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

Form 10-Q

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

For the quarterly period ended September 30, 2014

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	22-2640650
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
101 Columbia Road Morris Township, New Jersey	07962
(Address of principal executive offices)	(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 S 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 S No £

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

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

There were 782,810,325 shares of Common Stock outstanding at September 30, 2014.

Honeywell International Inc.
Index

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. 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 Form 10-K for the year ended December 31, 2013.

PART I. FINANCIAL INFORMATION

The financial information as of September 30, 2014 should be read in conjunction with the financial statements for the year ended December 31, 2013 contained in our Form 10-K filed on February 14, 2014.

ITEM 1. FINANCIAL STATEMENTS

Honeywell International Inc.
Consolidated Statement of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars in millions, except per share amounts)			
Product sales	$ 8,090	$ 7,693	$ 24,213	$ 22,911
Service sales	2,018	1,954	5,827	5,757
Net sales	10,108	9,647	30,040	28,668
Costs, expenses and other				
Cost of products sold	5,860	5,722	17,686	17,039
Cost of services sold	1,268	1,220	3,705	3,713
	7,128	6,942	21,391	20,752
Selling, general and administrative expenses	1,344	1,242	4,058	3,752
Other (income) expense	(21)	(1)	(159)	(53)
Interest and other financial charges	77	80	236	244
	8,528	8,263	25,526	24,695
Income before taxes	1,580	1,384	4,514	3,973
Tax expense	388	377	1,160	975
Net income	1,192	1,007	3,354	2,998
Less: Net income attributable to the noncontrolling interest	25	17	71	21
Net income attributable to Honeywell	$ 1,167	$ 990	$ 3,283	$ 2,977
Earnings per share of common stock - basic	$ 1.49	$ 1.26	$ 4.18	$ 3.78
Earnings per share of common stock - assuming dilution	$ 1.47	$ 1.24	$ 4.13	$ 3.73
Cash dividends per share of common stock	$ 0.4500	$ 0.4100	$ 1.3500	$ 1.2300

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars in millions)			
Net income	$ 1,192	$ 1,007	$ 3,354	$ 2,998
Other comprehensive income (loss), net of tax				
Foreign exchange translation adjustment	(545)	330	(484)	(126)
Actuarial gains	-	79	-	79
Prior service credit	-	108	-	108
Actuarial losses recognized	4	1	12	13
Prior service costs recognized	-	-	-	5
Transition obligation recognized	-	-	1	1
Settlements and curtailments	-	-	-	(26)
Pension and other postretirement benefits adjustments	4	188	13	180
Unrealized gains (losses)	(6)	38	(8)	95
Less: Reclassification adjustment for gains included in net income	-	-	71	-
Changes in fair value of available for sale investments	(6)	38	(79)	95
Effective portion of cash flow hedges recognized in other comprehensive income (loss)	(3)	(4)	18	(32)
Less: Reclassification adjustment for gains (losses) included in net income	6	(4)	5	(11)
Changes in fair value of effective cash flow hedges	(9)	-	13	(21)
Other comprehensive income (loss), net of tax	(556)	556	(537)	128
Comprehensive income	636	1,563	2,817	3,126
Less: Comprehensive income attributable to the noncontrolling interest	26	17	70	18
Comprehensive income attributable to Honeywell	$ 610	$ 1,546	$ 2,747	$ 3,108

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

Honeywell International Inc.
Consolidated Balance Sheet
(Unaudited)

	September 30, 2014	December 31, 2013
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,428	$ 6,422
Accounts, notes and other receivables	8,315	7,929
Inventories	4,485	4,293
Deferred income taxes	794	849
Investments and other current assets	2,336	1,671
Total current assets	22,358	21,164
Investments and long-term receivables	447	393
Property, plant and equipment - net	5,189	5,278
Goodwill	12,923	13,046
Other intangible assets - net	2,288	2,514
Insurance recoveries for asbestos related liabilities	466	595
Deferred income taxes	195	368
Other assets	2,315	2,077
Total assets	$ 46,181	$ 45,435
LIABILITIES		
Current liabilities:		
Accounts payable	$ 5,212	$ 5,174
Short-term borrowings	91	97
Commercial paper	1,849	1,299
Current maturities of long-term debt	189	632
Accrued liabilities	6,606	6,979
Total current liabilities	13,947	14,181
Long-term debt	6,760	6,801
Deferred income taxes	891	804
Postretirement benefit obligations other than pensions	955	1,019
Asbestos related liabilities	1,131	1,150
Other liabilities	3,230	3,734
Redeemable noncontrolling interest	204	167
SHAREOWNERS' EQUITY		
Capital - common stock issued	958	958
- additional paid-in capital	4,937	4,682
Common stock held in treasury, at cost	(9,815)	(9,374)
Accumulated other comprehensive income	281	818
Retained earnings	22,576	20,383
Total Honeywell shareowners' equity	18,937	17,467
Noncontrolling interest	126	112
Total shareowners' equity	19,063	17,579
Total liabilities, redeemable noncontrolling interest and shareowners' equity	$ 46,181	$ 45,435

