

United States  
Securities and Exchange Commission  
Washington, D.C. 20549

**Form 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-8974

**Honeywell International Inc.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

22-2640650

(I.R.S. Employer  
Identification No.)

115 Tabor Road  
Morris Plains, New Jersey

(Address of principal executive offices)

07950

(Zip Code)

(973) 455-2000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year,  
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-Accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 742,610,527 shares of Common Stock outstanding at June 30, 2018.

**Honeywell International Inc.**  
**Index**

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Cautionary Statement about Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are those that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future. They are based on management’s assumptions and assessments in the light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements, including with respect to any changes in or abandonment of the proposed spin-offs. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near- and long-term. These forward-looking statements should be considered in the light of the information included in this report and our other filings with the Securities and Exchange Commission, including, without limitation, the Risk Factors, as well as the description of trends and other factors in Management’s Discussion and Analysis of Financial Condition and Results of Operations, set forth in our 2017 Annual Report on Form 10-K.

## PART I. FINANCIAL INFORMATION

The financial statements and related footnotes as of June 30, 2018 should be read in conjunction with the financial statements for the year ended December 31, 2017 contained in our 2017 Annual Report on Form 10-K.

ITEM 1. FINANCIAL STATEMENTS

**Honeywell International Inc.**  
**Consolidated Statement of Operations**  
**(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions, except per share amounts)			
Product sales	\$ 8,703	\$ 8,079	\$ 16,937	\$ 15,619
Service sales	2,216	1,999	4,374	3,951
Net sales	<u>10,919</u>	<u>10,078</u>	<u>21,311</u>	<u>19,570</u>
Costs, expenses and other				
Cost of products sold	6,202	5,807	12,107	11,188
Cost of services sold	1,411	1,217	2,699	2,365
	<u>7,613</u>	<u>7,024</u>	<u>14,806</u>	<u>13,553</u>
Selling, general and administrative expenses	1,528	1,456	3,003	2,878
Other (income) expense	(316)	(259)	(584)	(517)
Interest and other financial charges	95	79	178	154
	<u>8,920</u>	<u>8,300</u>	<u>17,403</u>	<u>16,068</u>
Income before taxes	1,999	1,778	3,908	3,502
Tax expense	719	378	1,177	770
Net income	<u>1,280</u>	<u>1,400</u>	<u>2,731</u>	<u>2,732</u>
Less: Net income attributable to the noncontrolling interest	13	8	26	14
Net income attributable to Honeywell	<u>\$ 1,267</u>	<u>\$ 1,392</u>	<u>\$ 2,705</u>	<u>\$ 2,718</u>
Earnings per share of common stock - basic	<u>\$ 1.70</u>	<u>\$ 1.82</u>	<u>\$ 3.62</u>	<u>\$ 3.56</u>
Earnings per share of common stock - assuming dilution	<u>\$ 1.68</u>	<u>\$ 1.80</u>	<u>\$ 3.57</u>	<u>\$ 3.51</u>
Cash dividends per share of common stock	<u>\$ 0.7450</u>	<u>\$ 0.6650</u>	<u>\$ 1.4900</u>	<u>\$ 1.3300</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**Honeywell International Inc.**  
**Consolidated Statement of Comprehensive Income**  
**(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Net income	\$ 1,280	\$ 1,400	\$ 2,731	\$ 2,732
Other comprehensive income (loss), net of tax				
Foreign exchange translation adjustment	(79)	(192)	12	56
Prior service credit (cost)	-	-	-	(46)
Actuarial (gains) losses recognized	3	3	5	5
Prior service (credit) cost recognized	(19)	(16)	(37)	(32)
Pension and other postretirement benefits adjustments	(16)	(13)	(32)	(73)
Effective portion of cash flow hedges recognized in other comprehensive income (loss)	34	(49)	2	(62)
Less: Reclassification adjustment for gains (losses) included in net income	(13)	21	(31)	44
Changes in fair value of effective cash flow hedges	47	(70)	33	(106)
Other comprehensive income (loss), net of tax	(48)	(275)	13	(123)
Comprehensive income	1,232	1,125	2,744	2,609
Less: Comprehensive income attributable to the noncontrolling interest	5	9	23	18
Comprehensive income attributable to Honeywell	<u>\$ 1,227</u>	<u>\$ 1,116</u>	<u>\$ 2,721</u>	<u>\$ 2,591</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**Honeywell International Inc.**  
**Consolidated Balance Sheet**  
(Unaudited)

	<u>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
(Dollars in millions)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 8,082	\$ 7,059
Short-term investments	1,768	3,758
Accounts receivable - net	8,600	8,866
Inventories	4,792	4,613
Other current assets	1,537	1,706
Total current assets	<u>24,779</u>	<u>26,002</u>
Investments and long-term receivables	897	667
Property, plant and equipment - net	5,968	5,926
Goodwill	18,137	18,277
Other intangible assets - net	4,261	4,496
Insurance recoveries for asbestos related liabilities	409	411
Deferred income taxes	355	236
Other assets	5,054	3,372
Total assets	<u>\$ 59,860</u>	<u>\$ 59,387</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 6,808	\$ 6,584
Commercial paper and other short-term borrowings	4,447	3,958
Current maturities of long-term debt	133	1,351
Accrued liabilities	6,630	6,968
Total current liabilities	<u>18,018</u>	<u>18,861</u>
Long-term debt	12,504	12,573
Deferred income taxes	2,751	2,894
Postretirement benefit obligations other than pensions	497	512
Asbestos related liabilities	1,178	1,173
Other liabilities	7,134	5,930
Redeemable noncontrolling interest	5	5
<b>SHAREOWNERS' EQUITY</b>		
Capital - common stock issued	958	958
- additional paid-in capital	6,317	6,212
Common stock held in treasury, at cost	(17,557)	(15,914)
Accumulated other comprehensive loss	(2,222)	(2,235)
Retained earnings	30,104	28,255
Total Honeywell shareowners' equity	<u>17,600</u>	<u>17,276</u>
Noncontrolling interest	173	163
Total shareowners' equity	<u>17,773</u>	<u>17,439</u>
Total liabilities, redeemable noncontrolling interest and shareowners' equity	<u>\$ 59,860</u>	<u>\$ 59,387</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**Honeywell International Inc.**  
**Consolidated Statement of Cash Flows**  
**(Unaudited)**

	Six Months Ended June 30,	
	2018	2017
(Dollars in millions)		
<b>Cash flows from operating activities:</b>		
Net income	\$ 2,731	\$ 2,732
Less: Net income attributable to the noncontrolling interest	26	14
Net income attributable to Honeywell	2,705	2,718
Adjustments to reconcile net income attributable to Honeywell to net cash provided by operating activities:		
Depreciation	372	354
Amortization	204	193
Repositioning and other charges	458	353
Net payments for repositioning and other charges	(328)	(264)
Pension and other postretirement income	(510)	(373)
Pension and other postretirement benefit payments	(44)	(47)
Stock compensation expense	90	94
Deferred income taxes	114	(92)
Other	78	(8)
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts receivable	97	(276)
Inventories	(189)	(298)
Other current assets	174	(3)
Accounts payable	224	314
Accrued liabilities	(448)	(278)
Net cash provided by operating activities	<u>2,997</u>	<u>2,387</u>
<b>Cash flows from investing activities:</b>		
Expenditures for property, plant and equipment	(339)	(401)
Proceeds from disposals of property, plant and equipment	3	25
Increase in investments	(1,787)	(2,329)
Decrease in investments	3,508	1,841
Cash paid for acquisitions, net of cash acquired	-	(15)
Other	220	(113)
Net cash provided by (used for) investing activities	<u>1,605</u>	<u>(92)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of commercial paper and other short-term borrowings	12,749	5,036
Payments of commercial paper and other short-term borrowings	(12,152)	(4,835)
Proceeds from issuance of common stock	127	376
Proceeds from issuance of long-term debt	5	16
Payments of long-term debt	(1,277)	(30)
Repurchases of common stock	(1,704)	(92)
Cash dividends paid	(1,116)	(1,049)
Other	(118)	(105)
Net cash used for financing activities	<u>(3,486)</u>	<u>(1,583)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>(93)</u>	<u>222</u>
Net increase in cash and cash equivalents	1,023	34
Cash and cash equivalents at beginning of period	7,059	7,843
Cash and cash equivalents at end of period	<u>\$ 8,082</u>	<u>\$ 7,877</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**Honeywell International Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**(Dollars in millions, except per share amounts)**

**Note 1. Basis of Presentation**

In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of Honeywell International Inc. and its consolidated subsidiaries ("Honeywell" or "the Company") at June 30, 2018 and December 31, 2017, the results of cash flows for the six months ended June 30, 2018 and 2017 and the results of operations for the three and six months ended June 30, 2018 and 2017. The results of operations for the three and six months ended June 30, 2018 and cash flows for the six months ended June 30, 2018 should not necessarily be taken as indicative of the entire year.

We report our quarterly financial information using a calendar convention; the first, second and third quarters are consistently reported as ending on March 31, June 30 and September 30. It has been our practice to establish actual quarterly closing dates using a predetermined fiscal calendar, which requires our businesses to close their books on a Saturday in order to minimize the potentially disruptive effects of quarterly closing on our business processes. The effects of this practice are generally not significant to reported results for any quarter and only exist within a reporting year. In the event that differences in actual closing dates are material to year-over-year comparisons of quarterly or year-to-date results, we will provide appropriate disclosures. Our actual closing dates for the three and six months ended June 30, 2018 and 2017 were June 30, 2018 and July 1, 2017.

**Note 2. Summary of Significant Accounting Policies**

The accounting policies of the Company are set forth in Note 1 to Consolidated Financial Statements contained in the Company's 2017 Annual Report on Form 10-K. We include herein certain updates to those policies.

**Reclassifications** – Certain prior year amounts have been reclassified to conform to the current year presentation.

**Sales Recognition**—Product and service sales are recognized when or as we transfer control of the promised products or services to our customer. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Service sales, principally representing repair, maintenance and engineering activities are recognized over the contractual period or as services are rendered. Sales under long-term contracts with performance obligations satisfied over time are recognized using either an input or output method. We recognize revenue over time as we perform on these contracts because of the continuous transfer of control to the customer. With control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. We generally use the cost-to-cost input method of progress for our contracts because it best depicts the transfer of control to the customer that occurs as we incur costs. Under the cost-to-cost method, the extent of progress towards completion is measured based on the proportion of costs incurred to date to the total estimated costs at completion of the performance obligation. Provisions for anticipated losses on long-term contracts are recorded in full when such losses become evident, to the extent required.

The customer funding for costs incurred for nonrecurring engineering and development activities of our products under agreements with commercial customers is deferred and subsequently recognized as revenue as products are delivered to the customers. Additionally, expenses incurred, up to the customer agreed funded amount, are deferred as an asset and recognized as cost of sales when products are delivered to the customer. The deferred customer funding and costs result in recognition of deferred costs (asset) and deferred revenue (liability) on our Consolidated Balance Sheet.

Revenues for our mechanical service programs are recognized as performance obligations are satisfied over time, with recognition reflecting a series of distinct services using the output method.

**Honeywell International Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**(Dollars in millions, except per share amounts)**

The terms of a contract or the historical business practice can give rise to variable consideration due to, but not limited to, cash-based incentives, rebates, performance awards, or credits. We estimate variable consideration at the most likely amount we will receive from customers. We include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized for such transaction will not occur, or when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us.

**Aerospace Sales Incentives**— We provide sales incentives to commercial aircraft manufacturers and airlines in connection with their selection of our aircraft equipment, predominately wheel and braking system hardware, avionics, and auxiliary power units, for installation on commercial aircraft. These incentives consist of free or deeply discounted products, credits for future purchases of product or upfront cash payments. These costs are generally recognized in the period incurred as cost of products sold or as a reduction to relevant sales, as appropriate.

**Pension Benefits**—On January 1, 2018, we retrospectively adopted the new accounting guidance on presentation of net periodic pension costs. That guidance requires that we disaggregate the service cost component of net benefit costs and report those costs in the same line item or items in the Consolidated Statement of Operations as other compensation costs arising from services rendered by the pertinent employees during the period. The other non-service components of net benefit costs are required to be presented separately from the service cost component.

Following the adoption of this guidance, we continue to record the service cost component of Pension ongoing (income) expense in Costs of products and services sold and Selling, general and administrative expenses. The remaining components of net benefit costs within Pension ongoing (income) expense, primarily interest costs and assumed return on plan assets, are now recorded in Other (income) expense. We will continue to recognize net actuarial gains or losses in excess of 10% of the greater of the fair value of plan assets or the plans' projected benefit obligation (the corridor) annually in the fourth quarter each year (MTM Adjustment). The MTM Adjustment will also be reported in Other (income) expense.

**Recent Accounting Pronouncements**

We consider the applicability and impact of all Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board (FASB). ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated result of operations, financial position and cash flows (Consolidated Financial Statements).

In February 2016, the FASB issued guidance on accounting for leases which requires lessees to recognize most leases on their balance sheets for the rights and obligations created by those leases. The guidance requires enhanced disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases that will be effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. We expect to adopt the requirements of the new standard effective January 1, 2019. The guidance requires the use of a modified retrospective approach. We are currently evaluating our lease portfolio to assess the impact to the Consolidated Financial Statements. We are in the process of implementing processes and information technology tools to assist in our ongoing lease data collection and analysis, and evaluating our accounting policies and internal controls that would be impacted by the new guidance, to ensure readiness for adoption in the first quarter of 2019.



**Honeywell International Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**(Dollars in millions, except per share amounts)**

In August 2017, the FASB issued amendments to hedge accounting guidance. These amendments are intended to better align a company's risk management strategies and financial reporting for hedging relationships. Under the new guidance, more hedging strategies will be eligible for hedge accounting and the application of hedge accounting is simplified. In addition, the new guidance amends presentation and disclosure requirements. The guidance is effective for fiscal years beginning after December 15, 2018 with early adoption permitted, including for interim periods within those years. The Company does not expect the adoption of this ASU to have a material impact on its Consolidated Financial Statements.

In February 2018, the FASB issued guidance that allows for an entity to elect to reclassify the income tax effects on items within accumulated other comprehensive income resulting from U.S. tax reform to retained earnings. The guidance is effective for fiscal years beginning after December 15, 2018 with early adoption permitted, including interim periods within those years. We are currently evaluating the impact of this standard on our Consolidated Financial Statements and whether we will make the allowed election.

**Note 3. Repositioning and Other Charges**

A summary of repositioning and other charges follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Severance	\$ 30	\$ 82	\$ 61	\$ 102
Asset impairments	1	33	48	35
Exit costs	32	8	40	9
Reserve adjustments	(2)	(6)	(3)	-
Total net repositioning charge	61	117	146	146
Asbestos related litigation charges, net of insurance	48	52	99	102
Probable and reasonably estimable environmental liabilities	127	55	184	105
Other	29	-	29	-
Total net repositioning and other charges	\$ 265	\$ 224	\$ 458	\$ 353

The following table summarizes the pretax distribution of total net repositioning and other charges by income statement classification:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Cost of products and services sold	\$ 215	\$ 174	\$ 345	\$ 310
Selling, general and administrative expenses	50	24	72	17
Other (income) expense	-	26	41	26
	\$ 265	\$ 224	\$ 458	\$ 353

**Honeywell International Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**(Dollars in millions, except per share amounts)**

The following table summarizes the pretax impact of total net repositioning and other charges by segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Aerospace	\$ 34	\$ 84	\$ 104	\$ 157
Home and Building Technologies	9	43	13	42
Performance Materials and Technologies	69	(1)	73	2
Safety and Productivity Solutions	6	4	13	-
Corporate	147	94	255	152
	<u>\$ 265</u>	<u>\$ 224</u>	<u>\$ 458</u>	<u>\$ 353</u>

In the quarter ended June 30, 2018, we recognized gross repositioning charges totaling \$63 million including severance costs of \$30 million related to workforce reductions of 731 manufacturing and administrative positions across our segments, except Aerospace. The workforce reductions were primarily related to cost savings actions taken in connection with our productivity and ongoing functional transformation initiatives. The repositioning charges included exit costs of \$32 million primarily related to a termination fee associated with the early cancellation of a supply agreement for certain raw materials in Performance Materials and Technologies.

In the quarter ended June 30, 2017, we recognized gross repositioning charges totaling \$123 million including severance costs of \$82 million related to workforce reductions of 1,902 manufacturing and administrative positions mainly in Home and Building Technologies and Aerospace. The workforce reductions were primarily related to cost savings actions taken in connection with our productivity and ongoing functional transformation initiatives and with site transitions, mainly in Aerospace, to more cost-effective locations. The repositioning charges included asset impairments of \$33 million primarily related to the write-down of a legacy property in our Corporate segment in connection with its planned disposition.

In the six months ended June 30, 2018, we recognized gross repositioning charges totaling \$149 million including severance costs of \$61 million related to workforce reductions of 1,884 manufacturing and administrative positions across our segments. The workforce reductions were primarily related to site transitions, mainly in Aerospace and Safety and Productivity Solutions, to more cost-effective locations and to cost savings actions taken in connection with our productivity and ongoing functional transformation initiatives. The repositioning charges included asset impairments of \$48 million primarily related to the write-down of a legacy property in our Corporate segment in connection with its planned disposition. The repositioning charges included exit costs of \$40 million primarily related to a termination fee associated with the early cancellation of a supply agreement for certain raw materials in Performance Materials and Technologies.

In the six months ended June 30, 2017, we recognized gross repositioning charges totaling \$146 million including severance costs of \$102 million related to workforce reductions of 2,524 manufacturing and administrative positions across our segments. The workforce reductions were primarily related to cost savings actions taken in connection with our productivity and ongoing functional transformation initiatives and with site transitions, mainly in Aerospace, to more cost-effective locations. The repositioning charges included asset impairments of \$35 million primarily related to the write-down of a legacy property in our Corporate segment in connection with its planned disposition.

**Honeywell International Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**(Dollars in millions, except per share amounts)**

The following table summarizes the status of our total repositioning reserves:

	Severance Costs	Asset Impairments	Exit Costs	Total
December 31, 2017	\$ 442	\$ -	\$ 71	\$ 513
Charges	61	48	40	149
Usage - cash	(123)	-	(43)	(166)
Usage - noncash	-	(49)	-	(49)
Foreign currency translation	(4)	-	-	(4)
Adjustments	(4)	1	-	(3)
June 30, 2018	<u>\$ 372</u>	<u>\$ -</u>	<u>\$ 68</u>	<u>\$ 440</u>

Certain repositioning projects in 2018 and 2017 included exit or disposal activities, the costs related to which will be recognized in future periods when the actual liability is incurred. Such exit and disposal costs are not expected to be significant.

