018	2019
Cash provided by operating activities	\$5,080	\$5,519	\$5,498	\$5,966	\$6,434	\$6,897
Expenditures for property, plant and equipment	(1,094)	(1,073)	(1,095)	(1,031)	(828)	(839)
Free cash flow	3,986	4,446	4,403	4,935	5,606	6,058
Separation cost payments	-	-	-	-	424	213
Adjusted free cash flow	<u>\$3,986</u>	<u>\$4,446</u>	<u>\$4,403</u>	<u>\$4,935</u>	<u>\$6,030</u>	<u>\$6,271</u>
Net income attributable to Honeywell	\$4,262	\$4,771	\$4,812	\$1,545	\$6,765	\$6,143
Pension mark-to-market expense ⁽¹⁾	179	43	215	67	28	94
Debt refinancing expense ⁽¹⁾	-	-	93	-	-	-
Separation costs, includes net tax impacts	-	-	-	14	732	-
U.S. Tax Reform	-	-	-	3,891	(1,494)	(281)
Adjusted net income attributable to Honeywell	<u>\$4,441</u>	<u>\$4,814</u>	<u>\$5,120</u>	<u>\$5,517</u>	<u>\$6,031</u>	<u>\$5,956</u>
Cash provided by operating activities	\$5,080	\$5,519	\$5,498	\$5,966	\$6,434	\$6,897
÷ Net income attributable to Honeywell	\$4,262	\$4,771	\$4,812	\$1,545	\$6,765	\$6,143
Operating cash flow conversion	<u>119%</u>	<u>116%</u>	<u>114%</u>	<u>386%</u>	<u>95%</u>	<u>112%</u>
Adjusted free cash flow	\$3,986	\$4,446	\$4,403	\$4,935	\$6,030	\$6,271
÷ Adjusted net income attributable to Honeywell	\$4,441	\$4,814	\$5,120	\$5,517	\$6,031	\$5,956
Adjusted free cash flow conversion %	<u>90%</u>	<u>92%</u>	<u>86%</u>	<u>89%</u>	<u>100%</u>	<u>105%</u>

(1) Pension mark-to-market uses a blended tax rate of 28.1%, 36.1%, 21.3%, 23%, 24%, and 24%. Debt refinancing expense uses a tax rate of 26.5%.

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.