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

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

	Nine Months Ended September 30,	
	2014	2013
	(Dollars in millions)	
Cash flows from operating activities:		
Net income	$ 3,354	$ 2,998
Less: Net income attributable to the noncontrolling interest	71	21
Net income attributable to Honeywell	3,283	2,977
Adjustments to reconcile net income attributable to Honeywell to net cash provided by operating activities:		
Depreciation and amortization	698	740
Loss on sale of non-strategic businesses and assets	11	-
Gain on sale of available for sale investments	(105)	-
Repositioning and other charges	453	419
Net payments for repositioning and other charges	(301)	(517)
Pension and other postretirement income	(150)	(61)
Pension and other postretirement benefit payments	(123)	(253)
Stock compensation expense	143	129
Deferred income taxes	255	257
Excess tax benefits from share based payment arrangements	(71)	(101)
Other	(207)	35
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts, notes and other receivables	(529)	(382)
Inventories	(279)	(94)
Other current assets	181	(28)
Accounts payable	154	(32)
Accrued liabilities	(151)	(422)
Net cash provided by operating activities	3,262	2,667
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(680)	(547)
Proceeds from disposals of property, plant and equipment	12	7
Increase in investments	(3,139)	(703)
Decrease in investments	2,124	648
Cash paid for acquisitions, net of cash acquired	(4)	(1,063)
Proceeds from sales of businesses, net of fees paid	157	-
Other	(109)	104
Net cash used for investing activities	(1,639)	(1,554)
Cash flows from financing activities:		
Net increase in commercial paper	550	1,699
Net (decrease) increase in short-term borrowings	(5)	18
Proceeds from issuance of common stock	206	362
Proceeds from issuance of long-term debt	79	27
Payments of long-term debt	(607)	(604)
Excess tax benefits from share based payment arrangements	71	101
Repurchases of common stock	(689)	(769)
Cash dividends paid	(1,101)	(995)
Other	(7)	28
Net cash used for financing activities	(1,503)	(133)
Effect of foreign exchange rate changes on cash and cash equivalents	(114)	(115)
Net increase in cash and cash equivalents	6	865
Cash and cash equivalents at beginning of period	6,422	4,634
Cash and cash equivalents at end of period	$ 6,428	$ 5,499

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

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 (the "Company") at September 30, 2014 and the results of operations for the three and nine months ended September 30, 2014 and 2013 and cash flows for the nine months ended September 30, 2014 and 2013. The results of operations for the three and nine months ended September 30, 2014 should not necessarily be taken as indicative of the results of operations that may be expected for the entire year. We have evaluated subsequent events through the date of issuance of our consolidated financial statements.

We report our quarterly financial information using a calendar convention; that is, the first, second and third quarters are consistently reported as ending on March 31, June 30 and September 30, respectively. 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 provide appropriate disclosures. Our actual closing dates for the three and nine months ended September 30, 2014 and 2013 were September 27, 2014 and September 28, 2013, respectively.

The financial information as of September 30, 2014 should be read in conjunction with the financial statements for the year ended December 31, 2013 contained in our Form 10-K filed on February 14, 2014.

Certain prior period amounts have been reclassified to conform to current period presentation.

Note 2. Recent Accounting Pronouncements

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Company considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

In February 2013, the FASB issued amendments to guidance for obligations resulting from joint and several liability arrangements. The amended guidance requires an entity to measure these joint and several liability arrangements as the sum of (1) the amount of the obligation within the scope of this guidance is fixed at the reporting date, as the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (2) any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments apply retrospectively to all prior periods presented for obligations within the scope of guidance that exist at the beginning of the fiscal year of adoption. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The implementation of the amended guidance did not have a material impact on our consolidated financial position or results of operations.

In March 2013, the FASB issued amendments to address the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The amendments are effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. The initial adoption had no impact on our consolidated financial position and results of operations.

In July 2013, the FASB issued amendments to guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amendments require entities to present an unrecognized tax benefit netted against certain deferred tax assets when specific requirements are met. However, the amendments only affect gross versus net presentation and do not impact the calculation of the unrecognized tax benefit. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The implementation of the amended guidance did not have a material impact on our consolidated financial position.

In April 2014, the FASB issued amendments to guidance for reporting discontinued operations and disposals of components of an entity. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity's financial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. The amendments are effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014 (early adoption is permitted only for disposals that have not been previously reported). The implementation of the amended guidance did not have a material impact on our consolidated financial position or results of operations.

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2016 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method. We have not yet selected a transition method and are currently evaluating the impact of the amended guidance on our consolidated financial position, results of operations and related disclosures.

Note 3. Divestiture

In January 2014, the Company entered into a definitive agreement to sell its Friction Materials business to Federal Mogul Corporation for $155 million. The Company closed the sale of its Friction Materials business on July 11, 2014. The Company recognized a pre-tax and after-tax loss of $33 million (of which $5 million was recognized in 2014). The sale of Friction Materials, which was part of the Transportation Systems business, is consistent with the Company's strategic focus on its portfolio of differentiated global technologies.

Following the closing of the sale, the Company announced the realignment of its Transportation Systems business segment with its Aerospace business segment. Under the realigned segment reporting structure, the Company has three business segments: Aerospace, Automation and Control Solutions and Performance Materials and Technologies. This realignment has no impact on the Company's historical consolidated financial position, results of operations or cash flows. Effective with the reporting of third quarter 2014 results, the Company has reported its financial performance based on the inclusion of Transportation Systems in Aerospace.