In both the quarter and six months ended June 30, 2018, the other charge of \$29 million relates to reserves taken due to the required wind-down of our activities in Iran.

**Note 4. Other (Income) Expense**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income	\$ (49)	\$ (36)	\$ (99)	\$ (67)
Pension ongoing income – non-service	(301)	(243)	(605)	(485)
Other postretirement income – non-service	(6)	(6)	(12)	(10)
Equity income of affiliated companies	(13)	(11)	(24)	(17)
Foreign exchange	(11)	4	(12)	24
Separation costs	63	-	118	-
Other (net)	1	33	50	38
	<u>\$ (316)</u>	<u>\$ (259)</u>	<u>\$ (584)</u>	<u>\$ (517)</u>

Separation costs are associated with our previously announced spin-offs of our Homes and Global Distribution business and Transportation Systems business, and are primarily associated with third party services.

For the six months ended June 30, 2018 and three and six months ended June 30, 2017, Other (net) includes asset impairments in our Corporate segment related to the write-down of a legacy property in connection with its planned disposition. Refer to Note 3 *Repositioning and Other Charges* for further details.

**Note 5. Income Taxes**

The effective tax rate increased for the quarter primarily driven by \$291 million of tax costs associated with the internal restructuring of the transportation systems business in advance of its anticipated spin-off and decreased tax benefits from employee share-based payments, partially offset by tax benefits from U.S. Tax Reform.

The effective tax rate increased for the six months primarily driven by \$291 million of tax costs associated with the internal restructuring of the transportation systems business in advance of its anticipated spin-off and decreased tax benefits from employee share-based payments, partially offset by tax benefits from U.S. Tax Reform and decreased tax expense for reserves.

**Honeywell International Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**(Dollars in millions, except per share amounts)**

The effective tax rate for the quarter and six months ended June 30, 2018 was higher than the U.S. federal statutory rate of 21% primarily from tax costs associated with the internal restructuring of the transportation systems business in advance of its anticipated spin-off, state income taxes and U.S tax reform's expansion of the anti-deferral rules that impose U.S. taxes on foreign earnings.

On December 22, 2017, the U.S. government enacted tax legislation that included changes to the taxation of foreign earnings by implementing a dividend exemption system, expansion of the current anti-deferral rules, a minimum tax on low-taxed foreign earnings and new measures to deter base erosion. The tax legislation also included a permanent reduction in the corporate tax rate to 21%, repeal of the corporate alternative minimum tax, expensing of capital investment, and limitation of the deduction for interest expense. Furthermore, as part of the transition to the new tax system, a one-time transition tax was imposed on a U.S. shareholder's historical undistributed earnings of foreign affiliates.

As described in Note 5 *Income Taxes* in our 2017 Annual Report on Form 10-K, we were able to reasonably estimate certain effects of the tax legislation and, therefore, recorded provisional amounts, including the deemed repatriation transition tax. The Company has not finalized the accounting for the tax effects of the tax legislation and for the six months ended June 30, 2018, we have not made any material measurement period adjustments related to the provisional amounts. However, we continue to gather additional information and expect to complete our accounting within the prescribed measurement period.

**Note 6. Earnings Per Share**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Basic</b>				
Net income attributable to Honeywell	\$ 1,267	\$ 1,392	\$ 2,705	\$ 2,718
Weighted average shares outstanding	745.5	764.2	748.0	763.6
Earnings per share of common stock	\$ 1.70	\$ 1.82	\$ 3.62	\$ 3.56
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Assuming Dilution</b>				
Net income attributable to Honeywell	\$ 1,267	\$ 1,392	\$ 2,705	\$ 2,718
<b>Average Shares</b>				
Weighted average shares outstanding	745.5	764.2	748.0	763.6
Dilutive securities issuable - stock plans	9.5	9.8	10.0	10.4
Total weighted average shares outstanding	755.0	774.0	758.0	774.0
Earnings per share of common stock	\$ 1.68	\$ 1.80	\$ 3.57	\$ 3.51

The diluted earnings per share calculations exclude the effect of stock options when the options' assumed proceeds exceed the average market price of the common shares during the period. For the three and six months ended June 30, 2018, the weighted average number of stock options excluded from the computations were 3.1 million and 2.1 million. For the three and six months ended June 30, 2017, the weighted average number of stock options excluded from the computations were 5.0 million and 3.5 million. These stock options were outstanding at the end of each period.

As of June 30, 2018 and 2017, total shares outstanding were 742.6 million and 760.6 million and as of June 30, 2018 and 2017, total shares issued were 957.6 million.

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**Note 7. Revenue Recognition and Contracts with Customers**

**Adoption**

On January 1, 2018, the Company adopted new guidance on revenue from contracts with customers using the modified retrospective method applied to contracts that were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance.

We recorded a net decrease to opening retained earnings of \$75 million as of January 1, 2018, for the cumulative impact of adopting the new guidance. The impact primarily related to the change in accounting for mechanical service programs (change from input to output method, resulting in unbilled receivables (within Accounts receivable – net) and deferred revenue (within Accrued liabilities) being eliminated through Retained earnings) and for customer funding and the related costs incurred for nonrecurring engineering and development activities (deferral of revenues and related incurred costs until products are delivered to customers, resulting in increases in both deferred costs (assets) and deferred revenue (liability) by approximately \$1.1 billion at adoption).

	Balance at December 31, 2017	New Revenue Standard Adjustment	Balance at January 1, 2018
<b>ASSETS</b>			
Current assets:			
Accounts receivable - net	\$ 8,866	\$ (149)	\$ 8,717
Inventories	4,613	(10)	4,603
Deferred income taxes	236	40	276
Other assets	3,372	1,082	4,454
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	6,584	(48)	6,536
Deferred income taxes	2,894	1	2,895
Other liabilities	5,930	1,084	7,014
<b>SHAREOWNERS' EQUITY</b>			
Retained earnings	28,255	(75)	28,180
Noncontrolling interest	\$ 163	\$ 1	\$ 164

Under the modified retrospective method of adoption, we are required to disclose the impact to revenues had we continued to follow our accounting policies under the previous revenue recognition guidance. We estimate that the impact to revenues for the quarter and six months ended June 30, 2018 would have been a decrease of approximately \$75 million and \$195 million, which is primarily due to the net impact of the classification change and deferral impact of nonrecurring engineering and development activities, and the net impact from service programs with certain amounts being recognized that would have previously been deferred, and certain amount being deferred that would have previously been recognized.

Refer to Note 2 *Summary of Significant Accounting Policies* for a summary of our significant policies for revenue recognition.

**Disaggregated Revenue**

Honeywell has a comprehensive offering of products and services, including software and technologies, that are sold to a variety of customers in multiple end markets. See the following table and related discussions by operating segment for details.

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	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
<b><u>Aerospace</u></b>		
Commercial Aviation Original Equipment	\$ 712	\$ 1,407
Commercial Aviation Aftermarket	1,326	2,594
Defense Services	1,128	2,214
Transportation Systems	892	1,820
	<u>4,058</u>	<u>8,035</u>
<b><u>Home and Building Technologies</u></b>		
Products and Software	514	1,033
Distribution (ADI)	676	1,314
Connected Buildings	222	431
Building Solutions	602	1,164
Building Products	532	1,037
	<u>2,546</u>	<u>4,979</u>
<b><u>Performance Materials and Technologies</u></b>		
UOP	678	1,290
Process Solutions	957	1,851
Smart Energy	316	636
Specialty Products	291	568
Fluorine Products	456	887
	<u>2,698</u>	<u>5,232</u>
<b><u>Safety and Productivity Solutions</u></b>		
Safety and Retail	565	1,116
Productivity Products	359	688
Warehouse and Workflow Solutions	469	836
Sensing & Internet-of-Things (IoT)	224	425
	<u>1,617</u>	<u>3,065</u>
<b>Net sales</b>	<b><u>\$ 10,919</u></b>	<b><u>\$ 21,311</u></b>

Aerospace – A global supplier of products, software and services for aircraft and vehicles. Products include aircraft propulsion engines, auxiliary power units, environmental control systems, integrated avionics, electric power systems, hardware for engine controls, flight safety, communications, and navigation, satellite and space components, aircraft wheels and brakes, turbochargers and thermal systems. Software includes engine controls, flight safety, communications, navigation, radar and surveillance systems, internet connectivity and aircraft instrumentation. Services are provided to customers for the repair, overhaul, retrofit and modification of propulsion engines, auxiliary power units, avionics and mechanical systems and aircraft wheels and brakes.

Home and Building Technologies – A global provider of products, software, solutions and technologies. Products include controls and displays for heating, cooling, indoor air quality, ventilation, humidification, combustion, lighting and home automation; sensors, switches, control systems and instruments for measuring pressure, air flow, temperature and electrical current; access control; video surveillance; fire detection; remote patient monitoring systems; and installation, maintenance and upgrades of systems that keep buildings safe, comfortable and productive. Software includes monitoring and managing heating, cooling, indoor air quality, ventilation, humidification, combustion, lighting and home automation; advanced applications for home/building control and optimization; video surveillance; and to support remote patient monitoring systems. Installation, maintenance and upgrade services of products used in commercial building applications for heating, cooling, maintaining indoor air quality, ventilation, humidification, combustion, lighting, video surveillance and fire safety.

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Performance Materials and Technologies – A global provider of products, software, solutions and technologies. Products include catalysts, absorbents, equipment and high-performance materials, devices for measurement, regulation, control and metering of gases and electricity, and metering and communications systems for water utilities and industries. Software is provided to support process technologies supporting automation and to monitor a variety of industrial processes used in industries such as oil and gas, chemicals, petrochemicals, metals, minerals and mining industries. Services are provided for installation and maintenance of products.

Safety and Productivity Solutions – A global provider of products, software and solutions. Products include personal protection equipment and footwear, gas detection devices, mobile computing, data collection and thermal printing devices, automation equipment for supply chain and warehouse automation and custom-engineered sensors, switches and controls. Software and solutions are provided to customers for supply chain and warehouse automation, to manage data and assets to drive productivity and for computing, data collection and thermal printing.

For a summary by disaggregated product and services sales for each segment, refer to Note 13 *Segment Financial Data*.

We recognize revenue arising from performance obligations outlined in contracts with our customers that are satisfied at a point in time and over time. The disaggregation of our revenue based off timing of recognition is as follows:

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Products, transferred point in time	69%	69%
Products, transferred over time	11	11
Net product sales	80	80
Services, transferred point in time	6	6
Services, transferred over time	14	14
Net service sales	20	20
Net sales	100%	100%

**Contract Balances**

Progress on satisfying performance obligations under contracts with customers and the related billings and cash collections are recorded on the Consolidated Balance Sheet in Accounts receivable - net and Other assets (the current and noncurrent portions, respectively, of unbilled receivables (contract assets) and billed receivables) and Accrued liabilities and Other liabilities (the current and noncurrent portions, respectively, of customer advances and deposits (contract liabilities)). Unbilled receivables (contract assets) arise when the timing of cash collected from customers differs from the timing of revenue recognition, such as when contract provisions require specific milestones to be met before a customer can be billed. Those assets are recognized when the revenue associated with the contract is recognized prior to billing and derecognized when billed in accordance with the terms of the contract. Contract liabilities are recorded when customers remit contractual cash payments in advance of us satisfying performance obligations under contractual arrangements, including those with performance obligations to be satisfied over a period of time. Contract liabilities are derecognized when revenue is recorded, either when a milestone is met triggering the contractual right to bill or when the performance obligation is satisfied.

Contract balances are classified as assets or liabilities on a contract-by-contract basis at the end of each reporting period.

The following table summarizes our contract assets and liabilities balances:

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**Notes to Consolidated Financial Statements**  
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	<b>2018</b>
Contract assets - January 1	\$ 1,721
Contract assets - June 30	1,650
Change in contract assets - increase (decrease)	\$ (71)
Contract liabilities - January 1	\$ (2,973)
Contract liabilities - June 30	(3,109)
Change in contract liabilities - (increase) decrease	\$ (136)
<b>Net change</b>	<b>\$ (207)</b>

The net change was primarily driven by the receipt of advance payments from customers exceeding reductions from recognition of revenue as performance obligations were satisfied and related billings. For the three and six months ended June 30, 2018, we recognized revenue of \$320 million and \$901 million that was previously included in the beginning balance of contract liabilities.

When contracts are modified to account for changes in contract specifications and requirements, we consider whether the modification either creates new or changes the existing enforceable rights and obligations. Contract modifications that are for goods or services that are not distinct from the existing contract, due to the significant integration with the original good or service provided, are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis. When the modifications include additional performance obligations that are distinct and at relative stand-alone selling price, they are accounted for as a new contract and performance obligation, which are recognized prospectively.

### **Performance Obligations**

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is defined as the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. When our contracts with customers require highly complex integration or manufacturing services that are not separately identifiable from other promises in the contracts and, therefore, not distinct, then the entire contract is accounted for as a single performance obligation. In situations when our contract includes distinct goods or services that are substantially the same and have the same pattern of transfer to the customer over time, they are recognized as a series of distinct goods or services. For any contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation based on the estimated relative standalone selling price of each distinct good or service in the contract. For product sales, each product sold to a customer typically represents a distinct performance obligation. In such cases, the observable standalone sales are used to determine the stand alone selling price.

Performance obligations are satisfied as of a point in time or over time. Performance obligations are supported by contracts with customers, providing a framework for the nature of the distinct goods, services or bundle of goods and services. The timing of satisfying the performance obligation is typically indicated by the terms of the contract. The following table outlines our performance obligations disaggregated by segment.



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	<b>June 30, 2018</b>
Aerospace	\$ 8,989
Home and Building Technologies	6,058
Performance Materials and Technologies	6,105
Safety and Productivity Solutions	1,858
	\$ 23,010

Performance obligations recognized as of June 30, 2018 will be satisfied over the course of future periods. Our disclosure of the timing for satisfying the performance obligation is based on the requirements of contracts with customers. However, from time to time, these contracts may be subject to modifications, impacting the timing of satisfying the performance obligations. Performance obligations expected to be satisfied within one year and greater than one year are 56% and 44%.

The timing of satisfaction of our performance obligations does not significantly vary from the typical timing of payment. Typical payment terms of our fixed-price over time contracts include progress payments based on specified events or milestones, or based on project progress. For some contracts we may be entitled to receive an advance payment.

We have applied the practical expedient for certain revenue streams to exclude the value of remaining performance obligations for (i) contracts with an original expected term of one year or less or (ii) contracts for which we recognize revenue in proportion to the amount we have the right to invoice for services performed.

**Note 8. Accounts Receivable - Net**

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Trade	\$ 8,801	\$ 9,068
Less - Allowance for doubtful accounts	(201)	(202)
	\$ 8,600	\$ 8,866

Trade receivables include \$1,645 million and \$1,853 million of unbilled balances under long-term contracts as of June 30, 2018 and December 31, 2017. These amounts are billed in accordance with the terms of the customer contracts to which they relate.

**Note 9. Inventories**

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Raw materials	\$ 1,238	\$ 1,193
Work in process	801	790
Finished products	2,790	2,669
	4,829	4,652
Reduction to LIFO cost basis	(37)	(39)
	\$ 4,792	\$ 4,613

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**Note 10. Long-term Debt and Credit Agreements**

	June 30, 2018	December 31, 2017
Two year floating rate Euro notes due 2018	\$ -	\$ 1,199
1.40% notes due 2019	1,250	1,250
Three year floating rate notes due 2019	250	250
Two year floating rate notes due 2019	450	450
1.80% notes due 2019	750	750
0.65% Euro notes due 2020	1,165	1,199
4.25% notes due 2021	800	800
1.85% notes due 2021	1,500	1,500
1.30% Euro notes due 2023	1,456	1,499
3.35% notes due 2023	300	300
2.50% notes due 2026	1,500	1,500
2.25% Euro notes due 2028	873	900
5.70% notes due 2036	441	441
5.70% notes due 2037	462	462
5.375% notes due 2041	417	417
3.812% notes due 2047	445	445
Industrial development bond obligations, floating rate maturing at various dates through 2037	22	22
6.625% debentures due 2028	201	201
9.065% debentures due 2033	51	51
Other (including capitalized leases and debt issuance costs), 5.5% weighted average maturing at various dates through 2025	304	288
	<u>12,637</u>	<u>13,924</u>
Less: current portion	(133)	(1,351)
	<u>\$ 12,504</u>	<u>\$ 12,573</u>

On January 29, 2018, the Company completed an exchange offer for any and all of its outstanding 3.812% Notes due 2047, which had not been registered ("Unregistered Notes") under the Securities Act of 1933, as amended ("Securities Act") for an equal principal amount of new 3.812% Notes due 2047 which had been registered under the Securities Act ("Registered Notes"). 99.4% of the Unregistered Notes were exchanged for Registered Notes, representing 99.4% of the principal amount of the Company's outstanding 3.812% Notes due 2047.

On February 22, 2018, the Company paid its Two year floating rate Euro notes.

On February 16, 2018, the Company entered into a \$1.5 billion 364-Day Credit Agreement with a syndicate of banks. This 364-Day Credit Agreement is maintained for general corporate purposes.

On April 27, 2018, the Company entered into a \$4 billion Amended and Restated Five Year Credit Agreement (the "5-Year Credit Agreement"), with a syndicate of banks. The 5-Year Credit Agreement is maintained for general corporate purposes. Commitments under the 5-Year Credit Agreement can be increased pursuant to the terms of the 5-Year Credit Agreement to an aggregate amount not to exceed \$4.5 billion. The 5-Year Credit Agreement amends and restates the previously reported \$4 billion five year credit agreement dated as of July 10, 2015 (the "Prior Agreement"). The 5-Year Credit Agreement has substantially the same material terms and conditions as the Prior Agreement.

On April 27, 2018, the Company entered into an additional \$1.5 billion 364-Day Credit Agreement with a syndicate of banks. This 364-Day Credit Agreement is maintained for general corporate purposes.

As of June 30, 2018, there are no outstanding borrowings under any of our credit agreements.

