

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 | 2020 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash provided by operating activities | \$5,080 | \$5,519 | \$5,498 | \$5,966 | \$6,434 | \$6,897 | \$6,208 |
| Expenditures for property, plant and equipment | (1,094) | (1,073) | (1,095) | (1,031) | (828) | (839) | (906) |
| Free cash flow | 3,986 | 4,446 | 4,403 | 4,935 | 5,606 | 6,058 | 5,302 |
| 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> | <u>\$5,302</u> |
| Net income attributable to Honeywell | \$4,262 | \$4,771 | \$4,812 | \$1,545 | \$6,765 | \$6,143 | \$4,779 |
| Pension mark-to-market expense ⁽¹⁾ | 179 | 43 | 215 | 67 | 28 | 94 | 33 |
| 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) |
| Reimbursement Receivable Charge ⁽²⁾ | - | - | - | - | - | - | 427 |
| 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> | <u>\$5,053</u> |
| Cash provided by operating activities | \$5,080 | \$5,519 | \$5,498 | \$5,966 | \$6,434 | \$6,897 | \$6,208 |
| ÷ Net income attributable to Honeywell | <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> |
| Operating cash flow conversion | <u>119%</u> | <u>116%</u> | <u>114%</u> | <u>386%</u> | <u>95%</u> | <u>112%</u> | <u>130%</u> |
| Adjusted free cash flow | \$3,986 | \$4,446 | \$4,403 | \$4,935 | \$6,030 | \$6,271 | \$5,302 |
| ÷ 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> | <u>\$5,053</u> |
| Adjusted free cash flow conversion % | <u>90%</u> | <u>92%</u> | <u>86%</u> | <u>89%</u> | <u>100%</u> | <u>105%</u> | <u>105%</u> |

(1) Pension mark-to-market uses a blended tax rate of 28.1%, 36.1%, 21.3%, 23%, 24%, 24% and 25%. Debt refinancing expense uses a tax rate of 26.5%.

(2) For the twelve months ended December 31, 2020, adjustments were \$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.

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.