(Dollars in millions, except per share amounts)

Note 4. Repositioning and Other Charges

A summary of repositioning and other charges follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Severance	$ 21	$ 32	$ 103	$ 130
Asset impairments	1	-	12	1
Exit costs	1	6	13	8
Reserve adjustments	(2)	(16)	(11)	(23)
Total net repositioning charge	21	22	117	116
Asbestos related litigation charges, net of insurance	49	45	148	136
Probable and reasonably estimable environmental liabilities	52	51	186	161
Other	-	2	2	6
Total net repositioning and other charges	$ 122	$ 120	$ 453	$ 419

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Cost of products and services sold	$ 112	$ 101	$ 413	$ 356
Selling, general and administrative expenses	10	19	40	63
	$ 122	$ 120	$ 453	$ 419

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Aerospace	$ 52	$ 43	$ 178	$ 168
Automation and Control Solutions	14	4	65	43
Performance Materials and Technologies	2	16	22	32
Corporate	54	57	188	176
	$ 122	$ 120	$ 453	$ 419

In the quarter ended September 30, 2014, we recognized repositioning charges totaling $23 million primarily for severance costs related to workforce reductions of 336 manufacturing and administrative positions primarily in our Automation and Control Solutions and Performance Materials and Technologies segments. The workforce reductions were primarily related to cost savings actions taken in connection with our productivity and ongoing functional transformation initiatives and a factory transition in our Automation and Control Solutions segment to a more cost-effective location.

(Dollars in millions, except per share amounts)

In the quarter ended September 30, 2013, we recognized repositioning charges totaling $38 million primarily for severance costs related to workforce reductions of 487 manufacturing and administrative positions primarily in our Automation and Control Solutions and Performance Materials and Technologies segments. The workforce reductions were primarily related to achieving acquisition-related synergies in our Automation and Control Solutions segment, the shutdown of a manufacturing facility in our Performance Materials and Technologies segment, and a factory transition in our Automation and Control Solutions segment to a more cost-effective location. Also, $16 million of previously established accruals for severance in our Automation and Control Solutions segment were returned to income in the quarter ended September 30, 2013 due mainly to a change in the scope of a previously announced repositioning action.

In the nine months ended September 30, 2014, we recognized repositioning charges totaling $128 million including severance costs of $103 million related to workforce reductions of 2,069 manufacturing and administrative positions across all of our segments. The workforce reductions were primarily related to cost savings actions taken in connection with our productivity and ongoing functional transformation initiatives, factory transitions in our Automation and Control Solutions segment to more cost-effective locations, site consolidations and organizational realignments of businesses in our Automation and Control Solutions and Performance Materials and Technologies segments. The repositioning charge includes asset impairments of $12 million primarily related to manufacturing plant and equipment associated with site consolidations and factory transitions. The repositioning charge also includes exit costs of $13 million primarily related to closure obligations and costs for early termination of lease contracts associated with site consolidations and factory transitions. Also, $11 million of previously established accruals, primarily for severance, mainly in our Automation and Control Solutions segment were returned to income in the nine months ended September 30, 2014 due principally to fewer employee severance actions caused by higher attrition than originally associated with prior severance programs.

In the nine months ended September 30, 2013, we recognized repositioning charges totaling $139 million primarily for severance costs related to workforce reductions of 1,711 manufacturing and administrative positions across all of our segments. The workforce reductions were primarily related to cost savings actions taken in connection with our productivity and ongoing functional transformation initiatives, achieving acquisition-related synergies in our Automation and Control Solutions segment, outsourcing of non-core components in our Aerospace segment, the shutdown of a manufacturing facility in our Performance Materials and Technologies segment, and factory transitions in our Automation and Control Solutions segment to more cost-effective locations. Also, $23 million of previously established accruals, primarily for severance, in our Automation and Control Solutions and Performance Materials and Technologies segments were returned to income in the nine months ended September 30, 2013 due primarily to the change in the scope of a previously announced repositioning action and lower than expected costs in completing the exit of a product line.

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

	Severance Costs	Asset Impairments	Exit Costs	Total
December 31, 2013	$ 302	$ -	$ 45	$ 347
Charges	103	12	13	128
Usage - cash	(89)	-	(19)	(108)
Usage - noncash	-	(12)	-	(12)
Foreign currency translation	(7)	-	1	(6)
Reserve adjustments	(9)	-	(2)	(11)
September 30, 2014	$ 300	$ -	$ 38	$ 338

Certain repositioning projects in our Aerospace, Automation and Control Solutions and Performance Materials and Technologies segments included exit or disposal activities, the costs related to which will be recognized in future periods when the actual liability is incurred. The nature of these exit or disposal costs includes asset set-up and moving, product recertification and requalification, and employee retention, training and travel. The following table summarizes by segment, expected, incurred and remaining exit and disposal costs related to 2011 repositioning actions which we were not able to recognize at the time the actions were initiated. The exit and disposal costs related to the repositioning actions in 2014, 2013 and 2012 which we were not able to recognize at the time the actions were initiated were not significant.