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**Note 11. Financial Instruments and Fair Value Measures**

Our credit, market, foreign currency and interest rate risk management policies are described in Note 14, *Financial Instruments and Fair Value Measures* of Notes to Consolidated Financial Statements in our 2017 Annual Report on Form 10-K.

The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis:

	June 30, 2018	December 31, 2017
<b>Assets:</b>		
Foreign currency exchange contracts	\$ 4	\$ 17
Available for sale investments	2,054	3,916
Interest rate swap agreements	17	44
Cross currency swap agreements	10	-
<b>Liabilities:</b>		
Foreign currency exchange contracts	30	70
Interest rate swap agreements	\$ 88	\$ 52

The foreign currency exchange contracts, interest rate swap agreements, and cross currency swap agreements are valued using broker quotations, or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are classified within level 2. The Company also holds investments in commercial paper, certificates of deposits, and time deposits that are designated as available for sale and are valued using published prices based off observable market data. As such, these investments are classified within level 2. The Company also holds available for sale investments in U.S. government and corporate debt securities valued utilizing published prices based on quoted market pricing, which are classified within level 1.

The carrying value of cash and cash equivalents, trade accounts and notes receivables, payables, commercial paper and short-term borrowings contained in the Consolidated Balance Sheet approximates fair value. The following table sets forth the Company's financial assets and liabilities that were not carried at fair value:

	June 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Long-term receivables	\$ 354	\$ 339	\$ 296	\$ 289
<b>Liabilities</b>				
Long-term debt and related current maturities	\$ 12,637	\$ 13,201	\$ 13,924	\$ 14,695

The Company determined the fair value of the long-term receivables by discounting based upon the terms of the receivable and counterparty details including credit quality. As such, the fair value of these receivables is considered level 2. The Company determined the fair value of the long-term debt and related current maturities utilizing transactions in the listed markets for identical or similar liabilities. As such, the fair value of the long-term debt and related current maturities is considered level 2 as well.

Interest rate swap agreements are designated as hedge relationships with gains or losses on the derivative recognized in Interest and other financial charges offsetting the gains and losses on the underlying debt being hedged. For the three and six months ended June 30, 2018, we recognized \$17 million and \$63 million of losses in earnings on interest rate swap agreements. For the three and six months ended June 30, 2017, we recognized \$9 million of losses and \$2 million of gains in earnings on interest rate swap agreements. Gains and losses are fully offset by losses and gains on the underlying debt being hedged.

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We economically hedge our exposure to changes in foreign exchange rates primarily with forward contracts. These contracts are marked-to-market with the resulting gains and losses recognized in earnings offsetting the gains and losses on the non-functional currency denominated monetary assets and liabilities being hedged. We recognized \$344 million and \$215 million of income in Other (income) expense for the three and six months ended June 30, 2018 on these contracts. We recognized \$84 million and \$118 million of income in Other (income) expense for the three and six months ended June 30, 2017.

**Note 12. Accumulated Other Comprehensive Income (Loss)**

**Changes in Accumulated Other Comprehensive Income (Loss) by Component**

	Foreign Exchange Translation Adjustment	Pension and Other Postretirement Benefits Adjustments	Changes in Fair Value of Effective Cash Flow Hedges	Total
Balance at December 31, 2017	\$ (1,981)	\$ (202)	\$ (52)	\$ (2,235)
Other comprehensive income (loss) before reclassifications	12	-	2	14
Amounts reclassified from accumulated other comprehensive income	-	(32)	31	(1)
Net current period other comprehensive income (loss)	12	(32)	33	13
Balance at June 30, 2018	<u>\$ (1,969)</u>	<u>\$ (234)</u>	<u>\$ (19)</u>	<u>\$ (2,222)</u>

	Foreign Exchange Translation Adjustment	Pension and Other Postretirement Benefits Adjustments	Changes in Fair Value of Effective Cash Flow Hedges	Total
Balance at December 31, 2016	\$ (1,944)	\$ (879)	\$ 109	\$ (2,714)
Other comprehensive income (loss) before reclassifications	56	(46)	(62)	(52)
Amounts reclassified from accumulated other comprehensive income	-	(27)	(44)	(71)
Net current period other comprehensive income (loss)	56	(73)	(106)	(123)
Balance at June 30, 2017	<u>\$ (1,888)</u>	<u>\$ (952)</u>	<u>\$ 3</u>	<u>\$ (2,837)</u>

**Note 13. Segment Financial Data**

We globally manage our business operations through four reportable operating segments. Segment information is consistent with how management reviews the businesses, makes investing and resource allocation decisions and assesses operating performance.

Honeywell's senior management evaluates segment performance based on segment profit. Each segment's profit is measured as segment income (loss) before taxes excluding general corporate unallocated expense, interest and other financial charges, stock compensation expense, pension and other postretirement income (expense), repositioning and other charges, and other items within Other (income) expense.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Net sales</b>				
Aerospace				
Products	\$ 2,800	\$ 2,545	\$ 5,528	\$ 4,941
Services	1,258	1,129	2,507	2,279
Total	<u>4,058</u>	<u>3,674</u>	<u>8,035</u>	<u>7,220</u>
Home and Building Technologies				
Products	2,183	2,078	4,266	4,029
Services	363	336	713	654
Total	<u>2,546</u>	<u>2,414</u>	<u>4,979</u>	<u>4,683</u>
Performance Materials and Technologies				
Products	2,194	2,101	4,257	4,041
Services	504	460	975	873
Total	<u>2,698</u>	<u>2,561</u>	<u>5,232</u>	<u>4,914</u>
Safety and Productivity Solutions				
Products	1,526	1,355	2,886	2,608
Services	91	74	179	145
Total	<u>1,617</u>	<u>1,429</u>	<u>3,065</u>	<u>2,753</u>
	<u>\$ 10,919</u>	<u>\$ 10,078</u>	<u>\$ 21,311</u>	<u>\$ 19,570</u>
<b>Segment profit</b>				
Aerospace	\$ 918	\$ 819	\$ 1,811	\$ 1,615
Home and Building Technologies	427	391	843	768
Performance Materials and Technologies	597	553	1,116	1,036
Safety and Productivity Solutions	267	214	498	408
Corporate	(64)	(67)	(128)	(128)
Total segment profit	<u>2,145</u>	<u>1,910</u>	<u>4,140</u>	<u>3,699</u>
Interest and other financial charges	(95)	(79)	(178)	(154)
Stock compensation expense <sup>(a)</sup>	(38)	(44)	(90)	(94)
Pension ongoing income <sup>(b)</sup>	250	184	498	363
Other postretirement income <sup>(b)</sup>	6	6	12	10
Repositioning and other charges <sup>(c)</sup>	(265)	(224)	(458)	(353)
Other <sup>(d)</sup>	(4)	25	(16)	31
Income before taxes	<u>\$ 1,999</u>	<u>\$ 1,778</u>	<u>\$ 3,908</u>	<u>\$ 3,502</u>

(a) Amounts included in Selling, general and administrative expenses.

(b) Amounts included in Cost of products and services sold and Selling, general and administrative expenses (service costs) and Other income/expense (non-service cost components).

(c) Amounts included in Cost of products and services sold, Selling, general and administrative expenses, and Other income/expense.

(d) Amounts include the other components of Other income/expense not included within other categories in this reconciliation. Equity income/loss of affiliated companies is included in segment profit.

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**Note 14. Pension Benefits**

Net periodic pension benefit costs for our significant defined benefit plans include the following components:

	U.S. Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Service cost	\$ 35	\$ 43	\$ 70	\$ 86
Interest cost	144	146	287	293
Expected return on plan assets	(357)	(315)	(714)	(630)
Amortization of prior service (credit)	(11)	(11)	(22)	(22)
	<u>\$ (189)</u>	<u>\$ (137)</u>	<u>\$ (379)</u>	<u>\$ (273)</u>
	<b>Non-U.S. Plans</b>			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Service cost	\$ 7	\$ 10	\$ 14	\$ 19
Interest cost	36	37	73	72
Expected return on plan assets	(114)	(102)	(228)	(201)
Amortization of prior service (credit)	-	-	(1)	-
	<u>\$ (71)</u>	<u>\$ (55)</u>	<u>\$ (142)</u>	<u>\$ (110)</u>

In the first quarter of 2018, the asset mix of our U.S. Qualified Pension Plan (the "Plan") was changed. Fixed income assets were increased to approximately 50% of the Plan's total assets and matched with the liability profile of the Plan. The Plan's remaining assets are comprised of return-seeking assets including, equity securities, private equity investments and real estate investments. We review our asset allocations on a regular basis in order to achieve our long-term investment objectives on a risk adjusted basis.

**Note 15. Commitments and Contingencies**

**Environmental Matters**

Our environmental matters are described in Note 19 *Commitments and Contingencies* of Notes to Consolidated Financial Statements in our 2017 Annual Report on Form 10-K.

The following table summarizes information concerning our recorded liabilities for environmental costs:

December 31, 2017	\$ 595
Accruals for environmental matters deemed probable and reasonably estimable	184
Environmental liability payments	(70)
Other	(6)
June 30, 2018	<u>\$ 703</u>

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**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**(Dollars in millions, except per share amounts)**

Environmental liabilities are included in the following balance sheet accounts:

	June 30, 2018	December 31, 2017
Accrued liabilities	\$ 226	\$ 226
Other liabilities	477	369
	<u>\$ 703</u>	<u>\$ 595</u>

We do not currently possess sufficient information to reasonably estimate the amounts of environmental liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined although they could be material to our consolidated results of operations and operating cash flows in the periods recognized or paid. However, considering our past experience and existing reserves, we do not expect that environmental matters will have a material adverse effect on our consolidated financial position.

**Asbestos Matters**

Honeywell is a defendant in asbestos related personal injury actions related to two predecessor companies:

- North American Refractories Company (“NARCO”), which was sold in 1986, produced refractory products (bricks and cement used in high temperature applications). Claimants consist largely of individuals who allege exposure to NARCO asbestos-containing refractory products in an occupational setting.
- Bendix Friction Materials (“Bendix”) business, which was sold in 2014, manufactured automotive brake parts that contained chrysotile asbestos in an encapsulated form. Claimants consist largely of individuals who allege exposure to asbestos from brakes from either performing or being in the vicinity of individuals who performed brake replacements.

The following tables summarize information concerning NARCO and Bendix asbestos related balances:

**Asbestos Related Liabilities**

	Bendix	NARCO	Total
December 31, 2017	\$ 616	\$ 907	\$ 1,523
Accrual for update to estimated liability	92	19	111
Asbestos related liability payments	(98)	(8)	(106)
June 30, 2018	<u>\$ 610</u>	<u>\$ 918</u>	<u>\$ 1,528</u>

**Insurance Recoveries for Asbestos Related**

	Bendix	NARCO	Total
December 31, 2017	\$ 123	\$ 312	\$ 435
Probable insurance recoveries related to estimated liability	12	-	12
Insurance receipts for asbestos related liabilities	(13)	(1)	(14)
June 30, 2018	<u>\$ 122</u>	<u>\$ 311</u>	<u>\$ 433</u>

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NARCO and Bendix asbestos related balances are included in the following balance sheet accounts:

	June 30, 2018	December 31, 2017
Other current assets	\$ 24	\$ 24
Insurance recoveries for asbestos related liabilities	409	411
	<u>\$ 433</u>	<u>\$ 435</u>
Accrued liabilities	\$ 350	\$ 350
Asbestos related liabilities	1,178	1,173
	<u>\$ 1,528</u>	<u>\$ 1,523</u>

**NARCO Products** –In connection with NARCO’s emergence from bankruptcy on April 30, 2013, a federally authorized 524(g) trust (NARCO Trust) was established for the evaluation and resolution of all existing and future NARCO asbestos claims. Both Honeywell and NARCO are protected by a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos related claims based on exposure to NARCO asbestos-containing products to be made against the NARCO Trust. The NARCO Trust reviews submitted claims and determines award amounts in accordance with established Trust Distribution Procedures approved by the Bankruptcy Court which set forth the criteria claimants must meet to qualify for compensation including, among other things, exposure and medical criteria that determine the award amount. In addition, Honeywell provided, and continues to provide, input to the design of control procedures for processing NARCO claims, and has on-going audit rights to review and monitor the claims processor’s adherence to the established requirements of the Trust Distribution Procedures.

Honeywell is obligated to fund NARCO asbestos claims submitted to the NARCO Trust which qualify for payment under the Trust Distribution Procedures (Annual Contribution Claims), subject to annual caps of \$140 million in 2018 and \$145 million for each year thereafter. However, the initial \$100 million of claims processed through the NARCO Trust (the Initial Claims Amount) will not count against the annual cap and any unused portion of the Initial Claims Amount will roll over to subsequent years until fully utilized. In 2015, Honeywell filed suit against the NARCO Trust in Bankruptcy Court alleging breach of certain provisions of the Trust Agreement and Trust Distribution Procedures. The parties agreed to dismiss the proceeding without prejudice pursuant to an 18 month Standstill Agreement. Claims processing continued during this period as the parties attempted to resolve disputed issues. The Standstill Agreement expired on October 12, 2017. Notwithstanding its expiration, claims processing continues, and Honeywell continues to negotiate and attempt to resolve remaining disputed issues (that is instances where Honeywell believes the Trust is not processing claims in accordance with established Trust Distribution Procedures). Honeywell reserves its right to seek judicial intervention should negotiations fail or prove futile. As of June 30, 2018, Honeywell has not made any payments to the NARCO Trust for Annual Contribution Claims.

Honeywell is also responsible for payments due to claimants pursuant to settlement agreements reached during the pendency of the NARCO bankruptcy proceedings that provide for the right to submit claims to the NARCO Trust subject to qualification under the terms of the settlement agreements and Trust Distribution Procedures criteria (Pre-established Unliquidated Claims), which amounts are estimated at \$150 million and are expected to be paid during the initial years of trust operations (\$5 million of which has been paid since the effective date of the NARCO Trust). Such payments are not subject to the annual cap described above.

Our consolidated financial statements reflect an estimated liability for Pre-established Unliquidated Claims (\$145 million), as well as unsettled claims pending as of the time NARCO filed for bankruptcy protection and operating and legal costs related to the Trust (collectively \$30 million) and for the estimated value of future NARCO asbestos claims expected to be asserted against the NARCO Trust (\$743 million). The estimate of future NARCO claims was prepared in 2002, in the same year NARCO filed for bankruptcy protection, using NARCO tort system litigation experience based on a commonly accepted methodology used by numerous bankruptcy courts addressing 524(g) trusts. Accordingly, the estimated value of future NARCO asbestos claims was prepared before there was data on claims filings and payment rates in the NARCO Trust under the Trust Distribution Procedures and also prepared when the stay of all NARCO asbestos claims was in effect (which remained in effect until NARCO emerged from Bankruptcy protection). Some critical assumptions underlying this commonly accepted methodology included claims filing rates, disease criteria and payment values contained in the Trust Distribution Procedures, estimated



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approval rates of claims submitted to the NARCO Trust and epidemiological studies estimating disease instances. The estimated value of the future NARCO liability reflects claims expected to be asserted against NARCO over a fifteen year period. This projection resulted in a range of estimated liability of \$743 million to \$961 million. We believe that no amount within this range is a better estimate than any other amount and accordingly, we have recorded the minimum amount in the range. Given the Trust's lack of sufficient claims processing experience since NARCO emerged from bankruptcy protection, it is not yet possible to reliably estimate future claim costs based on actual Trust experience.

Our insurance receivable corresponding to the estimated liability for pending and future NARCO asbestos claims reflects coverage which reimburses Honeywell for portions of NARCO-related indemnity and defense costs and is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. We conduct analyses to estimate the probable amount of insurance that is recoverable for asbestos claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. We made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings and our knowledge of any pertinent solvency issues surrounding insurers.

Projecting future events is subject to many uncertainties that could cause the NARCO-related asbestos liabilities or assets to be higher or lower than those projected and recorded. Given the uncertainties, we review our estimates periodically, and update them based on our experience and other relevant factors. Similarly, we will reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability or other developments that may impact insurance recoveries.

**Bendix Products**—The following tables present information regarding Bendix related asbestos claims activity:

	Six Months Ended June 30,	Years Ended December 31,	
	2018	2017	2016
<b>Claims Activity</b>			
Claims unresolved at the beginning of period	6,280	7,724	7,779
Claims filed	1,210	2,645	2,830
Claims resolved	(1,377)	(4,089)	(2,885)
Claims unresolved at the end of period	<u>6,113</u>	<u>6,280</u>	<u>7,724</u>
	June 30,	December 31,	
	2018	2017	2016
<b>Disease Distribution of Unresolved Claims</b>			
Mesothelioma and other cancer claims	2,876	3,062	3,490
Nonmalignant claims	3,237	3,218	4,234
Total claims	<u>6,113</u>	<u>6,280</u>	<u>7,724</u>

Honeywell has experienced average resolution values per claim excluding legal costs as follows:

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(in whole dollars)				
Malignant claims	\$ 56,000	\$ 44,000	\$ 44,000	\$ 53,500	\$ 51,000
Nonmalignant claims	\$ 2,800	\$ 4,485	\$ 100	\$ 120	\$ 850

It is not possible to predict whether resolution values for Bendix-related asbestos claims will increase, decrease or stabilize in the future.

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Our consolidated financial statements reflect an estimated liability for resolution of pending (claims actually filed as of the financial statement date) and future Bendix-related asbestos claims. We have valued Bendix pending and future claims using average resolution values for the previous five years. We update the resolution values used to estimate the cost of Bendix pending and future claims during the fourth quarter each year.

The liability for future claims represents the estimated value of future asbestos related bodily injury claims expected to be asserted against Bendix over the next five years. Such estimated cost of future Bendix-related asbestos claims is based on historic claims filing experience and dismissal rates, disease classifications, and resolution values in the tort system for the previous five years. In light of the uncertainties inherent in making long-term projections, as well as certain factors unique to friction product asbestos claims, we do not believe that we have a reasonable basis for estimating asbestos claims beyond the next five years. The methodology used to estimate the liability for future claims is similar to that used to estimate the liability for future NARCO-related asbestos claims.

Our insurance receivable corresponding to the liability for settlement of pending and future Bendix asbestos claims reflects coverage which is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. Based on our ongoing analysis of the probable insurance recovery, insurance receivables are recorded in the financial statements simultaneous with the recording of the estimated liability for the underlying asbestos claims. This determination is based on our analysis of the underlying insurance policies, our historical experience with our insurers, our ongoing review of the solvency of our insurers, judicial determinations relevant to our insurance programs, and our consideration of the impacts of any settlements reached with our insurers.

Honeywell believes it has sufficient insurance coverage and reserves to cover all pending Bendix-related asbestos claims and Bendix-related asbestos claims estimated to be filed within the next five years. Although it is impossible to predict the outcome of either pending or future Bendix-related asbestos claims, we do not believe that such claims would have a material adverse effect on our consolidated financial position in light of our insurance coverage and our prior experience in resolving such claims. If the rate and types of claims filed, the average resolution value of such claims and the period of time over which claim settlements are paid (collectively, the Variable Claims Factors) do not substantially change, Honeywell would not expect future Bendix-related asbestos claims to have a material adverse effect on our results of operations or operating cash flows in any fiscal year. No assurances can be given, however, that the Variable Claims Factors will not change.

#### **Other Matters**

We are subject to a number of other lawsuits, investigations and disputes (some of which involve substantial amounts claimed) arising out of the conduct of our business, including matters relating to commercial transactions, government contracts, product liability, prior acquisitions and divestitures, employee benefit plans, intellectual property, and environmental, health and safety matters. We recognize a liability for any contingency that is probable of occurrence and reasonably estimable. We continually assess the likelihood of adverse judgments of outcomes in these matters, as well as potential ranges of possible losses (taking into consideration any insurance recoveries), based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Included in these other matters are the following:

***Honeywell v. United Auto Workers (UAW) et. al***—In September 2011, the UAW and certain Honeywell retirees (Plaintiffs) filed a suit in the Eastern District of Michigan (the District Court) alleging that a series of Master Collective Bargaining Agreements (MCBAs) between Honeywell and the UAW provided the retirees with rights to lifetime, vested healthcare benefits that could never be changed or reduced. Plaintiffs alleged that Honeywell had violated those vested rights by implementing express limitations (CAPS) on the amount Honeywell contributed toward healthcare coverage for the retirees. Honeywell subsequently answered the UAW's complaint and asserted counterclaims, including for breach of implied warranty.

Between 2014 and 2015, Honeywell began enforcing the CAPS against former employees. In response, the UAW and certain of the Plaintiffs filed a motion seeking a ruling that the MCBAs do not limit Honeywell's obligation to contribute to healthcare coverage for those retirees.

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On March 29, 2018, the District Court issued its opinion resolving all pending summary judgment motions, except for Honeywell's counterclaim for breach of implied warranty which remains outstanding.

In the opinion, the District Court held that the MCBAs do not promise retirees vested, lifetime benefits that survive expiration of the MCBAs. Based on this ruling, Honeywell has informed the UAW and the retirees that it intends to terminate their healthcare coverage benefits altogether as of July 31, 2018. However, the UAW has filed a motion to enjoin Honeywell from completely terminating coverage as of July 31, 2018, arguing that the CAPS themselves are vested and that Honeywell must continue to provide retiree medical benefits at the capped level. That issue has been fully briefed and is currently pending with the District Court. Honeywell's post retirement benefit obligation will continue to reflect the UAW retiree medical benefits at the capped level until the resolution of this matter.

In the March 2018 opinion, the District Court also held that Honeywell is obligated under the MCBAs to pay the "full premium" for retiree healthcare rather than the capped amount. Based on this ruling, Honeywell would be required to pay monetary damages to retirees for any past years in which Honeywell paid less than the "full premium" of their healthcare coverage. Such damages would be limited, depending on the retiree group, to a two to three-year period ending when the 2016 MCBA expired, and Honeywell would have no ongoing obligation to continue funding healthcare coverage for subsequent periods. Honeywell has appealed the District Court's ruling on this "full premium" damages issue, and it is confident that the Sixth Circuit Court of Appeals will reverse the District Court on that issue. In the event the Sixth Circuit were to sustain the District Court's ruling on this issue, Honeywell would be liable for damages of at least \$12 million.

Given the uncertainty inherent in litigation and investigations (including the specific matter referenced above), we do not believe it is possible to develop estimates of reasonably possible loss in excess of current accruals for these matters (other than as specifically set forth above). Considering our past experience and existing accruals, we do not expect the outcome of these matters, either individually or in the aggregate, to have a material adverse effect on our consolidated financial position. Because most contingencies are resolved over long periods of time, potential liabilities are subject to change due to new developments, changes in settlement strategy or the impact of evidentiary requirements, which could cause us to pay damage awards or settlements (or become subject to equitable remedies) that could have a material adverse effect on our results of operations or operating cash flows in the periods recognized or paid.

## ITEM 2.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)  
(Dollars in millions, except per share amounts)**

The following MD&A is intended to help the reader understand the results of operations and financial condition of Honeywell International Inc. and its consolidated subsidiaries ("Honeywell" or "the Company") for the three months (quarter) and six months ended June 30, 2018. The financial information as of June 30, 2018 should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017 contained in our 2017 Annual Report on Form 10-K.

On January 1, 2018, the Company adopted a new accounting standard that resulted in the components of net periodic pension cost and net periodic postretirement benefit cost other than service costs to no longer be presented in Cost of products and services sold and Selling, general and administrative expenses, but to be presented instead within Other (income) expense. See Note 2 *Summary of Significant Accounting Policies* and Note 4 *Other (Income) Expense* of Notes to Consolidated Financial Statements for further details.

On January 1, 2018, the Company adopted new accounting guidance on revenue from contracts with customers, using the modified retrospective method applied to contracts that were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under that guidance, while prior period amounts are not adjusted and continue to be reported in accordance with the previous guidance. See Note 7 *Revenue Recognition and Contracts with Customers* of Notes to Consolidated Financial Statements for further details.

**A. Results of Operations – three and six months ended June 30, 2018 compared with the three and six months ended June 30, 2017**

**Net Sales**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	\$ 10,919	\$ 10,078	\$ 21,311	\$ 19,570
% change compared with prior period	8%		9%	

The change in net sales compared to the prior year period is attributable to the following:

	Three Months	Year to Date
Volume	4%	4%
Price	2%	2%
Foreign Currency Translation	2%	3%
	<u>8%</u>	<u>9%</u>

A discussion of net sales by segment can be found in the Review of Business Segments section of this MD&A. The foreign currency translation impact in the quarter and six months is primarily driven by the strengthening of the Euro, British Pound and Chinese Renminbi against the U.S. Dollar.

**Cost of Products and Services Sold**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Cost of products and services sold	\$ 7,613	\$ 7,024	\$ 14,806	\$ 13,553
% change compared with prior period	8%		9%	
Gross margin percentage	30.3%	30.3%	30.5%	30.7%

Cost of products and services sold increased in the quarter primarily due to higher organic sales volumes that drove higher direct material costs of approximately \$490 million, higher labor costs of approximately \$68 million and higher repositioning and other charges of approximately \$41 million allocated to cost of products and services sold.

Cost of products and services sold increased in the six months primarily due to higher organic sales volumes that drove higher direct material costs of approximately \$1.1 billion and higher labor costs of approximately of \$118 million.

Gross margin percentage was flat in the quarter due to higher gross margin amongst the segments (approximately 0.4 percentage point impact collectively, primarily attributable to Performance Materials and Technologies), offset by higher repositioning and other charges allocated to cost of products and services sold (approximately 0.4 percentage point impact).

Gross margin percentage decreased in the six months primarily due to higher repositioning and other charges allocated to cost of products and services sold (approximately 0.2 percentage point impact).

### Selling, General and Administrative Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Selling, general and administrative expense	\$ 1,528	\$ 1,456	\$ 3,003	\$ 2,878
% of sales	14.0%	14.4%	14.1%	14.7%

Selling, general and administrative expenses increased in the quarter primarily driven by an increase in selling labor costs, higher repositioning and other charges allocated to selling, general and administrative expenses and the unfavorable impact from foreign currency translation.

Selling, general and administrative expenses increased for the six months primarily driven by higher repositioning charges allocated to selling, general and administrative expenses, the unfavorable impact from foreign currency translation, and an increase in selling labor costs, partially offset by productivity, net of inflation.

### Other (Income) Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Other (income) expense	\$ (316)	\$ (259)	\$ (584)	\$ (517)

Other (income) expense increased in the quarter and six months primarily due to an increase in pension ongoing income – non-service, favorable impacts of foreign currency and an increase in interest income, partially offset by separation costs associated with the announced spin-offs of our Homes and Global Distribution business and Transportation Systems business.

### Tax Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Tax expense	\$ 719	\$ 378	\$ 1,177	\$ 770
Effective tax rate	36.0%	21.3%	30.1%	22.0%

The effective tax rate increased for the quarter primarily driven by \$291 million of tax costs associated with the internal restructuring of the transportation systems business in advance of its anticipated spin-off and decreased tax benefits from employee share-based payments, partially offset by tax benefits from U.S. Tax Reform.

The effective tax rate increased for the six months primarily driven by \$291 million of tax costs associated with the internal restructuring of the transportation systems business in advance of its anticipated spin-off and decreased tax benefits from employee share-based payments, partially offset by tax benefits from U.S. Tax Reform and decreased tax expense for reserves.

The effective tax rate for the quarter and six months ended June 30, 2018 was higher than the U.S. federal statutory rate of 21% primarily due to tax costs associated with the internal restructuring of the transportation systems business in advance of its anticipated spin-off, state income taxes and U.S. tax reform's expansion of the anti-deferral rules that impose U.S. taxes on foreign earnings.

The effective tax rates for the quarter and six months ended June 30, 2017 were lower than the U.S. federal statutory rate of 35% due in part to non-U.S. earnings taxed at lower rates and from benefits from manufacturing incentives.

On December 22, 2017, the U.S. enacted tax reform that instituted fundamental changes to the taxation of multinational corporations. As a result of the tax reform, we recorded a provisional tax charge at December 31, 2017 of \$1.9 billion related to the mandatory transition tax and \$2.1 billion related to taxes on undistributed foreign earnings that are no longer intended to be permanently reinvested. We recorded a provisional amount because certain information related to the computation of earnings and profits, distributable reserves, and foreign exchange gains and losses is not readily available; some of the testing dates to determine taxable amounts have not yet occurred; and there is limited information from federal and state taxing authorities regarding the application and interpretation of the recently enacted legislation. In accordance with current SEC guidance the Company will report the impact of final provisional amounts in the reporting period in which the accounting is completed, which will not exceed one year from the date of enactment of the tax reform.

As of June 30, 2018, the Company has not completed the accounting for any of the tax effects of tax reform described above and there have been no material changes to our estimated amounts. Accordingly, there has been no material change to the provisional amounts previously recorded and there is no material impact to the June 30, 2018 effective tax rate for such provisional amounts.

The effective tax rate can vary from quarter to quarter for unusual or infrequently occurring items, such as the tax impacts from the resolution of income tax audits, changes in tax laws, employee share-based payments, revisions to the provisional amounts from U.S. tax reform, internal restructurings or pension mark-to-market adjustments.

### Net Income Attributable to Honeywell

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to Honeywell	\$ 1,267	\$ 1,392	\$ 2,705	\$ 2,718
Earnings per share of common stock – assuming dilution	\$ 1.68	\$ 1.80	\$ 3.57	\$ 3.51

Earnings per share of common stock – assuming dilution decreased in the quarter primarily driven by tax costs and other separation costs associated with the previously announced spin-offs of our Homes and Global Distribution business and Transportation Systems business as well as higher repositioning and other charges, partially offset by increased segment profit in each of our business segments, higher pension income and the favorable impact of lower share count.

Earnings per share of common stock – assuming dilution increased in the six months primarily driven by increased segment profit in each of our business segments, higher pension income and the favorable impact of lower share count, partially offset by tax costs and other separation costs associated with the previously announced spin-offs of our Homes and Global Distribution business and Transportation Systems business and higher repositioning and other charges.

## Review of Business Segments

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	% Change	2018	2017	% Change
<b>Aerospace sales</b>						
Commercial Aviation Original Equipment	\$ 712	\$ 641	11%	\$ 1,407	\$ 1,252	12%
Commercial Aviation Aftermarket	1,326	1,262	5%	2,594	2,463	5%
Defense and Space	1,128	983	15%	2,214	1,933	15%
Transportation Systems	892	788	13%	1,820	1,572	16%
Total Aerospace sales	4,058	3,674		8,035	7,220	
<b>Home and Building Technologies sales</b>						
Homes	1,190	1,088	9%	2,347	2,143	10%
Buildings	1,356	1,326	2%	2,632	2,540	4%
Total Home and Building Technologies sales	2,546	2,414		4,979	4,683	
<b>Performance Materials and Technologies sales</b>						
UOP	678	641	6%	1,290	1,218	6%
Process Solutions	1,273	1,189	7%	2,487	2,298	8%
Advanced Materials	747	731	2%	1,455	1,398	4%
Total Performance Materials and Technologies sales	2,698	2,561		5,232	4,914	
<b>Safety and Productivity Solutions sales</b>						
Safety	565	529	7%	1,116	1,050	6%
Productivity Solutions	1,052	900	17%	1,949	1,703	14%
Total Safety and Productivity Solutions sales	1,617	1,429		3,065	2,753	
Net sales	<u>\$ 10,919</u>	<u>\$ 10,078</u>		<u>\$ 21,311</u>	<u>\$ 19,570</u>	

## Aerospace

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	% Change	2018	2017	% Change
Net sales	\$ 4,058	\$ 3,674	10%	\$ 8,035	\$ 7,220	11%
Cost of products and services sold	2,837	2,579		5,627	5,047	
Selling, general and administrative and other expenses	303	276		597	558	
Segment profit	<u>\$ 918</u>	<u>\$ 819</u>	12%	<u>\$ 1,811</u>	<u>\$ 1,615</u>	12%

Factors Contributing to Year-Over-Year Change	2018 vs. 2017			
	Three Months Ended June 30,		Six Months Ended June 30,	
	Sales	Segment Profit	Sales	Segment Profit
Organic growth/ Operational segment profit	8%	9%	8%	8%
Foreign currency translation	1%	2%	2%	3%
Acquisitions, divestitures and other, net	1%	1%	1%	1%
Total % change	10%	12%	11%	12%

Aerospace sales increased in the quarter and six months ended June 30, 2018 primarily due to organic sales growth, the favorable impact of foreign currency translation and the impact of the adoption of the new revenue recognition accounting standard (included within Acquisitions, divestitures and other, net in the table above).

- Commercial Aviation Original Equipment sales increased 11% (increased 7% organic) in the quarter and increased 12% (increased 8% organic) in the six months primarily due to increased demand from air transport, regional, and business aviation original equipment manufacturers (OEM), lower OEM incentives and the impact from the classification of nonrecurring engineering and development funding resulting from the adoption of the new revenue recognition accounting standard.
- Commercial Aviation Aftermarket sales increased 5% (increased 4% organic) in the quarter and six months due to growth in air transport, regional and business aviation, and the impact to service program revenues resulting from the adoption of the new revenue recognition accounting standard.
- Defense and Space sales increased 15% (increased 14% organic) in the quarter and six months primarily driven by growth in U.S. defense.
- Transportation Systems sales increased 13% (increased 7% organic) in the quarter and increased 16% (increased 7% organic) in the six months primarily driven by higher volumes in light vehicle gas turbos and commercial vehicles and the favorable impact of foreign currency translation.

Aerospace segment profit increased in the quarter and six months due to an increase in operational segment profit, the favorable impact of currency translation, and the impact on service programs from the adoption of the new revenue recognition accounting standard. The increase in operational segment profit in the quarter was driven primarily by higher organic sales volume, lower OEM incentives, partially offset by inflation impacts. The increase in operational segment profit in the six months was driven primarily by higher organic sales volume, lower OEM incentives, partially offset by the impact of nonrecurring customer contract close-outs and renewals in the prior year and inflation impacts. Cost of products and services sold increased in the quarter and six months primarily due to higher organic sales volume, the impact of foreign currency translation, and inflation in the six months.

#### Home and Building Technologies

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	% Change	2018	2017	% Change
Net sales	\$ 2,546	\$ 2,414	5%	\$ 4,979	\$ 4,683	6%
Cost of products and services sold	1,688	1,598		3,274	3,078	
Selling, general and administrative and other expenses	431	425		862	837	
Segment profit	\$ 427	\$ 391	9%	\$ 843	\$ 768	10%



Factors Contributing to Year-Over-Year Change	2018 vs. 2017			
	Three Months Ended June 30,		Six Months Ended June 30,	
	Sales	Segment Profit	Sales	Segment Profit
Organic growth/ Operational segment profit	3%	7%	3%	6%
Foreign currency translation	2%	2%	3%	4%
Total % change	5%	9%	6%	10%

Home and Building Technologies sales increased in the quarter and six months ended June 30, 2018 primarily driven by organic growth and the favorable impact of foreign currency.

- Sales in Homes increased 9% (increased 7% organic) in the quarter and increased 10% (increased 7% organic) in the six months primarily due to growth across Products and Distribution (ADI) and the favorable impact of foreign currency translation.
- Sales in Buildings increased 2% (flat organic) in the quarter and increased 4% (flat organic) in the six months principally due to the favorable impact of foreign currency translation. Organic sales growth in the quarter was primarily due to Connected Buildings offset by lower volumes in Building Products and Building Solutions. Organic sales growth in the six months was primarily driven by higher volumes in Building Solutions and Connected Buildings offset by lower sales in Building Products.

Home and Building Technologies segment profit increased in the quarter and six months due to higher operational segment profit and the favorable impact of foreign currency translation. The increase in operational segment profit in the quarter was primarily driven by higher organic sales volumes and pricing. The increase in operational segment profit in the six months was primarily driven by higher organic sales volumes and pricing, partially offset by higher sales of lower margin products. Cost of products and services sold increased in the quarter and the six months primarily due to foreign currency translation and higher organic sales volumes.

### Performance Materials and Technologies

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	% Change	2018	2017	% Change
	Net sales	\$ 2,698	\$ 2,561	5%	\$ 5,232	\$ 4,914
Cost of products and services sold	1,745	1,678		3,426	3,225	
Selling, general and administrative and other expenses	356	330		690	653	
Segment profit	\$ 597	\$ 553	8%	\$ 1,116	\$ 1,036	8%

Factors Contributing to Year-Over-Year Change	2018 vs. 2017			
	Three Months Ended June 30,		Six Months Ended June 30,	
	Sales	Segment Profit	Sales	Segment Profit
Organic growth/ Operational segment profit	3%	6%	3%	5%
Foreign currency translation	2%	2%	3%	3%
Total % change	5%	8%	6%	8%

Performance Materials and Technologies sales increased in the quarter and six months ended June 30, 2018 due to organic growth and the favorable impact of foreign currency translation.