(Dollars in millions, except per share amounts)

2011 Repositioning Actions	Aerospace	Automation and Control Solutions	Performance Materials and Technologies	Total
Expected exit and disposal costs	$ 22	$ 5	$ 7	$ 34
Costs incurred during:				
Year ended December 31, 2011	(1)	-	-	(1)
Year ended December 31, 2012	(3)	(2)	(1)	(6)
Year ended December 31, 2013	(4)	(1)	(3)	(8)
Current year-to-date	(4)	-	-	(4)
Remaining exit and disposal costs at September 30, 2014	$ 10	$ 2	$ 3	$ 15

In the quarter ended September 30, 2014, we recognized a charge of $52 million for environmental liabilities deemed probable and reasonably estimable in the quarter. We also recognized a charge of $49 million primarily representing an update to our estimated liability for the resolution of Bendix-related asbestos claims as of September 30, 2014, net of probable insurance recoveries. Environmental and Asbestos matters are discussed in detail in Note 17, Commitments and Contingencies.

In the quarter ended September 30, 2013, we recognized a charge of $51 million for environmental liabilities deemed probable and reasonably estimable in the quarter. We also recognized a charge of $45 million primarily representing an update to our estimated liability for the resolution of Bendix-related asbestos claims as of September 30, 2013, net of probable insurance recoveries. We also recognized other charges of $2 million in connection with the potential resolution of a legal matter.

In the nine months ended September 30, 2014, we recognized a charge of $186 million for environmental liabilities deemed probable and reasonably estimable in the period. We also recognized a charge of $148 million primarily representing an update to our estimated liability for the resolution of Bendix-related asbestos claims as of September 30, 2014, net of probable insurance recoveries.

In the nine months ended September 30, 2013, we recognized a charge of $161 million for environmental liabilities deemed probable and reasonably estimable in the period. We also recognized a charge of $136 million primarily representing an update to our estimated liability for the resolution of Bendix-related asbestos claims as of September 30, 2013, net of probable insurance recoveries. We also recognized other charges of $6 million primarily related to the resolution of legal matters.

(Dollars in millions, except per share amounts)

Note 5. Other (Income) Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Equity income of affiliated companies	$ (10)	$ (11)	$ (27)	$ (31)
Gain on sale of available for sale investments	-	-	(105)	-
Loss on sale of non-strategic businesses and assets	1	-	11	-
Interest income	(24)	(15)	(71)	(47)
Foreign exchange	11	21	30	24
Other, net	1	4	3	1
	$ (21)	$ (1)	$ (159)	$ (53)

Gain on sale of available for sale investments for the nine months ended September 30, 2014 is due to $105 million of realized gain related to the sale of marketable equity securities in the first quarter. These securities (B/E Aerospace common stock), designated as available for sale, were obtained in conjunction with the sale of the Consumables Solutions business in July 2008.

Note 6. Earnings Per Share

The details of the earnings per share calculations for the three and nine months ended September 30, 2014 and 2013 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Basic	2014	2013	2014	2013
Net income attributable to Honeywell	$ 1,167	$ 990	$ 3,283	$ 2,977
Weighted average shares outstanding	784.5	786.3	784.6	786.6
Earnings per share of common stock	$ 1.49	$ 1.26	$ 4.18	$ 3.78

	Three Months Ended September 30,		Nine Months Ended September 30,	
Assuming Dilution	2014	2013	2014	2013
Net income attributable to Honeywell	$ 1,167	$ 990	$ 3,283	$ 2,977
Average Shares				
Weighted average shares outstanding	784.5	786.3	784.6	786.6
Dilutive securities issuable - stock plans	10.5	10.8	11.0	10.9
Total weighted average shares outstanding	795.0	797.1	795.6	797.5
Earnings per share of common stock	$ 1.47	$ 1.24	$ 4.13	$ 3.73

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 nine months ended September 30, 2014, the weighted average number of stock options excluded from the computations were 5.6 million and 4.5 million, respectively. For the three and nine months ended September 30, 2013, the weighted average number of stock options excluded from the computations were 0.2 million and 4.7 million, respectively. These stock options were outstanding at the end of each of the respective periods.

(Dollars in millions, except per share amounts)

Note 7. Accounts, Notes and Other Receivables

	September 30, 2014	December 31, 2013
Trade	$ 8,021	$ 7,530
Other	553	646
	8,574	8,176
Less: Allowance for doubtful accounts	(259)	(247)
	$ 8,315	$ 7,929

Trade receivables include $1,697 million and $1,609 million of unbilled balances under long-term contracts as of September 30, 2014 and December 31, 2013, respectively. These amounts are billed in accordance with the terms of customer contracts to which they relate.