- UOP sales increased 6% (increased 3% organic) in the quarter and six months driven primarily by increases in catalyst and engineering revenues and by the favorable impact of foreign currency translation, partially offset by lower gas processing equipment revenues.
- Process Solutions sales increased 7% (increased 5% organic) in the quarter and increased 8% (increased 4% organic) in the six months driven primarily by increases in projects and maintenance and migration services, along with smart energy and thermal solutions revenues in the first three months of the year and by the favorable impact of foreign currency translation.
- Advanced Materials sales increased 2% (decreased 1% organic) in the quarter and increased 4% (flat organic) in the six months driven by the favorable impact of foreign currency translation and by increases primarily in fluorine products revenues, partially offset by lower other specialty products sales in the second quarter.

Performance Materials and Technologies segment profit increased in the quarter and six months due to an increase in operational segment profit and the favorable impact of foreign currency translation. The increase in operational segment profit for the quarter is primarily due to higher organic sales volume and pricing, partially offset by higher sales of lower margin products, continued investments for growth, and inflation. The increase in operational segment profit for the six months is primarily due to higher organic sales volume, productivity, net of inflation, and pricing, partially offset by higher sales of lower margin products and continued investments for growth. Cost of products and services sold increased in the quarter and six months primarily due to foreign currency translation and higher organic sales volumes, partially offset by productivity, net of inflation.

## Safety and Productivity Solutions

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	% Change	2018	2017	% Change
Net sales	\$ 1,617	\$ 1,429	13%	\$ 3,065	\$ 2,753	11%
Cost of products and services sold	1,074	942		2,023	1,806	
Selling, general and administrative and other expenses	276	273		544	539	
Segment profit	<u>\$ 267</u>	<u>\$ 214</u>	25%	<u>\$ 498</u>	<u>\$ 408</u>	22%

  

Factors Contributing to Year-Over-Year Change	2018 vs. 2017			
	Three Months Ended June 30,		Six Months Ended June 30,	
	Sales	Segment Profit	Sales	Segment Profit
Organic growth/ Operational segment profit	11%	23%	8%	18%
Foreign currency translation	2%	2%	3%	4%
Total % change	<u>13%</u>	<u>25%</u>	<u>11%</u>	<u>22%</u>

Safety and Productivity Solutions sales increased in the quarter and six months ended June 30, 2018 due to organic sales growth and the favorable impact of foreign currency translation.

- Sales in Safety increased 7% (increased 5% organic) in the quarter and increased 6% (increased 3% organic) in the six months due to increased sales volume in Industrial Safety and Retail and the favorable impact of foreign currency translation.
- Sales in Productivity Solutions increased 17% (increased 15% organic) in the quarter and increased 14% (increased 12% organic) in the six months primarily due to organic sales volume in Intelligrated, Productivity Products, and Sensing and IoT and the favorable impact of foreign currency translation.

Safety and Productivity Solutions segment profit increased in the quarter and six months primarily due to an increase from operational segment profit and the favorable impact of foreign currency translation. The increase in operational segment profit for the quarter is primarily driven by higher sales volume and pricing. The increase in operational segment profit for the six months was driven by higher sales volume, productivity, net of inflation, and pricing, partially offset by higher sales of lower margin categories. Cost of products and services sold increased primarily due to higher organic sales and the impact of foreign currency translation.

## Repositioning and Other Charges

Cash spending related to our repositioning actions was \$166 million in the six months ended June 30, 2018 and was funded through operating cash flows. We expect cash spending for repositioning actions to be approximately \$300 million in 2018 and to be funded through operating cash flows.

## B. Liquidity and Capital Resources

### Cash Flow Summary

	Six Months Ended June 30,	
	2018	2017
Cash provided by (used for):		
Operating activities	\$ 2,997	\$ 2,387
Investing activities	1,605	(992)
Financing activities	(3,486)	(1,583)
Effect of exchange rate changes on cash	(93)	222
Net increase in cash and cash equivalents	<u>\$ 1,023</u>	<u>\$ 34</u>

Cash provided by operating activities increased by \$610 million primarily due to a \$392 million favorable impact from working capital (favorable accounts receivable and inventory, partially offset by accounts payable) and decreased cash tax payments of \$190 million.

Cash provided by investing activities increased by \$2,597 million primarily due to a net \$2,209 million decrease in investments, primarily short term marketable securities, and an increase of \$333 million in settlement receipts of foreign currency exchange contracts used as economic hedges on certain non-functional currency denominated monetary assets and liabilities.

Cash used for financing activities increased by \$1,903 million primarily due to an increase in net debt payments of \$862 million, an increase in repurchases of common stock of \$712 million, a decrease in proceeds from the issuance of common stock of \$249 million, and an increase in cash dividends paid of \$67 million.

### Liquidity

The Company continues to manage its businesses to maximize operating cash flows as the primary source of liquidity. In addition to our available cash and operating cash flows, additional sources of liquidity include committed credit lines, short-term debt from the commercial paper market, long-term borrowings, as well as access to the public debt and equity markets. We continue to balance our cash and financing uses through investment in our existing core businesses, debt reduction, acquisition activity, share repurchases and dividends.

We continuously assess the relative strength of each business in our portfolio as to strategic fit, market position, profit and cash flow contribution in order to upgrade our combined portfolio and identify business units that will most benefit from increased investment. We identify acquisition candidates that will further our strategic plan and strengthen our existing core businesses. We also identify business units that do not fit into our long-term strategic plan based on their market position, relative profitability or growth potential. These businesses are considered for potential divestiture, restructuring or other repositioning actions subject to regulatory constraints.

In 2018, we are not required to make contributions to our U.S. pension plans. We plan to make contributions of cash and/or marketable securities of approximately \$140 million (\$99 million of marketable securities were contributed in January 2018) to our non-U.S. plans in 2018 to satisfy regulatory funding requirements. The timing and amount of contributions to both our U.S. and non-U.S. plans may be impacted by a number of factors, including the funded status of the plans.

In the six months ended June 30, 2018, the Company repurchased \$1,704 million of outstanding shares. Under the Company's previously approved \$8 billion share repurchase program, \$6.0 billion remained available as of June 30, 2018 for additional share repurchases. Honeywell presently expects to repurchase outstanding shares from time to time to offset the dilutive impact over the long-term of employee stock-based compensation plans, including future option exercises, restricted unit vesting and matching contributions under our savings plans. Additionally, we will seek to reduce share count via share repurchases as and when attractive opportunities arise. The amount and timing of future repurchases may vary depending on market conditions and the level of operating, financing and other investing activities.

See Note 10 *Long-term Debt and Credit Agreements* of Notes to Consolidated Financial Statements for additional discussion of items impacting our liquidity.

## C. Other Matters

### Litigation

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See Note 15 *Commitments and Contingencies* of Notes to Consolidated Financial Statements for further discussion of environmental, asbestos and other litigation matters.

### Critical Accounting Policies

**Sales Recognition on Long-Term Contracts**—We recognize sales for long-term contracts with performance obligations satisfied over time using either an input or output method. We recognize revenue over time as we perform on these contracts based on the continuous transfer of control to the customer. With control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. We generally use the cost-to-cost input method of progress for our contracts because it best depicts the transfer of control to the customer that occurs as we incur costs. Under the cost-to-cost method, the extent of progress towards completion is measured based on the proportion of costs incurred to date to the total estimated costs at completion of the performance obligation. Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenue and cost at completion requires judgment. Contract revenues are largely determined by negotiated contract prices and quantities, modified by our assumptions regarding contract options, change orders, incentive and award provisions associated with technical performance and price adjustment clauses (such as inflation or index-based clauses). Cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends and other economic projections. Significant factors that influence these estimates include inflationary trends, technical and schedule risk, internal and subcontractor performance trends, business volume assumptions, asset utilization, and anticipated labor agreements. Revenue and cost estimates are regularly monitored and revised based on changes in circumstances. Impacts from changes in estimates of net sales and cost of sales are recognized on a cumulative catch-up basis, which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a performance obligation's percentage of completion. Anticipated losses on long-term contracts are recognized when such losses become evident. We maintain financial controls over the customer qualification, contract pricing and estimation processes to reduce the risk of contract losses.

The financial information as of June 30, 2018 should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017 contained in our 2017 Annual Report on Form 10-K.

For a discussion of the Company's critical accounting policies, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2017 Annual Report on Form 10-K.

## Recent Accounting Pronouncements

See Note 2 *Summary of Significant Accounting Policies* of Notes to Consolidated Financial Statements for a discussion of recent accounting pronouncements.

## Item 3. Quantitative and Qualitative Disclosures About Market Risks

For a discussion of the Company's quantitative and qualitative disclosures about market risks, see Item 7A. Quantitative and Qualitative Disclosures About Market Risks, in our 2017 Annual Report on Form 10-K. As of June 30, 2018, there has been no material change in this information.

## Item 4. Controls and Procedures

Honeywell management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that such disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure information required to be disclosed in the reports that Honeywell files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer, our Chief Financial Officer, and our Controller, as appropriate, to allow timely decisions regarding required disclosure. There have been no changes that have materially affected, or are reasonably likely to materially affect, Honeywell's internal control over financial reporting that have occurred during the period covered by this Quarterly Report on Form 10-Q.

## **Part II. Other Information**

### Item 1. Legal Proceedings

#### General Legal Matters

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See Note 15 *Commitments and Contingencies* of Notes to Consolidated Financial Statements for a discussion of environmental, asbestos and other litigation matters.

#### Environmental Matters Involving Potential Monetary Sanctions in Excess of \$100,000

None.

### Item 1A. Risk Factors

There have been no material changes to the disclosure presented in our 2017 Annual Report on Form 10-K under Item 1A. Risk Factors.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Honeywell purchased 5,207,773 shares of its common stock, par value \$1 per share, in the quarter ended June 30, 2018. Under the Company's previously approved \$8 billion share repurchase program, \$6.0 billion remained available as of June 30, 2018 for additional share repurchases. The following table summarizes Honeywell's purchase of its common stock for the quarter ended June 30, 2018:

Period	Issuer Purchases of Equity Securities			
	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet be Purchased Under Plans or Programs (Dollars in millions)
April 2018	1,221,597	\$142.11	1,221,597	\$6,623
May 2018	2,066,176	\$145.49	2,066,176	\$6,322
June 2018	1,920,000	\$150.59	1,920,000	\$6,033

## Item 5. Other Information

### Iran Threat Reduction and Syrian Human Rights Act of 2012

Under the Iran Threat Reduction and Syrian Human Rights Act of 2012, which added Section 13(r) of the Securities Exchange Act of 1934, Honeywell is required to disclose in its periodic reports if it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with entities or individuals designated pursuant to certain Executive Orders. All of our activities in Iran during the three months ended June 30, 2018, including the activities disclosed below, were conducted by our non-U.S. subsidiaries under General License H, (ii) under General License I, or (iii) under a specific license issued by U.S. Treasury's Office of Foreign Assets Control (OFAC), and otherwise in compliance with all applicable laws, including sanctions regulations administered by OFAC.

In the three months ended June 30, 2018, the non-U.S. subsidiaries of our UOP business, part of Performance Materials and Technologies, engaged in the following activities related to Iran's oil, gas and/or petrochemical sectors:

- Delivered services to Iranian counterparties pursuant to new and existing contracts, which resulted in revenue of approximately \$3.7 million.
- Sold non-U.S. origin products to non-U.S. third-parties for end-use in Iran pursuant to new and existing contracts, which resulted in revenue of approximately \$2.5 million.

Following the wind-down activities authorized by OFAC after the United States' withdrawal from the Joint Comprehensive Plan of Action, we will cease doing business in Iran. Such wind-down activities may require additional disclosure pursuant to Section 13(r) of the Act.

**EXHIBIT INDEX**

Exhibit No.	Description
3(i)	<a href="#">Amended and Restated Certificate of Incorporation of Honeywell International Inc., as amended April 23, 2018 (filed herewith)</a>
3(ii)	<a href="#">By-laws of Honeywell International Inc., as amended April 23, 2018 (filed herewith)</a>
10.1	<a href="#">364-Day Credit Agreement, dated as of April 27, 2018, among Honeywell International Inc., the banks, financial institutions and other institutional lenders parties thereto, Citibank, N.A., as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, Bank of America, N.A., Barclays Bank PLC, Deutsche Bank Securities Inc., Goldman Sachs Bank USA, Morgan Stanley MUFG Loan Partners, LLC and Wells Fargo Bank, National Association, as documentation agents, and Citibank, N.A. and JPMorgan Chase Bank, N.A., as joint lead arrangers and co-book managers (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed April 27, 2018).</a>
10.2	<a href="#">Amended and Restated Five-Year Credit Agreement, dated as of April 27, 2018, among Honeywell International Inc., the banks, financial institutions and other institutional lenders parties thereto, Citibank, N.A., as administrative agent, Citibank Europe PLC, UK Branch, as swing line agent, JPMorgan Chase Bank, N.A., as syndication agent, Bank of America, N.A., Barclays Bank PLC, Deutsche Bank Securities Inc., Goldman Sachs Bank USA, Morgan Stanley MUFG Loan Partners, LLC and Wells Fargo Bank, National Association, as documentation agents, and Citibank, N.A. and J.P. Morgan Chase Bank N.A., as joint lead arrangers and co-bookrunners (incorporated by reference to Exhibit 10.2 to Honeywell's Form 8-K filed April 27, 2018).</a>
11	<a href="#">Computation of Per Share Earnings<sup>(1)</sup></a>
12	<a href="#">Computation of Ratio of Earnings to Fixed Charges (filed herewith)</a>
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>
32.1	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>
32.2	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>
101.INS	XBRL Instance Document (filed herewith)
101.SCH	XBRL Taxonomy Extension Schema (filed herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (filed herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (filed herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase (filed herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (filed herewith)

(1) Data required is provided in Note 6 *Earnings Per Share* of Notes to Consolidated Financial Statements.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Honeywell International Inc.

Date: July 20, 2018

By: /s/ John J. Tus  
John J. Tus  
Vice President and Controller  
(on behalf of the Registrant  
and as the Registrant's  
Principal Accounting Officer)



**Amended and Restated Certificate of Incorporation  
of  
Honeywell International Inc.**

Honeywell International Inc., which was originally incorporated in the State of Delaware on May 13, 1985, under the name of East/West Newco Corporation (the "Corporation"), hereby certifies that this Amended and Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware. This Amended and Restated Certificate of Incorporation amends, restates and integrates the provisions of the Corporation's certificate of incorporation as hereby amended. The Corporation certifies as follows:

1. The Board of Directors of the Corporation by duly convened meeting of its members declared it advisable to amend the certificate of incorporation and adopted resolutions setting forth the proposed amendments in accordance with the applicable provisions of Sections 242 and 245.
2. The aforesaid amendments were duly adopted at an annual meeting of the shareholders in accordance with the applicable provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware.
3. The text of the certificate of incorporation as heretofore amended is hereby restated to read in its entirety as Exhibit A attached hereto.

Honeywell International Inc.

/s/ Anne T. Madden

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Anne T. Madden  
Senior Vice President, General Counsel and  
Corporate Secretary

Dated: April 23, 2018

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**Amended and Restated Certificate of Incorporation  
of  
Honeywell International Inc.**

FIRST: The name of the corporation is Honeywell International Inc.

SECOND: The address of the registered office of the corporation in the State of Delaware is 251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808. The name of its registered agent at that address is Corporation Service Company.

THIRD: The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware as set forth in Title 8 of the Delaware Code.

FOURTH: The total number of shares of stock which the corporation shall have authority to issue is 2,040,000,000 shares of which 2,000,000,000 shares shall be Common Stock, par value \$1.00 per share ("Common Shares"), and 40,000,000 shares shall be Preferred Stock, without par value ("Preferred Stock").

FIFTH: From time to time the corporation may issue and may sell its authorized shares for such consideration per share (with respect to shares having a par value, not less than the par value thereof), either in money or money's worth of property or services, or for such other considerations, whether greater or less, now or from time to time hereafter permitted by law, as may be fixed by the Board of Directors; and all shares so issued shall be fully paid and nonassessable.

No holder of any shares of any class shall as such holder have any preemptive right to subscribe for or purchase any other shares or securities of any class, whether now or hereafter authorized, which at any time may be offered for sale or sold by the corporation.

Each holder of record of the Common Shares of the corporation shall be entitled to one vote for every Common Share standing in his name on the books of the corporation.

The corporation may issue Preferred Stock from time to time in one or more series as the Board of Directors may establish by the adoption of a resolution or resolutions relating thereto, each series to have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors pursuant to authority to do so, which authority is hereby granted to the Board of Directors.

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SIXTH: The duration of the corporation is to be perpetual.

SEVENTH: Except as otherwise provided pursuant to the provisions of this Certificate of Incorporation relating to the rights of certain holders of Preferred Stock to elect additional Directors under specified circumstances, the number of Directors of the corporation shall be determined from time to time in the manner described in the By-laws. The Directors, other than those who may be elected by the holders of Preferred Stock pursuant to this Certificate of Incorporation, shall be elected by the holders of the then outstanding shares of capital stock of the corporation entitled to vote generally in the election of Directors (the "Voting Stock"), voting together as a single class, and shall hold office until the next annual meeting of stockholders and until their successors have been elected and qualified. Directors serving on April 25, 2005 shall hold office until the next succeeding annual meeting of stockholders and until their successors shall have been elected and qualified, notwithstanding that such directors may have been elected for a term that extended beyond the date of such annual meeting of stockholders. No Director need be a stockholder.

Except as otherwise provided pursuant to this Certificate of Incorporation relating to the rights of certain holders of Preferred Stock to elect Directors under specified circumstances, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining Directors then in office, even if less than a quorum of the Board of Directors, or by a sole remaining director. Any Director elected in accordance with the preceding sentence shall hold office until the annual meeting of stockholders at which the term of office of the class to which such Director has been elected expires, and until such Director's successor shall have been elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

Subject to the rights of certain holders of Preferred Stock to elect Directors under circumstances specified in this Certificate of Incorporation, Directors may be removed from office, with or without cause, by the affirmative vote of the holders of a majority of the Voting Stock, voting together as a single class.