Note 8. Inventories

	September 30, 2014	December 31, 2013
Raw materials	$ 1,115	$ 1,121
Work in process	844	841
Finished products	2,693	2,497
	4,652	4,459
Reduction to LIFO cost basis	(167)	(166)
	$ 4,485	$ 4,293

Note 9. Goodwill and Other Intangible Assets - Net

The change in the carrying amount of goodwill for the nine months ended September 30, 2014 by segment is as follows:

	December 31, 2013	Acquisitions/ Divestitures	Currency Translation Adjustment	September 30, 2014
Aerospace	$ 2,273	$ (4)	$ (2)	$ 2,267
Automation and Control Solutions	8,006	8	(91)	7,923
Performance Materials and Technologies	2,767	-	(34)	2,733
	$ 13,046	$ 4	$ (127)	$ 12,923

(Dollars in millions, except per share amounts)

	September 30, 2014			December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Determinable life intangibles:						
Patents and technology	$ 1,410	$ (992)	$ 418	$ 1,438	$ (935)	$ 503
Customer relationships	1,894	(837)	1,057	1,904	(749)	1,155
Trademarks	189	(126)	63	194	(118)	76
Other	296	(260)	36	294	(234)	60
	3,789	(2,215)	1,574	3,830	(2,036)	1,794
Indefinite life intangibles:						
Trademarks	714	-	714	720	-	720
	$ 4,503	$ (2,215)	$ 2,288	$ 4,550	$ (2,036)	$ 2,514

Amortization expense related to intangible assets for the three and nine months ended September 30, 2014 was $61 million and $199 million, respectively. Amortization expense related to intangible assets for the three and nine months ended September 30, 2013 was $81 million and $241 million, respectively.

We completed our annual impairment testing of goodwill and indefinite-lived intangibles as of March 31, 2014 and determined that there was no impairment as of that date. No further matters have arisen subsequent to that date which have resulted in a change to this assessment.

Note 10. Long-term Debt and Credit Agreements

	September 30, 2014	December 31, 2013
3.875% notes due 2014	$ -	$ 600
Floating rate notes due 2015	700	700
5.40% notes due 2016	400	400
5.30% notes due 2017	400	400
5.30% notes due 2018	900	900
5.00% notes due 2019	900	900
4.25% notes due 2021	800	800
3.35% notes due 2023	300	300
5.70% notes due 2036	550	550
5.70% notes due 2037	600	600
5.375% notes due 2041	600	600
Industrial development bond obligations, floating rate maturing at various dates through 2037	31	35
6.625% debentures due 2028	216	216
9.065% debentures due 2033	51	51
Other (including capitalized leases), 0.6%-9.5% maturing at various dates through 2023	501	381
	6,949	7,433
Less: current portion	(189)	(632)
	$ 6,760	$ 6,801

(Dollars in millions, except per share amounts)

The schedule of principal payments on long-term debt is as follows:

	September 30, 2014
2014	$ 25
2015	910
2016	493
2017	457
2018	904
Thereafter	4,160
	6,949
Less: current portion	(189)
	$ 6,760

In February 2014, the Company repaid its $600 million of 3.875 percent notes. The repayment was funded through the issuance of commercial paper.

Note 11. Financial Instruments and Fair Value Measures

Credit and Market Risk—Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest and currency exchange rates and commodity prices. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties in derivative transactions are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest rates, currency exchange rates, restricting the use of derivative financial instruments to hedging activities.

We continually monitor the creditworthiness of our customers to which we grant credit terms in the normal course of business. The terms and conditions of our credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer. Our sales are not materially dependent on a single customer or a small group of customers.

Foreign Currency Risk Management—We conduct our business on a multinational basis in a wide variety of foreign currencies. Our exposure to market risk for changes in foreign currency exchange rates arises from international financing activities between subsidiaries, foreign currency denominated monetary assets and liabilities and transactions arising from international trade. Our objective is to preserve the economic value of non-functional currency denominated cash flows. We attempt to hedge transaction exposures with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency exchange forward and option contracts with third parties.

We hedge monetary assets and liabilities denominated in non-functional currencies. Prior to conversion into U.S. dollars, these assets and liabilities are remeasured at spot exchange rates in effect on the balance sheet date. The effects of changes in spot rates are recognized in earnings and included in Other (Income) Expense. We partially hedge forecasted sales and purchases, which predominantly occur in the next twelve months and are denominated in non-functional currencies, with currency forward contracts. Changes in the forecasted non-functional currency cash flows due to movements in exchange rates are substantially offset by changes in the fair value of the currency forward contracts designated as hedges. Market value gains and losses on these contracts are recognized in earnings when the hedged transaction is recognized. Open foreign currency exchange forward contracts mature predominantly in the next twelve months. At September 30, 2014 and December 31, 2013, we had contracts with notional amounts of $5,881 million and $7,298 million respectively, to exchange foreign currencies, principally the Euro, Canadian Dollar, U.S. Dollar, Indian Rupee, Chinese Renminbi, Mexican Peso, British Pound, Swiss Franc and Czech Koruna.

(Dollars in millions, except per share amounts)

Interest Rate Risk Management— We use a combination of financial instruments, including long-term, medium-term and short-term financing, variable-rate commercial paper, and interest rate swaps to manage the interest rate mix of our total debt portfolio and related overall cost of borrowing. At September 30, 2014 and December 31, 2013, interest rate swap agreements designated as fair value hedges effectively changed $1,100 million and $1,700 million, respectively, of fixed rate debt at a rate of 4.00 and 3.96, respectively, to LIBOR based floating rate debt. Our interest rate swaps mature at various dates through 2023.

Fair Value of Financial Instruments— The FASB's accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The FASB's guidance classifies the inputs used to measure fair value into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Unadjusted quoted prices in active markets for similar assets or liabilities, or
	Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or
	Inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability

The Company endeavors to utilize the best available information in measuring fair value. Financial and nonfinancial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Assets:		
Foreign currency exchange contracts	$ 25	$ 20
Available for sale investments	1,727	826
Interest rate swap agreements	74	63
Liabilities:		
Foreign currency exchange contracts	$ 14	$ 27
Interest rate swap agreements	-	8

The foreign currency exchange contracts and interest rate 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 holds investments in marketable equity securities that are designated as available for sale and are valued using quoted market prices. As such, these investments are classified within level 1. 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 market transactions in over-the-counter markets. As such, these investments are classified within level 2.

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:

(Dollars in millions, except per share amounts)

	September 30, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Long-term receivables	$ 277	$ 275	$ 250	$ 245
Liabilities				
Long-term debt and related current maturities	$ 6,949	$ 7,752	$ 7,433	$ 8,066

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.

At September 30, 2014 the Company had nonfinancial assets, principally property, plant and equipment, with a net book value of $22 million which were accounted for at fair value on a nonrecurring basis. These assets were tested for impairment and the Company recognized losses of $1 million and $21 million in the three and nine months ended September 30, 2014, respectively, primarily in connection with our repositioning actions (see Note 4 Repositioning and Other Charges). At September 30, 2013, the Company had nonfinancial assets with a net book value of $9 million that were accounted for at fair value on a nonrecurring basis. Based on the fair value of these assets the Company recognized losses of $3 million and $9 million, respectively, in the three and nine months ended September 30, 2013. The Company has determined that the fair value measurements of these nonfinancial assets are level 3 in the fair value hierarchy. The Company utilizes the market, income or cost approaches or a combination of these valuation techniques for its non-recurring level 3 fair value measures. Inputs to such measures include observable market data obtained from independent sources such as broker quotes and recent market transactions for similar assets. It is the Company's policy to maximize the use of observable inputs in the measurement of fair value or non-recurring level 3 measurements. To the extent observable inputs are not available the Company utilizes unobservable inputs based upon the assumptions market participants would use in valuing the asset. Examples of utilized unobservable inputs are future cash flows, long-term growth rates and applicable discount rates.

We enter into transactions that are subject to arrangements designed to provide for netting of offsetting obligations in the event of the insolvency or default of a counterparty. However, we have not elected to offset multiple contracts with a single counterparty, therefore the fair value of the derivative instruments in a loss position is not offset against the fair value of derivative instruments in a gain position. The derivatives utilized for risk management purposes as detailed above are included on the Consolidated Balance Sheet and impacted the Statement of Operations as follows:

(Dollars in millions, except per share amounts)

Fair value of derivatives classified as assets consist of the following:

Designated as a Hedge	Balance Sheet Classification	September 30, 2014	December 31, 2013
Foreign currency exchange contracts	Accounts, notes, and other receivables	$ 22	$ 16
Interest rate swap agreements	Other assets	74	63

Not Designated as a Hedge	Balance Sheet Classification	September 30, 2014	December 31, 2013
Foreign currency exchange contracts	Accounts, notes, and other receivables	$ 3	$ 4

Fair value of derivatives classified as liabilities consist of the following:

Designated as a Hedge	Balance Sheet Classification	September 30, 2014	December 31, 2013
Foreign currency exchange contracts	Accrued liabilities	$ 12	$ 23
Interest rate swap agreements	Accrued liabilities	-	8

Not Designated as a Hedge	Balance Sheet Classification	September 30, 2014	December 31, 2013
Foreign currency exchange contracts	Accrued liabilities	$ 2	$ 4

Gains (losses) recognized in other comprehensive income (effective portions) consist of the following:

Designated Cash Flow Hedge	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Foreign currency exchange contracts	$ (2)	$ (8)	$ 30	$ (47)

Gains (losses) reclassified from accumulated other comprehensive income to income consist of the following:

Designated Cash Flow Hedge	Income Statement Location	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
	Product sales	$ 2	$ (3)	$ -	$ (5)
Foreign currency exchange contracts	Cost of products sold	2	-	5	(3)
	Selling, general and administrative expenses	3	(2)	3	(4)

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 nine months ended September 30, 2014, we recognized $9 million of losses and

(Dollars in millions, except per share amounts)

$19 million of gains, respectively, in earnings on interest rate swap agreements. For the three and nine months ended September 30, 2013, we recognized $4 million and $63 million of losses, respectively, in earnings on interest rate swap agreements. Gains and losses are fully offset by losses and gains on the underlying debt being hedged.

We also economically hedge our exposure to changes in foreign exchange rates principally 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 $99 million and $124 million of expense in Other (Income) Expense for the three and nine months ended September 30, 2014, respectively. We recognized $82 million and $70 million of income in Other (Income) Expense for the three and nine months ended September 30, 2013, respectively. See Note 5 Other (Income) Expense for the net impact of these economic foreign currency hedges.