EIGHTH: The By-laws of the corporation may contain provisions, not inconsistent with law or this Certificate of Incorporation, relating to the management of the business of the corporation, the regulation of its affairs, the transfer of its stock, the qualifications, compensation and powers and duties of its Directors and the time and place and the manner of calling the meetings of its stockholders and Directors.

The Board of Directors may from time to time fix, determine and vary the amount of the working capital of the corporation, may determine what part, if any, (i) of its surplus or (ii) in case there shall be no such surplus, of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year shall be declared as dividends and paid to the stockholders, may

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determine the time or times for the declaration and payment of dividends, the amount thereof and whether they are to be in cash, property or shares of the capital stock of the corporation and may direct and determine the use and disposition of any surplus over and above the capital of the corporation.

The Board of Directors may from time to time make, amend, supplement or repeal the By-laws; provided, however, that the stockholders may change or repeal any By-law adopted by the Board of Directors.

The Board of Directors shall, except as otherwise provided by law, this Certificate of Incorporation or the By-laws, exercise the powers of the corporation.

Pursuant to the By-laws, an Executive Committee and/or one or more other committees may be appointed from among the Directors or otherwise, to which may be delegated any of or all the powers and duties of the Board of Directors, to the full extent permitted by law.

Except as otherwise required by law and subject to the rights of the holders of the Preferred Stock pursuant to the provisions of this Certificate of Incorporation, special meetings of stockholders may be called only by (i) the Chief Executive Officer, (ii) the Board of Directors pursuant to a resolution approved by a majority of the then authorized number of Directors of the corporation (as determined in accordance with the By-laws), or (iii) the Secretary upon the written request (a "Special Meeting Request") of holders Owning (as such term is defined in Section 3 of Article II of the By-laws) not less than 15% of the outstanding shares of the Corporation's Common Stock as of the date of such request (the "Requisite Percent"), filed with the Secretary of the Corporation and otherwise in accordance with the By-laws. Whether the requesting holders have complied with the requirements of this Article and related provisions of the By-laws shall be determined in good faith by the Board, which determination shall be conclusive and binding on the Corporation and the stockholders.

No contract or other transaction of the corporation shall be void, voidable, fraudulent or otherwise invalidated, impaired or affected, in any respect, by reason of the fact that any one or more of the officers, Directors or stockholders of the corporation shall individually be party or parties thereto or otherwise interested therein, or shall be officers, directors or stockholders of any other corporation or corporations which shall be party or parties thereto or otherwise interested therein; provided that such contract or other transactions be duly authorized or ratified by the Board of Directors or Executive Committee, with the assenting vote of a majority of the disinterested Directors or Executive Committeemen then present, or, if only one such is present, with his assenting vote.

NINTH: No stockholder action may be taken except at an annual or special meeting of stockholders of the corporation and stockholders may not take any action by written consent in lieu of a meeting.

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TENTH: Unless required by law or demanded by a stockholder of the corporation entitled to vote at a meeting of stockholders or determined by the chairman of such meeting to be advisable, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or his proxy if there be such proxy, and shall state the number of shares voted by such stockholder or proxy.

ELEVENTH: (1) *Elimination of Certain Liability of Directors*. A Director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (i) for any breach of the Director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the Director derived an improper personal benefit. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article ELEVENTH to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a Director of the corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. Any repeal or modification of this Section by the stockholders of the corporation shall not adversely affect any right or protection of a Director of the corporation existing at the time of such repeal or modification.

(2) *Indemnification and Insurance*.

(A) *Right to Indemnification*. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a Director, officer or employee of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans (hereinafter, an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a Director, officer, employee or agent or in any other capacity while serving as a Director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said Law permitted the corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators; *provided, however*, that, except as provided in paragraph (B) hereof with respect to proceedings to enforce rights to indemnification, the corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof)

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was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter, an “advancement of expenses”); *provided, however*, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a Director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of an undertaking (hereinafter, an “undertaking”), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter, a “final adjudication”) that such indemnitee is not entitled to be indemnified for such expenses under this Section or otherwise, and, *provided further*, that an advancement of expenses incurred by an employee other than a Director or officer in advance of the final disposition of a proceeding shall be made, unless otherwise determined by the Board of Directors, only upon delivery to the corporation of an undertaking by or on behalf of such employee to the same effect as any undertaking required to be delivered by a Director or officer.

(B) *Right of Indemnitee to Bring Suit.* If a claim under paragraph (A) of this Section is not paid in full by the corporation within sixty days after a written claim has been received by the corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the Delaware General Corporation Law. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Section or otherwise shall be on the corporation.

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(C) *Non-Exclusivity of Rights.* The rights to indemnification and to the advancement of expenses conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, By-law, agreement, vote of stockholders or disinterested Directors or otherwise.

(D) *Insurance.* The corporation may maintain insurance, at its expense, to protect itself and any Director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

(E) *Indemnification of Agents of the Corporation.* The corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any agent of the corporation to the fullest extent of the provisions of this Section with respect to the indemnification and advancement of expenses of Directors, officers and employees of the corporation.

TWELFTH: The corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

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**By-laws  
of  
Honeywell International Inc.**

Amended as of  
April 23, 2018

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**By-laws  
of  
Honeywell International Inc.**

ARTICLE I  
OFFICES

SECTION 1. **Registered Office.** The registered office of Honeywell International Inc. (hereinafter called the Corporation) within the State of Delaware shall be in the City of Wilmington, County of New Castle.

SECTION 2. **Other Offices.** The Corporation may also have an office or offices and keep the books and records of the Corporation, except as may otherwise be required by law, in such other place or places, either within or without the State of Delaware, as the Board of Directors of the Corporation (hereinafter called the Board) may from time to time determine or the business of the Corporation may require.

ARTICLE II  
MEETINGS OF STOCKHOLDERS

SECTION 1. **Place of Meetings.** All meetings of stockholders of the Corporation shall be held at the registered office of the Corporation in the State of Delaware or at such other place, within or without the State of Delaware, as may from time to time be fixed by the Board or specified or fixed in the respective notices or waivers of notice thereof.

SECTION 2. **Annual Meetings.** The annual meeting of stockholders of the Corporation for the election of directors and for the transaction of any other proper business shall be held at 10:00 a.m. on the last Monday of April of each year, or on such other date and at such other time as may be fixed by the Board. If the annual meeting for the election of directors shall not be held on the day designated, the Board shall cause the meeting to be held as soon thereafter as convenient.

SECTION 3. **Special Meetings.** Special meetings of stockholders, unless otherwise provided by law, may be called at any time by the Board pursuant to a resolution adopted by a majority of the then authorized number of directors (as determined in accordance with Section 2 of Article III of these By-laws), or by the Chief Executive Officer or shall be called by the Secretary upon the written request (a "Special Meeting Request") of holders Owning (as defined below in this Section 3) not less than 15% of the outstanding shares of the Corporation's Common Stock as of the date of such request (also referred to as the Requisite Percent as defined in Article EIGHTH of the Corporation's Certificate of Incorporation, as amended) filed with the Secretary of the Corporation in accordance with the requirements of this Section 3.

As used in this Section 3 of Article II and Section 4 of Article III of these By-laws, the terms "Owns," "Owned," and "Owning" and other variations of the word "Own" shall mean only those outstanding shares of Common Stock of the Corporation as to which a stockholder possesses both;

- (i) the full voting and investment rights pertaining to the shares and
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(ii) the full economic interest in (including the opportunity for profit and risk of loss on) such shares;

*provided* that the number of shares calculated in accordance with clauses (i) and (ii) shall not include any shares:

- (A) sold by such stockholder or any control person in any transaction that has not been settled or closed, including any short sale,
- (B) borrowed by such stockholder or any control person for any purposes or purchased by such stockholder or any control person pursuant to an agreement to resell, or
- (C) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such stockholder or any of its control persons, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of outstanding shares of the Corporation, in any such case which instrument or agreement has, or is intended to have, or if exercised would have, the purpose or effect of:
  - (1) reducing in any manner, to any extent or at any time in the future, such stockholder's or any of its control persons' full right to vote or direct the voting of any such shares, and/or
  - (2) hedging, offsetting, or altering to any degree gain or loss arising from the full economic interest in such shares by such stockholder or control person.

A stockholder "Owns" shares held in the name of a nominee or other intermediary so long as the stockholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. A stockholder's Ownership of shares shall be deemed to continue during any period in which the stockholder has delegated any voting power by means of a proxy, power of attorney, or other instrument or arrangement that is revocable at any time by the stockholder. A stockholder's Ownership of shares shall be deemed to continue during any period in which the stockholder has loaned such shares provided that the stockholder has the power to recall such loaned shares on five business days' notice and has recalled such loaned shares as of the applicable request or notice, as the case may be, and through the date of the special meeting or the annual meeting, as the case may be. Whether outstanding shares of the Corporation are "Owned" for these purposes shall be determined by the Board.

A Special Meeting Request must specify the matter or matters to be acted upon at such meeting, each of which must be a proper subject for stockholder action under applicable law. The requesting stockholders must also provide a brief description of the business desired to be brought before the meeting (including the complete text of any resolution and any amendment to any Corporation document intended to be presented at the meeting), the reasons for conducting such business at a special meeting of stockholders, any other information which may be required pursuant to these By-laws or which may be required to be disclosed under the Delaware General Corporation Law or included in a proxy statement filed pursuant to the rules of the Securities and Exchange Commission, and, as to the stockholders requesting the meeting

and the beneficial owners on whose behalf the meeting is being requested, (i) their name and address, as they appear on the Corporation's books, (ii) the class and number of shares of the Corporation which are owned beneficially or of record as of the date of such Special Meeting Request, together with documentary evidence of such ownership, (iii) any material interest in the business to be brought before the meeting, (iv) a description of all agreements or other arrangements or understandings between each such stockholder, any nominee (if such business is the election of one or more nominees of such stockholders) and/or beneficial owner or any of their respective affiliates or associates, and any other person or persons (including the names of such person(s)) in connection with such business, including any swap or other derivative or short positions, profits interests, options, hedging transactions or borrowed or loaned shares, the effect of any of which is to mitigate loss to or manage risk of stock price changes (increases or decreases) for, or to increase or decrease the voting power of, such stockholder, nominee or beneficial owner or any of their respective affiliates or associates with respect to the shares of the Corporation, (v) an undertaking by the stockholder to notify the Corporation in writing of any change in the information called for by clauses (ii), (iii) and (iv) as of the record date for such special meeting, by notice received by the Secretary at the principal executive offices of the Corporation not later than the 10th day following such record date, and thereafter by notice so given and received within two business days of any change in such information and, in any event, as of the close of business on the day preceding the meeting date, and (vi) an acknowledgement that any reduction in Ownership below the Requisite Percent (i.e., 15% of the outstanding shares of the Corporation's Common Stock as of the date of the Special Meeting Request) following the delivery of the Special Meeting Request to the Secretary shall constitute a revocation of such Special Meeting Request.

Upon the written request of any stockholders who have called a special meeting, it shall be the duty of the Secretary of the Corporation to fix the date of the meeting which shall be held at such date and time as the Secretary may fix, not less than 10 nor more than 60 days after the receipt of the request (provided that such request complies with all applicable provisions of these By-laws), and to give due notice thereof in accordance with the applicable provisions of these By-laws. Notwithstanding the foregoing, a special meeting requested by stockholders shall not be held if (i) the Special Meeting Request relates to an item of business that is not a proper subject for stockholder action under applicable law, (ii) the Special Meeting Request is delivered during the period commencing 90 days prior to the first anniversary of the date of the notice of annual meeting for the immediately preceding annual meeting and ending on the earlier of (x) the date of the next annual meeting and (y) 30 calendar days after the first anniversary of the date of the immediately preceding annual meeting, (iii) an identical or substantially similar item (as determined in good faith by the Board, a "Similar Item"), other than the election of directors, was presented at a meeting of the stockholders held not more than 12 months before the Special Meeting Request is delivered, (iv) a Similar Item was presented at a meeting of the stockholders held not more than 90 days before the Special Meeting Request is delivered (and, for purposes of this clause (iv), the election of directors shall be deemed a "Similar Item" with respect to all items of business involving the election or removal of directors) or (v) a Similar Item is included in the Corporation's notice as an item of business to be brought before a stockholder meeting that has been called by the time the Special Meeting Request is delivered but not yet held. Only matters as are stated in the notice of a special meeting of stockholders shall be brought before and acted upon thereat; provided that nothing

herein shall prohibit the Board from submitting matters to the stockholders at any special meeting called by the stockholders.

SECTION 4. **Notice of Meetings.** Notice of each meeting of stockholders, annual or special, shall be in writing, shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at the meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. Unless (i) the adjournment is for more than 30 days, or (ii) the Board shall fix a new record date for any adjourned meeting after the adjournment, notice of an adjourned meeting need not be given if the time and place to which the meeting shall be adjourned were announced at the meeting at which the adjournment was taken.

SECTION 5. **Quorum.** At each meeting of stockholders of the Corporation, the holders of a majority of the shares of capital stock of the Corporation entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business, except as otherwise provided by law. In the absence of a quorum, the chairman of the meeting or a majority in interest of those present in person or represented by proxy and entitled to vote at the meeting may adjourn the meeting from time to time until a quorum shall be present.

SECTION 6. **Order of Business.** The order of business at all meetings of stockholders shall be as determined by the chairman of the meeting.

SECTION 7. **Voting.** Except as otherwise provided in the Certificate of Incorporation, at each meeting of stockholders, every stockholder of the Corporation shall be entitled to one vote for every share of capital stock standing in his name on the stock record of the Corporation (i) at the time fixed pursuant to Section 6 of Article VII of these By-laws as the record date for the determination of stockholders entitled to vote at such meeting, or (ii) if no such record date shall have been fixed, then at the close of business on the day next preceding the day on which notice thereof shall be given. At each meeting of stockholders, except as otherwise provided by law or in the Certificate of Incorporation or these By-laws, in all matters the affirmative vote of the majority of shares present in person or represented by proxy and entitled to vote on the subject matter shall be the act of the stockholders.

SECTION 8. **Inspectors.** In advance of any meeting of stockholders, the Board shall appoint one or more inspectors to act at the meeting and make a written report thereof and may designate one or more alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector shall take and sign such oath and perform such duties as shall be required by law and may perform such other duties not inconsistent therewith as may be requested by the Corporation.



ARTICLE III  
DIRECTORS

SECTION 1. **Powers.** The business and affairs of the Corporation shall be managed by or under the direction of the Board. The Board may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by law or otherwise directed or required to be exercised or done by the stockholders.

SECTION 2. **Number, Election and Terms.**

a) Authorized Number; Filling of Vacancies. The authorized number of directors may be determined from time to time by vote of a majority of the then authorized number of directors or by the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class; provided, however, that such number shall automatically be increased by two in the event of default in the payment of dividends on the Preferred Stock under the circumstances described in the Certificate of Incorporation. The directors, other than those who may be elected by the holders of the Preferred Stock of the Corporation pursuant to the Certificate of Incorporation, shall hold office until the next annual meeting of stockholders and until their successors have been elected and qualified. Except as otherwise provided in the Certificate of Incorporation, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum of the Board, or by a sole remaining director. Any director elected in accordance with the preceding sentence shall hold office until the annual meeting of stockholders and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

b) Majority Voting.

(i) Except as provided in paragraph (c) of this by-law, a nominee for director will be elected to the Board if the number of votes cast "for" that nominee's election exceed the number of votes cast "against" that nominee's election (excluding abstentions) at any meeting for the election of directors at which a quorum is present (a "Majority Vote").

(ii) Any nominee who does not receive a Majority Vote is expected to promptly tender his or her resignation to the Chairman of the Board following certification of the stockholder vote. The Corporate Governance and Responsibility Committee will promptly consider the resignation submitted by each nominee failing to receive a Majority Vote and recommend to the Board whether to accept the tendered resignation or reject it. The Board will consider the Corporate Governance and Responsibility Committee's recommendation and decide whether to accept or reject any tendered resignations no later than at its first regularly scheduled meeting following certification of the stockholder vote.

Following the Board's decision on the Corporate Governance and Responsibility Committee's recommendation, the Company will promptly publicly disclose the Board's decision and process (including, if applicable, the reasons for rejecting the tendered resignation) in a periodic or current report filed with the Securities and Exchange Commission.

To the extent that one or more directors' resignations are accepted by the Board, the Corporate Governance and Responsibility Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

Any director who tenders his or her resignation pursuant to this provision will not participate in the Corporate Governance and Responsibility Committee recommendation or Board consideration regarding whether or not to accept the tendered resignation. If a majority of the members of the Corporate Governance and Responsibility Committee failed to receive a Majority Vote at the same election, then the independent directors who were elected will appoint a Board committee amongst themselves solely for the purpose of considering the tendered resignations and will recommend to the Board whether to accept or reject them. This Board committee may, but need not, consist of all of the independent directors who were elected.

c) Contested Elections. If the number of nominees for director, whether nominated by the Board and/or stockholders, exceeds the number of directors to be elected, directors shall be elected by a plurality of the votes cast in person or by proxy at any meeting of stockholders for the election of directors at which a quorum is present; provided, that, nominations by stockholders (i) have been made in compliance with Sections 3 and/or 4, as applicable, of this Article and (ii) have not been withdrawn (such that the number of nominees no longer exceeds the number of directors to be elected) on or prior to the day immediately preceding the date the Corporation first mails its notice of meeting for such meeting to the stockholders. If directors are to be elected by a plurality of the votes cast, stockholders shall not be permitted to vote "against" any nominee.

### SECTION 3. *Advance Notice of Stockholder Business and Nominations.*

a) Annual Meeting of Stockholders.

(i) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders as follows:

- a) pursuant to the Corporation's notice of meeting;
- b) by or at the direction of the Board of Directors; or
- c) by any stockholder of the Corporation who was a stockholder of record at the time of giving notice provided for in this by-law, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this by-law.