Note 12. Accumulated Other Comprehensive Income (Loss)

Changes in Accumulated Other Comprehensive Income by Component

	Foreign Exchange Translation Adjustment	Pension and Other Postretirement Adjustments	Changes in Fair Value of Available for Sale Investments	Changes in Fair Value of Effective Cash Flow Hedges	Total
Balance at December 31, 2013	$ 304	$ 355	$ 170	$ (11)	$ 818
Other comprehensive income (loss) before reclassifications	(484)	-	(8)	18	(474)
Amounts reclassified from accumulated other comprehensive income	-	13	(71)	(5)	(63)
Net current period other comprehensive income (loss)	(484)	13	(79)	13	(537)
Balance at September 30, 2014	$ (180)	$ 368	$ 91	$ 2	$ 281

	Foreign Exchange Translation Adjustment	Pension and Other Postretirement Adjustments	Changes in Fair Value of Available for Sale Investments	Changes in Fair Value of Effective Cash Flow Hedges	Total
Balance at December 31, 2012	$ 356	$ (1,848)	$ 157	$ (4)	$ (1,339)
Other comprehensive income (loss) before reclassifications	(126)	187	95	(32)	124
Amounts reclassified from accumulated other comprehensive income	-	(7)	-	11	4
Net current period other comprehensive income (loss)	(126)	180	95	(21)	128
Balance at September 30, 2013	$ 230	$ (1,668)	$ 252	$ (25)	$ (1,211)

(Dollars in millions, except per share amounts)

Reclassifications Out of Accumulated Other Comprehensive Income

	Nine Months Ended September 30, 2014 Affected Line in the Consolidated Statement of Operations					
	Product Sales	Cost of Products Sold	Cost of Services Sold	Selling, General and Administrative Expenses	Other (Income) Expense	Total
Amortization of Pension and Other Postretirement Items:						
Actuarial losses recognized	$ -	$ 13	$ 2	$ 3	$ -	$ 18
Prior service cost recognized	-	1	-	-	-	1
Transition obligation recognized	-	1	-	-	-	1
Gains on cash flow hedges	-	(4)	-	(2)	-	(6)
Unrealized gains on available for sale investments	-	-	-	-	(105)	(105)
Total before tax	$ -	$ 11	$ 2	$ 1	$ (105)	$ (91)
Tax expense						28
Total reclassifications for the period, net of tax						$ (63)

	Nine Months Ended September 30, 2013 Affected Line in the Consolidated Statement of Operations					
	Product Sales	Cost of Products Sold	Cost of Services Sold	Selling, General and Administrative Expenses	Other (Income) Expense	Total
Amortization of Pension and Other Postretirement Items:						
Actuarial losses recognized	$ -	$ 15	$ 3	$ 4	$ -	$ 22
Prior service cost recognized	-	6	1	1	-	8
Transition obligation recognized	-	1	-	-	-	1
Settlements and curtailments	-	(30)	(6)	(6)	-	(42)
Losses on cash flow hedges	5	4	-	4	-	13
Total before tax	$ 5	$ (4)	$ (2)	$ 3	$ -	$ 2
Tax expense						2
Total reclassifications for the period, net of tax						$ 4

(Dollars in millions, except per share amounts)

Note 13. Noncontrolling Interest

Changes in noncontrolling interest consist of the following:

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Balance beginning of period, December 31	$ 112	$ 90
Interest bought	(7)	-
Comprehensive income (loss) attributable to the noncontrolling interest	35	(4)
Dividends paid	(13)	(5)
Contributions from noncontrolling interest holders	-	28
Other owner changes	(1)	5
Balance end of period	$ 126	$ 114

In the nine months ended September 30, 2014, there was a $6 million decrease to Honeywell additional paid in capital for purchases of existing noncontrolling interests.

In the nine months ended September 30, 2013, there was a $1 million decrease to Honeywell additional paid in capital for sales of existing noncontrolling interests.

Note 14. Redeemable Noncontrolling Interest

On October 22, 2012, the Company acquired a 70 percent controlling interest in Thomas Russell Co. During the calendar year 2016, Honeywell has the right to acquire and the noncontrolling shareholder has the right to sell to Honeywell the remaining 30 percent interest at a price based on a multiple of Thomas Russell Co.'s average annual operating income from 2013 to 2015, subject to a predetermined cap and floor. Additionally, Honeywell has the right to acquire the remaining 30 percent interest for a fixed price equivalent to the cap at any time on or before December 31, 2015. Noncontrolling interests with redemption features, such as the arrangement described above, that are not solely within the Company's control are considered redeemable noncontrolling interests. Redeemable noncontrolling interest is considered temporary equity and is therefore reported outside of permanent equity on the Company's Consolidated Balance Sheet at the greater of the initial carrying amount adjusted for the noncontrolling interest's share of net income (loss) or its redemption value. The Company accretes changes in the redemption value over the period from the date of acquisition to the date that the redemption feature becomes puttable. The Company will reflect redemption value adjustments in the earnings per share calculation if redemption value is in excess of the fair value of the noncontrolling interest.

The roll forward of redeemable noncontrolling interest is as follows:

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Balance beginning of period, December 31	$ 167	$ 150
Net income	35	22
Distributions	(22)	(21)
Adjustments to redemption value	21	7
Other	3	3
Balance end of period, September 30	$ 204	$ 161

Note 15. Segment Financial Data

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

In April 2014, the Company announced the realignment of our Honeywell Process Solutions business from Automation and Control Solutions into Performance Materials and Technologies. Effective with the quarter ended June 30, 2014, the Company has reported its financial performance based on the inclusion of Honeywell Process Solutions in Performance Materials and Technologies.

In July 2014, following the closing of the sale of its Friction Materials business, the Company announced the realignment of its Transportation Systems business segment with its Aerospace business segment. Under the realigned segment reporting structure, the Company has three business segments: Aerospace, Automation and Control Solutions and Performance Materials and Technologies. Effective with the quarter ended September 30, 2014, the Company has reported its financial performance based on the inclusion of Transportation Systems in Aerospace.