(ii) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause c) of paragraph (a)(i) of this by-law (whether or not such nominations or other business are proposed pursuant to Regulation 14A under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, and such other business must be a proper matter for stockholder action. To be timely, a stockholder’s notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year’s annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder’s notice as described above. Such stockholder’s notice shall set forth:

a) as to each person whom the stockholder proposes to nominate for election or reelection as a director (whether or not such nominations are proposed pursuant to Regulation 14A under the Exchange Act), all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act, as amended (the “Exchange Act”) and Rule 14a-11 thereunder (including such person’s written consent to be named in the proxy statement as a nominee and to serve as a director if elected);

b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, (i) the reasons for conducting such business at the meeting and (ii) including the text of any proposal or resolutions to be proposed for consideration by stockholders and, if such business includes a proposal to amend these by-laws, the text of the proposed amendment; and

c) as to the stockholder giving notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation’s books, and of such beneficial owner, (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (iii) any material interest of such stockholder or beneficial owner in such nomination or proposal, (iv) a description of all agreements or other arrangements or understandings between such stockholder, the nominee and/or beneficial owner or any of their respective affiliates or associates, and any other person or persons (including the names of such person(s)) in

connection with such nomination or proposal, including any swap or other derivative or short positions, profits interests, options, hedging transactions or borrowed or loaned shares, the effect of any of which is to mitigate loss to or manage risk of stock price changes (increases or decreases) for, or to increase or decrease the voting power of, such stockholder, nominee or beneficial owner or any of their respective affiliates or associates with respect to the shares of the Corporation and (v) an undertaking by the stockholder to notify the Corporation in writing of any change in the information called for by clauses (ii), (iii) and (iv) as of the record date for such annual meeting, by notice received by the Secretary at the principal executive offices of the Corporation not later than the 10th day following such record date, and thereafter by notice so given and received within two business days of any change in such information and, in any event, as of the close of business on the day preceding the meeting date.

(iii) Notwithstanding anything in the second sentence of paragraph (a)(ii) of this by-law to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this by-law shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this by-law, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this by-law. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (a)(iii) of this by-law shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

c) General.

(i) Only such persons who are nominated in accordance with the procedures set forth in this by-law or Section 4 shall be eligible to serve as directors and only such other business (this by-law being the exclusive means for a stockholder to nominate any person for election to the Board at a meeting of stockholders), as shall have been brought before the meeting in accordance with the procedures set forth in this by-law or that are otherwise properly brought under Rule 14a-8 under the Exchange Act shall be conducted at a meeting of stockholders. Except as otherwise provided by law or the by-laws of the Corporation, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in this by-law or Section 4 and, if any proposed nomination or business is not in compliance with this by-law or Section 4, to declare that such defective proposal or nomination shall be disregarded.

(ii) For purposes of this by-law and Section 4, “public announcement” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(iii) Notwithstanding the foregoing provisions of this by-law, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this by-law and Section 4; provided, however, that any references in these By-laws to the Exchange Act or the rules thereunder are not intended to and shall not limit the requirements applicable to nominations of persons for election to the Board made or intended to be made in accordance with clause c) of paragraph (a)(i) of this by-law or Section 4(f). Nothing in this by-law or Section 4 shall be deemed to affect any rights of the holders of any series of Preferred Stock to elect directors under specified circumstances.

**SECTION 4. *Proxy Access for Director Nominations.***

(a) The Corporation shall include in its proxy statement and on its form of proxy for an annual meeting of stockholders the name of, and the Required Information (as defined below) relating to, any nominee for election or reelection to the Board who satisfies the eligibility requirements in this Section 4 (a) (a “Stockholder Nominee”) and who is identified in a notice that complies with Section 4(f) and that is timely delivered pursuant to Section 4(g) (the “Stockholder Notice”) by one or more stockholders acting on behalf of up to twenty stockholders who:

(i) elect at the time of delivering the Stockholder Notice to have such Stockholder Nominee included in the Corporation’s proxy materials,

(ii) as of the date of the Stockholder Notice, Own and have Owned (as defined above in Section 3 of Article II) a number of shares that represents at least 3% of the

outstanding shares of the Corporation entitled to vote in the election of directors (the “Required Shares”) and have Owned (as defined above in Section 3 of Article II) continuously the Required Shares (as adjusted for any stock splits, stock dividends, or similar events) for at least three years, and

(iii) satisfy the additional requirements in these By-laws (such stockholder or stockholders collectively, an “Eligible Stockholder”).

(b) For purposes of satisfying the Ownership requirement under Section 4(a):

(i) the outstanding shares of the Corporation Owned by one or more stockholders may be aggregated, provided that the number of stockholders and other beneficial owners whose ownership of shares is aggregated for such purpose shall not exceed twenty, and

(ii) two or more funds that are (A) under common management and investment control, (B) under common management and funded primarily by the same employer, or (C) a “group of investment companies,” as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended, shall, in each case, be treated as one stockholder.

(c) No stockholder may be a member of more than one group of stockholders constituting an Eligible Stockholder under this Section 4.

(d) For purposes of this Section 4, the “Required Information” that the Corporation will include in its proxy statement is:

(i) the information concerning the Stockholder Nominee and the Eligible Stockholder that is required to be disclosed in the Corporation’s proxy statement by the applicable requirements of the Exchange Act and the rules and regulations thereunder; and

(ii) if the Eligible Stockholder so elects, a written statement of the Eligible Stockholder, not to exceed 500 words, in support of its Stockholder Nominee, which must be provided at the same time as the Stockholder Notice for inclusion in the Corporation’s proxy statement for the annual meeting (the “Statement”).

Notwithstanding anything to the contrary contained in this Section 4, the Corporation may omit from its proxy materials any information or Statement that it, in good faith, believes would violate any applicable law, rule, regulation or listing standard. Nothing in this Section 4 shall limit the Corporation’s ability to solicit against and include in its proxy materials its own statements relating to any Eligible Stockholder or Stockholder Nominee.

(e) The Stockholder Notice shall set forth the information required under Section 3(a)(ii)(a) and (c) of these By-laws and in addition shall set forth:

(i) the written consent of each Stockholder Nominee to being named in the Corporation’s proxy statement as a nominee and to serving as a director if elected;

(ii) a copy of the Schedule 14N that has been or concurrently is filed with the Securities and Exchange Commission under Exchange Act Rule 14a-18; and

(iii) the written agreement of the Eligible Stockholder (or in the case of a group, each stockholder whose shares are aggregated for purposes of constituting an Eligible

Stockholder) addressed to the Corporation, setting forth the following additional agreements, representations, and warranties:

(A) setting forth and certifying to the number of shares of the Corporation it Owns and has Owned as defined above in Section 3 of Article II) continuously for at least three years as of the date of the Stockholder Notice and agreeing to continue to Own such shares through the date of the annual meeting, which statement shall also be included in the written statements set forth in Item 4 of the Schedule 14N filed by the Eligible Stockholder with the Securities and Exchange Commission;

(B) the Eligible Stockholder's agreement to provide (1) the information required under Section 3(a)(ii)(c) and (2) written statements from the record holder and intermediaries as required under Section 4(g) verifying the Eligible Stockholder's continuous Ownership of the Required Shares through and as of the business day immediately preceding the date of the annual meeting;

(C) the Eligible Stockholder's representation and agreement that the Eligible Stockholder (including each member of any group of stockholders that together is an Eligible Stockholder under this Section 4);

(1) acquired the Required Shares in the ordinary course of business and not with the intent to change or influence control at the Corporation, and does not presently have such intent,

(2) has not nominated and will not nominate for election to the Board at the annual meeting any person other than the Stockholder Nominee(s) being nominated pursuant to this Section 4,

(3) has not engaged and will not engage in a, and has not been and will not be a "participant" (as defined in Item 4 of the Exchange Act Schedule 14A) in another person's, "solicitation" within the meaning of Exchange Act Rule 14a-1(l), in support of the election of any individual as a director at the annual meeting other than its Stockholder Nominee or a nominee of the Board,

(4) will not distribute to any stockholder any form of proxy for the annual meeting other than the form distributed by the Corporation; and

(D) the Eligible Stockholder's agreement to:

(1) assume all liability stemming from any legal or regulatory violation arising out of the Eligible Stockholder's communications with the stockholders of the Corporation or out of the information that the Eligible Stockholder provided to the Corporation,

(2) indemnify and hold harmless the Corporation and each of its directors, officers and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of any nomination submitted by the Eligible Stockholder pursuant to this Section 4,

provided, however that, upon the election to the Board of its Stockholder Nominee, the indemnification by the Eligible Stockholder under this Section 4(e)(iii)(D) shall no longer apply,

(3) comply with all other laws, rules, regulations and listing standards applicable to any solicitation in connection with the annual meeting,

(4) file all materials described below in Section 4(g)(iii) with the Securities and Exchange Commission, regardless of whether any such filing is required under Exchange Act Regulation 14A, or whether any exemption from filing is available for such materials under Exchange Act Regulation 14A,

(5) provide to the Corporation prior to the annual meeting such additional information as necessary or reasonably requested by the Corporation, and

(6) promptly disclose to the Corporation if the Eligible Stockholder does not intend to continue to Own the Required Shares for at least one year following the annual meeting; and

(iv) in the case of a nomination by a group of stockholders that together is an Eligible Stockholder, the designation by all group members of one group member that is authorized to act on behalf of all such members with respect to the nomination and matters related thereto, including any withdrawal of the nomination.

(f) To be timely under this Section 4, the Stockholder Notice must be received by the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the 120th day nor earlier than the close of business on the 150th day prior to the first anniversary of the date the definitive proxy statement was first released to stockholders in connection with the preceding year's annual meeting of stockholders; provided, however that in the event the date of the current year meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day and not later than the close of business on the later of the 90th day prior to the current year meeting or the 10th day following the day on which public announcement of the date of the current year meeting is first made by the Corporation. In no event shall any adjournment or postponement of an annual meeting, or the announcement thereof, commence a new time period (or extend any time period) for the giving of the Stockholder Notice as described above.

(g) An Eligible Stockholder (or in the case of a group, each stockholder whose shares are aggregated for purposes of constituting an Eligible Stockholder) must:

(i) within five business days after the date of the Stockholder Notice, provide one or more written statements from the record holder(s) of the Required Shares and from each intermediary through which the Required Shares are or have been held, in each case during the requisite three-year holding period, verifying that the Eligible Stockholder Owns, and has Owned continuously for the preceding three years, the Required Shares,

(ii) include in the written statements provided pursuant to Item 4 of Schedule 14N filed with the Securities and Exchange Commission a statement certifying that it



Owns and continuously has Owned, as defined in Section 4(c), the Required Shares for at least three years,

(iii) file with the Securities and Exchange Commission any solicitation or other communication relating to the current year annual meeting of stockholders, one or more of the Corporation's directors or director nominees or any Stockholder Nominee, regardless of whether any such filing is required under Exchange Act Regulation 14A or whether any exemption from filing is available for such solicitation or other communication under Exchange Act Regulation 14A, and

(iv) as to any group of funds whose shares are aggregated for purposes of constituting an Eligible Stockholder, within five business days after the date of the Stockholder Notice, provide documentation reasonably satisfactory to the Corporation that demonstrates that the funds satisfy Section 4(b)(ii).

(h) Within the time period specified in Section 4(f) for delivery of the Stockholder Notice, a Stockholder Nominee must deliver to the Secretary of the Corporation the questionnaire, representation and agreement set forth in Section 5 below. At the request of the Corporation, the Stockholder Nominee must promptly, but in any event within five business days of such request, submit any additional completed and signed questionnaires required of the Corporation's directors and provide to the Corporation such other information as it may reasonably request. The Corporation may request such additional information as necessary to permit the Board to determine if each Stockholder Nominee is independent under the listing standards of the principal U.S. exchange upon which the shares of the Corporation are listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the Board in determining and disclosing the independence of the Corporation's directors.

(i) Notwithstanding anything to the contrary contained in this Section 4, the Corporation may omit from its proxy statement any Stockholder Nominee, and such nomination shall be disregarded and no vote on such Stockholder Nominee will occur, notwithstanding that proxies in respect of such vote may have been received by the Corporation, if:

(i) the Secretary of the Corporation receives notice that a stockholder intends to nominate a person for election to the Board which stockholder does not elect to have its nominee(s) included in the Corporation's proxy materials pursuant to this Section 4,

(ii) the Eligible Stockholder or Stockholder Nominee breaches any of its respective agreements, representations, or warranties set forth in the Stockholder Notice, or if any of the information in the Stockholder Notice (or otherwise submitted pursuant to this Section 4) was not, when provided, true, correct and complete or the requirements of this Section 4 have otherwise not been met,

(iii) the Stockholder Nominee (A) is not independent under the listing standards of the principal U.S. exchange upon which the shares of the Corporation are listed, any applicable rules of the Securities and Exchange Commission, and any publicly disclosed standards used by the Board in determining and disclosing the independence of the Corporation's directors, (B) does not qualify as independent under the audit committee independence requirements set forth in the rules of the

principal U.S. exchange on which shares of the Corporation are listed, as a “non-employee director” under Exchange Act Rule 16b-3, or as an “outside director” for the purposes of Section 162(m) of the Internal Revenue Code (or any successor provision), (C) is or has been, within the past three years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, as amended, (D) is an officer, director or general partner of any legal entity where a fellow officer, director or general partner of such legal entity is an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, as amended, (E) is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in a criminal proceeding within the past ten years, or (F) is subject to any order of the type specified in Rule 506(d) of Regulation D promulgated under the Securities Act of 1933, as amended, or

(iv) the election of the Stockholder Nominee to the Board would cause the Corporation to be in violation of the Certificate of Incorporation, these By-laws, or any applicable state or federal law, rule, regulation or listing standard.

(j) The maximum number of Stockholder Nominees appearing in the Corporation’s proxy materials with respect to an annual meeting of stockholders (including any Stockholder Nominee whose name was submitted for inclusion in the Corporation’s proxy materials for such annual meeting but who is nominated by the Board as a Board nominee for such annual meeting), together with

(i) any nominees who were previously elected to the Board as (A) Stockholder Nominees pursuant to this Section 4 (including any Stockholder Nominee whose name was submitted for inclusion in the Corporation’s proxy materials for such prior annual meeting but who was nominated by the Board as a Board nominee for such prior annual meeting) or (B) otherwise as a nominee of any stockholder, in either case at any of the preceding two annual meetings and who are re-nominated for election at such annual meeting by the Board and

(ii) any Stockholder Nominee who was qualified for inclusion in the Corporation’s proxy materials for such annual meeting but whose nomination is subsequently withdrawn,

shall not exceed the greater of (x) two or (y) 20% of the number of directors in office as of the last day on which a Stockholder Notice may be delivered pursuant to this Section 4 with respect to such annual meeting, or if such amount is not a whole number, the closest whole number below 20% ; *provided* that if there is a vacancy on the Board and the number of directors is decreased prior to such annual meeting, then the 20% of the number of directors shall be calculated based on the number of directors in office as of the date of such decrease in the number of directors. In the event that the number of Stockholder Nominees submitted by Eligible Stockholders pursuant to this Section 4 exceeds this maximum number, each Eligible Stockholder will select one Stockholder Nominee for inclusion in the Corporation’s proxy materials until the maximum number is reached, going in order of the number (largest to smallest) of shares of the Corporation each Eligible Stockholder disclosed as Owned in its respective Stockholder Notice submitted to the Corporation. If the maximum number is not reached after each Eligible Stockholder has selected one Stockholder Nominee, this selection

process will continue as many times as necessary, following the same order each time, until the maximum number is reached.

(k) Any Stockholder Nominee who is included in the Corporation's proxy materials for a particular annual meeting of stockholders but either (i) withdraws from or becomes ineligible or unavailable for election at the annual meeting, or (ii) does not receive at least 25% of the votes cast in favor of the Stockholder Nominee's election, will be ineligible to be a Stockholder Nominee pursuant to this Section 4 for the next two annual meetings.

**SECTION 5. *Submission of Questionnaire, Representation and Agreement.*** To be eligible to be a nominee for election or reelection as a director of the Corporation by a stockholder or Eligible Stockholder, a person must complete and deliver (in accordance with the time periods prescribed for delivery of notice under Section 3 or 4, whichever is applicable) to the Secretary at the principal executive offices of the Corporation a written questionnaire providing the information requested about the background and qualifications of such person and the background of any other person or entity on whose behalf the nomination is being made and a written representation and agreement (the questionnaire, representation, and agreement to be in the form provided by the Secretary upon written request) that such person:

(a) is not and will not become a party to:

(i) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how the person, if elected as a director of the Corporation, will act or vote on any issue or question (a "**Voting Commitment**") that has not been disclosed to the Corporation, or

(ii) any Voting Commitment that could limit or interfere with the person's ability to comply, if elected as a director of the Corporation, with the person's fiduciary duties under applicable law,

(b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement, or indemnification in connection with service or action as a director that has not been disclosed to the Corporation, and

(c) in the person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality, and stock ownership and trading policies and guidelines of the Corporation.

**SECTION 6. *Place of Meetings.*** Meetings of the Board shall be held at such place, within or without the State of Delaware, as the Board may from time to time determine or as shall be specified or fixed in the notice or waiver of notice of any such meeting.

**SECTION 7. *Regular Meetings.*** Regular meetings of the Board shall be held in accordance with a yearly meeting schedule as determined by the Board; or such meetings may be held on such other days and at such other times as the Board may from time to time determine. Notice

of regular meetings of the Board need not be given except as otherwise required by these By-laws.

SECTION 8. **Special Meetings.** Special meetings of the Board may be called by the Chairman, the Chief Executive Officer, the Lead Director of the Board, the Chair of the Corporate Governance and Responsibility Committee of the Board or the Secretary at the request of any two independent directors.

SECTION 9. **Notice of Meetings.** Notice of each special meeting of the Board (and of each regular meeting for which notice shall be required), stating the time, place and purposes thereof, shall be mailed to each director, addressed to him or her at his or her residence or usual place of business, or shall be sent to him or her by electronic transmission so addressed, or shall be given personally or by telephone, on 24 hours notice or such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

SECTION 10. **Quorum and Manner of Acting.** The presence of at least a majority of the authorized number of directors shall constitute a quorum for the transaction of business at any meeting of the Board. If a quorum shall not be present at any meeting of the Board, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Except where a different vote is required by law or the Certificate of Incorporation or these By-laws, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board. Any action required or permitted to be taken by the Board may be taken without a meeting if all the directors consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board. Any one or more directors may participate in any meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at a meeting of the Board.

SECTION 11. **Resignation.** Any director may resign at any time by giving written notice to the Chairman of the Board, the Chief Executive Officer or the Secretary, which notice shall be deemed to constitute notice to the Corporation. Such resignation shall take effect upon receipt of such notice or at any later time specified therein.

SECTION 12. **Removal of Directors.** Subject to the rights of the holders of Preferred Stock, any director may be removed from office, with or without cause, by the affirmative vote of the holders of a majority of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

SECTION 13. **Compensation of Directors.** The Board may provide for the payment to any of the directors, other than officers or employees of the Corporation, of a specified amount for services as a director or member of a committee of the Board, or of a specified amount for attendance at each regular or special Board meeting or committee meeting, or of both, and all directors shall be reimbursed for expenses of attendance at any such meeting; provided, however, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV  
COMMITTEES OF THE BOARD

SECTION 1. ***Appointment and Powers of Audit Committee.*** The Board shall, by resolution adopted by the affirmative vote of a majority of the authorized number of directors, designate an Audit Committee of the Board, which shall consist of such number of directors as the Board may determine and shall be comprised solely of directors independent of management and free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a committee member. The Audit Committee shall (i) make recommendations to the Board as to the independent accountants to be appointed by the Board; (ii) review with the independent accountants the scope of their examination; (iii) receive the reports of the independent accountants and meet with representatives of such accountants for the purpose of reviewing and considering questions relating to their examination and such reports; (iv) review, either directly or through the independent accountants, the internal accounting and auditing procedures of the Corporation and (v) perform such other functions as may be assigned to it from time to time by the Board. The Audit Committee may determine its manner of acting and fix the time and place of its meetings, unless the Board shall otherwise provide. A majority of the members of the Audit Committee shall constitute a quorum for the transaction of business by the committee and the vote of a majority of the members of the committee present at a meeting at which a quorum is present shall be the act of the committee.

SECTION 2. ***Other Committees.*** The Board may, by the affirmative vote of a majority of the authorized number of directors, designate members of the Board to constitute an Executive Committee, a Management Development and Compensation Committee and other committees of the Board, which shall in each case consist of such number of directors as the Board may determine, and shall have and may exercise, to the extent permitted by law, such powers and authority as the Board may by resolution delegate to them and may authorize the seal of the Corporation to be affixed to all papers which require it. Each such committee may determine its manner of acting and fix the time and place of its meetings, unless the Board shall otherwise provide. A majority of the members of any such committee shall constitute a quorum for the transaction of business by the committee and the vote of a majority of the members of such committee present at a meeting at which a quorum is present shall be the act of the committee.

SECTION 3. ***Action by Consent; Participation by Telephone or Similar Equipment.*** Unless the Board shall otherwise provide, any action required or permitted to be taken by any committee may be taken without a meeting if all members of the committee consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the committee. Unless the Board shall otherwise provide, any one or more members of any committee may participate in any meeting of the committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at a meeting of the committee.

SECTION 4. ***Changes in Committees; Resignations; Removals.*** The Board shall have power, by the affirmative vote of a majority of the authorized number of directors, at any time to change the members of, to fill vacancies in, and to discharge any committee of the Board.

Any member of any such committee may resign at any time by giving written notice to the Chairman of the Board, the Chief Executive Officer, the Chairman of such committee or the Secretary, which notice shall be deemed to constitute notice to the Corporation. Such resignation shall take effect upon receipt of such notice or at any later time specified therein. Any member of any such committee may be removed at any time, either with or without cause, by the affirmative vote of a majority of the authorized number of directors at any meeting of the Board, provided such removal shall have been referred to in the notice of such meeting.

## ARTICLE V OFFICERS

SECTION 1. **Number and Qualifications.** The officers of the Corporation may include a Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer, President, one or more Vice Presidents, General Counsel, Treasurer, Secretary and Controller; provided, however, that any one or more of the foregoing offices may remain vacant from time to time, except as otherwise required by law. So far as practicable, the officers shall be elected annually on the day of the annual meeting of stockholders. Each officer shall hold office until the next annual election of officers and until his successor is elected and qualified, or until his death or retirement, or until he shall have resigned or been removed in the manner hereinafter provided. The same person may hold more than one office. The Chairman of the Board, the Vice Chairman of the Board, the Chief Executive Officer and the President shall be elected from among the directors. The Board may from time to time elect or appoint such other officers or agents as may be necessary or desirable for the business of the Corporation. Such other officers and agents shall have such titles and duties and shall hold their offices for such terms as may be prescribed by the Board. The Chief Executive Officer may appoint one or more Deputy, Associate or Assistant officers, or such other agents as may be necessary or desirable for the business of the Corporation. In case one or more Deputy, Associate or Assistant officers shall be appointed, the officer such appointee assists may delegate to him the authority to perform such of the officer's duties as the officer may determine.

SECTION 2. **Resignations.** Any officer may resign at any time by giving written notice to the Chairman of the Board, the Chief Executive Officer or the Secretary, which notice shall be deemed to constitute notice to the Corporation. Such resignation shall take effect upon receipt of such notice or at any later time specified therein.

SECTION 3. **Removal.** Any officer or agent may be removed, either with or without cause, at any time, by the Board or, in the case of any officer or agent other than the Chief Executive Officer and the Chief Financial Officer, by the Management Development and Compensation Committee at any meeting, provided, however, such removal shall have been referred to in the notice of such meeting if such meeting constitutes a special meeting; provided, further, that the Chief Executive Officer may remove any agent appointed by the Chief Executive Officer.

SECTION 4. **Vacancies.** Any vacancy among the officers, whether caused by death, resignation, removal or otherwise, shall be filled in the manner prescribed for election to such office.

SECTION 5. **Chairman of the Board.** The Chairman of the Board shall, if present, preside at all meetings of the Board and, in the absence of the Chief Executive Officer, at all meetings of the stockholders. He shall perform the duties incident to the office of the Chairman of the Board and all such other duties as are specified in these By-laws or as shall be assigned to him from time to time by the Board.

SECTION 6. **Vice Chairman of the Board.** The Vice Chairman of the Board shall, if present, preside at all meetings of the Board at which the Chairman of the Board shall not be present and at all meetings of the stockholders at which neither the Chief Executive Officer nor the Chairman of the Board shall be present. He shall perform such other duties as shall be assigned to him from time to time by the Board or the Chief Executive Officer.

SECTION 7. **Chief Executive Officer.** The Chief Executive Officer shall, if present, preside at all meetings of the stockholders. He shall have, under the control of the Board, general supervision and direction of the business and affairs of the Corporation. He shall at all times see that all resolutions or determinations of the Board are carried into effect. He may from time to time appoint, remove or change members of and discharge one or more advisory committees, each of which shall consist of such number of persons (who may, but need not, be directors or officers of the Corporation), and have such advisory duties, as he shall determine. He shall perform the duties incident to the office of the Chief Executive Officer and all such other duties as are specified in these By-laws or as shall be assigned to him from time to time by the Board.

SECTION 8. **President.** The President shall be the chief operating officer of the Corporation and shall perform such duties as shall be assigned to him from time to time by the Board or the Chief Executive Officer.

SECTION 9. **Vice Presidents.** The Board shall, if it so determines, elect one or more Vice Presidents (with such additional titles as the Board may prescribe), each of whom shall perform such duties as shall be assigned to him from time to time by the Chief Executive Officer or such other officer to whom the Vice President reports.

SECTION 10. **General Counsel.** The General Counsel shall be the chief legal officer of the Corporation and the head of its legal department. He shall, in general, perform the duties incident to the office of General Counsel and all such other duties as may be assigned to him from time to time by the Chief Executive Officer.

SECTION 11. **Treasurer.** The Treasurer shall have charge and custody of all funds and securities of the Corporation, shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation, shall deposit all funds of the Corporation in such depositories as may be designated pursuant to these By-laws, shall receive, and give receipts for, moneys due and payable to the Corporation from any source whatsoever, shall disburse the funds of the Corporation and shall render to all regular meetings of the Board, or whenever the Board may require, an account of all his transactions as Treasurer. He shall, in general, perform all the duties incident to the office of Treasurer and all such other duties as may be assigned to him from time to time by the Chief Executive Officer or such other officer to whom the Treasurer reports.

SECTION 12. **Secretary.** The Secretary shall, if present, act as secretary of all meetings of the Board, the Executive Committee and other committees of the Board and the stockholders and shall have the duty to record the proceedings of such meetings in one or more books provided for that purpose. He shall see that all notices are duly given in accordance with these By-laws and as required by law, shall be custodian of the seal of the Corporation and shall affix and attest the seal to all documents to be executed on behalf of the Corporation under its seal. He shall, in general, perform all the duties incident to the office of Secretary and all such other duties as may be assigned to him from time to time by the Chief Executive Officer or such other officer to whom the Secretary reports.

SECTION 13. **Controller.** The Controller shall have control of all the books of account of the Corporation, shall keep a true and accurate record of all property owned by it, its debts and of its revenues and expenses, shall keep all accounting records of the Corporation (other than the accounts of receipts and disbursements and those relating to the deposit or custody of funds and securities of the Corporation, which shall be kept by the Treasurer) and shall render to the Board, whenever the Board may require, an account of the financial condition of the Corporation. He shall, in general, perform all the duties incident to the office of Controller and all such other duties as may be assigned to him from time to time by the Chief Executive Officer or such other officer to whom the Controller reports.

SECTION 14. **Bonds of Officers.** If required by the Board, any officer of the Corporation shall give a bond for the faithful discharge of his duties in such amount and with such surety or sureties as the Board may require.

SECTION 15. **Compensation.** The salaries of the officers shall be fixed from time to time by the Board; provided, however, that the Chief Executive Officer may fix or delegate to others the authority to fix the salaries of any agents appointed by the Chief Executive Officer.

SECTION 16. **Officers of Operating Companies or Divisions.** The Chief Executive Officer shall have the power to appoint, prescribe the terms of office, the responsibilities and duties and salaries of, and remove, the officers of the operating companies or divisions other than those who are officers of the Corporation.

## ARTICLE VI CONTRACTS, CHECKS, LOANS, DEPOSITS, ETC.

SECTION 1. **Contracts.** The Board may authorize any officer or officers, agent or agents, in the name and on behalf of the Corporation, to enter into any contract or to execute and deliver any instrument, which authorization may be general or confined to specific instances; and, unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable pecuniarily for any purpose or for any amount.

SECTION 2. **Checks, etc.** All checks, drafts, bills of exchange or other orders for the payment of money out of the funds of the Corporation, and all notes or other evidences of indebtedness of the Corporation, shall be signed in the name and on behalf of the Corporation



in such manner as shall from time to time be authorized by the Board, which authorization may be general or confined to specific instances.

SECTION 3. **Loans.** No loan shall be contracted on behalf of the Corporation, and no negotiable paper shall be issued in its name, unless authorized by the Board, which authorization may be general or confined to specific instances. All bonds, debentures, notes and other obligations or evidences of indebtedness of the Corporation issued for such loans shall be made, executed and delivered as the Board shall authorize, which authorization may be general or confined to specific instances.

SECTION 4. **Deposits.** All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as may be selected by or in the manner designated by the Board. The Board or its designees may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these By-laws, as may be deemed expedient.

## ARTICLE VII CAPITAL STOCK

SECTION 1. **Stock Certificates and Uncertificated Shares.** The shares of the Corporation may be represented by certificates or may be uncertificated. Each stockholder shall be entitled to have, in such form as shall be approved by the Board, a certificate or certificates signed by the Chairman of the Board or the Vice Chairman of the Board or the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary representing the number of shares of capital stock of the Corporation owned by such stockholder. Any or all of the signatures on any such certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon any such certificate shall have ceased to be such before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if such officer, transfer agent or registrar had been such at the date of its issue. Absent a specific request for such a certificate by the registered owner or transferee thereof, all shares may be uncertificated upon the original issuance thereof by the Corporation or upon surrender of the certificate representing such shares to the Corporation or its transfer agent.

SECTION 2. **List of Stockholders Entitled to Vote.** The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare or cause to have prepared, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

SECTION 3. **Stock Ledger.** The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 2 of this Article VII or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

SECTION 4. **Transfers of Capital Stock.** Transfers of shares of capital stock of the Corporation shall be registered on the stock record of the Corporation, and if requested by the registered owner or transferee thereof, a new certificate shall be issued to the person entitled thereto, upon presentation and surrender, with a request to register transfer, of the certificate or certificates representing the shares properly endorsed by the holder of record or accompanied by a separate document signed by the holder of record containing an assignment or transfer of the shares or a power to assign or transfer the shares or upon presentation of proper transfer instructions from the holder of record of uncertificated shares. The Board may make such additional rules and regulations as it may deem expedient concerning the issue and transfer of certificates representing shares of the capital stock of the Corporation.

SECTION 5. **Lost Certificates.** The Corporation may issue uncertificated shares, or if requested by the registered owner, a new certificate or cause a new certificate to be issued, in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. The Corporation may require the owner of such lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 6. **Fixing of Record Date.** In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting. In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of capital stock or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action.

SECTION 7. **Registered Owners.** Prior to due presentment for registration of transfer of a certificate representing shares of capital stock of the Corporation or of proper transfer instructions with respect to uncertificated shares, the Corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive dividends, to receive notifications, and otherwise to exercise all the rights and powers of an owner of such shares, except as otherwise provided by law.

SECTION 8. **Rights Plans.** The Corporation will seek shareowner approval prior to its adoption of a Rights Plan, unless the Board, in the exercise of its fiduciary duties and with the concurrence of a majority of its independent directors, determines that, under the circumstances existing at the time, it is in the best interests of the stockholders of the Corporation to adopt a Rights Plan without delay. If a Rights Plan is adopted by the Corporation without prior approval of the stockholders of the Corporation, such plan must provide that it shall expire unless ratified by the stockholders of the Corporation within one year of adoption. For purposes of this by-law, the term “Rights Plan” refers generally to any plan providing for the distribution of preferred stock, rights, warrants, options or debt instruments to the stockholders of the Corporation, designed to deter non-negotiated takeovers by conferring certain rights on the stockholders of the Corporation upon the occurrence of a “triggering event” such as a tender offer or third party acquisition of a specified percentage of stock.

ARTICLE VIII  
FISCAL YEAR

The Corporation’s fiscal year shall coincide with the calendar year.

ARTICLE IX  
SEAL

The Corporation’s seal shall be circular in form and shall include the words “Honeywell International Inc., Delaware, 1985, Seal.”

ARTICLE X  
WAIVER OF NOTICE

Whenever any notice is required by law, the Certificate of Incorporation or these By-laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice.

ARTICLE XI  
AMENDMENTS

These By-laws or any of them may be amended or supplemented in any respect at any time, either (a) at any meeting of stockholders, provided that any amendment or supplement proposed to be acted upon at any such meeting shall have been described or referred to in the notice of such meeting, or (b) at any meeting of the Board, provided that any amendment or supplement proposed to be acted upon at any such meeting shall have been described or referred to in the notice of such meeting or an announcement with respect thereto shall have been made at the last previous Board meeting.

ARTICLE XII  
FORUM FOR ADJUDICATION OF DISPUTES

Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be a state or federal court located within the state of Delaware, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XII.

ARTICLE XIII  
EMERGENCY BY-LAWS

SECTION 1. **Emergency Board of Directors.** In case of an attack on the United States or on a locality in which the Corporation conducts its business or customarily holds meetings of the Board or the stockholders, or during any nuclear or atomic disaster, or during the existence of any catastrophe, or other similar emergency condition, as a result of which a quorum of the Board or a committee thereof cannot readily be convened for action in accordance with the provisions of the By-laws, the business and affairs of the Corporation shall be managed by or under the direction of an Emergency Board of Directors (hereinafter called the Emergency Board) established in accordance with Section 2 of this Article XIII.

SECTION 2. **Membership of Emergency Board of Directors.** The Emergency Board shall consist of at least three of the following persons present or available at the Emergency Corporate Headquarters determined according to Section 5 of this Article XIII: (i) those persons who were directors at the time of the attack or other event mentioned in Section 1 of this Article XIII, and (ii) any other persons appointed by such directors to the extent required to provide a quorum at any meeting of the Board. If there are no such directors present or available at the Emergency Corporate Headquarters, the Emergency Board shall consist of the three highest-ranking officers or employees of the Corporation present or available and any other persons appointed by them.

SECTION 3. **Powers of the Emergency Board.** The Emergency Board will have the same powers as those granted to the Board in these By-laws, but will not be bound by any requirement of these By-laws which a majority of the Emergency Board believes impracticable under the circumstances.

SECTION 4. **Stockholders' Meeting.** At such time as it is practicable to do so the Emergency Board shall call a meeting of stockholders for the purpose of electing directors. Such meeting will be held at a time and place to be fixed by the Emergency Board and pursuant

to such notice to stockholders as it is deemed practicable to give. The stockholders entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum.

SECTION 5. ***Emergency Corporate Headquarters***. Emergency Corporate Headquarters shall be at such location as the Board or the Chief Executive Officer shall determine prior to the attack or other event, or if not so determined, at such place as the Emergency Board may determine.

SECTION 6. ***Limitation of Liability***. No officer, director or employee acting in accordance with the provisions of this Article XIII shall be liable except for willful misconduct.

**HONEYWELL INTERNATIONAL INC.**  
**STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**  
**Six Months Ended**  
**June 30, 2018**  
**(Dollars in millions)**

<b>Determination of Earnings:</b>	
Income before taxes	\$ 3,908
Add (Deduct):	
Amortization of capitalized interest	10
Fixed charges	197
Equity income, net of distributions	(24)
<b>Total earnings, as defined</b>	<u>\$ 4,091</u>
<b>Fixed Charges:</b>	
Rents <sup>(a)</sup>	\$ 19
Interest and other financial charges	178
	<u>197</u>
Capitalized interest	6
<b>Total fixed charges</b>	<u>\$ 203</u>
<b>Ratio of Earnings to Fixed Charges</b>	<b>20.15</b>

(a) Denotes the equivalent of an appropriate portion of rentals representative of the interest factor on all rentals other than for capitalized leases.

**CERTIFICATION PURSUANT TO  
SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Darius Adamczyk, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Honeywell International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 20, 2018

By: /s/ Darius Adamczyk  
Darius Adamczyk  
Chairman and Chief Executive Officer

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**CERTIFICATION PURSUANT TO  
SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas A. Szlosek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Honeywell International Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 20, 2018

By: /s/ Thomas A. Szlosek  
Thomas A. Szlosek  
Senior Vice President and Chief Financial Officer

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Honeywell International Inc. (the Company) on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Darius Adamczyk, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 20, 2018

By: /s/ Darius Adamczyk  
Darius Adamczyk  
Chairman and Chief Executive Officer

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Honeywell International Inc. (the Company) on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Thomas A. Szlosek, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 20, 2018

By: /s/ Thomas A. Szlosek  
Thomas A. Szlosek  
Senior Vice President and Chief Financial Officer

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