These realignments have no impact on the Company's historical consolidated financial position, results of operations or cash flows. Prior period amounts have been reclassified to conform to current period presentation.

(Dollars in millions, except per share amounts)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net Sales				
Aerospace				
Products	$ 2,658	$ 2,648	$ 8,170	$ 7,982
Services	1,237	1,241	3,586	3,676
Total	3,895	3,889	11,756	11,658
Automation and Control Solutions				
Products	3,351	3,076	9,713	8,833
Services	320	299	927	891
Total	3,671	3,375	10,640	9,724
Performance Materials and Technologies				
Products	2,081	1,969	6,330	6,096
Services	461	414	1,314	1,190
Total	2,542	2,383	7,644	7,286
	$ 10,108	$ 9,647	$ 30,040	$ 28,668
Segment Profit				
Aerospace	$ 790	$ 730	$ 2,252	$ 2,101
Automation and Control Solutions	583	523	1,587	1,413
Performance Materials and Technologies	444	413	1,392	1,325
Corporate	(58)	(51)	(167)	(157)
Total segment profit	1,759	1,615	5,064	4,682
Other income (expense)[(a)]	11	(10)	132	22
Interest and other financial charges	(77)	(80)	(236)	(244)
Stock compensation expense[(b)]	(41)	(38)	(143)	(129)
Pension ongoing income[(b)]	62	22	187	68
Other postretirement expense[(b)]	(12)	(5)	(37)	(7)
Repositioning and other charges [(b)]	(122)	(120)	(453)	(419)
Income before taxes	$ 1,580	$ 1,384	$ 4,514	$ 3,973

(a) Equity income (loss) of affiliated companies is included in segment profit.

(b) Amounts included in cost of products and services sold and selling, general and administrative expenses.

(Dollars in millions, except per share amounts)

Note 16. Pension and Other Postretirement Benefits

Net periodic pension and other postretirement benefits costs for our significant defined benefit plans include the following components:

Pension Benefits

	U.S. Plans			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Service cost	$ 61	$ 68	$ 181	$ 204
Interest cost	193	169	578	505
Expected return on plan assets	(314)	(268)	(943)	(804)
Amortization of prior service cost	5	5	17	17
	$ (55)	$ (26)	$ (167)	$ (78)

	Non-U.S. Plans			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Service cost	$ 14	$ 14	$ 43	$ 42
Interest cost	58	53	176	160
Expected return on plan assets	(89)	(76)	(268)	(228)
Amortization of transition obligation	-	-	1	1
Amortization of prior service (credit)	(1)	-	(2)	(1)
	$ (18)	$ (9)	$ (50)	$ (26)

Other Postretirement Benefits

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Service cost	$ -	$ -	$ -	$ -
Interest cost	11	9	31	33
Amortization of prior service (credit)	(5)	(5)	(15)	(8)
Recognition of actuarial losses	6	2	18	22
Settlements and curtailments	-	-	-	(42)
	$ 12	$ 6	$ 34	$ 5

In the nine months ended September 30, 2014, the Company contributed $117 million of marketable securities and $29 million of cash to its non-U.S. pension plans.

In the nine months ended September 30, 2013, Honeywell amended its U.S. retiree medical plan to no longer offer certain retirees Honeywell group coverage. This plan amendment reduced the accumulated postretirement benefit obligation by $166 million, which will be recognized as part of net periodic postretirement benefit cost over the expected future lifetime of the remaining participants in the plan. The Company also amended its U.S. retiree medical plan eliminating the Company subsidy for certain union employees. This plan amendment resulted in a curtailment gain of $42 million in the second quarter of 2013 which was included as part of net periodic postretirement benefit cost.

(Dollars in millions, except per share amounts)

If required, a mark to market adjustment will be recorded in the fourth quarter of 2014 in accordance with our pension accounting method as described in Note 1 to our financial statements for the year ended December 31, 2013 contained in our Form 10-K filed on February 14, 2014.

Note 17. Commitments and Contingencies

Environmental Matters

We are subject to various federal, state, local and foreign government requirements relating to the protection of the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury and that our handling, manufacture, use and disposal of hazardous substances are in accordance with environmental and safety laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental and safety matters, including past production of products containing hazardous substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually or jointly with other potentially responsible parties, to determine the feasibility of various remedial techniques. It is our policy to record appropriate liabilities for environmental matters when remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on our best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of remedial investigations and feasibility studies, the timing of litigation and settlements of remediation liability, personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties.

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

December 31, 2013	$	643
Accruals for environmental matters deemed probable and reasonably estimable		186
Environmental liability payments		(202)
Other		1
September 30, 2014	$	628

Environmental liabilities are included in the following balance sheet accounts:

	September 30, 2014		December 31, 2013	
Accrued liabilities	$	304	$	304
Other liabilities		324		339
	$	628	$	643

Although we do not currently possess sufficient information to reasonably estimate the amounts of 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, they could be material to our consolidated results of operations or operating cash flows in the periods recognized or paid. However, considering our past experience and existing reserves, we do not expect that these environmental matters will have a material adverse effect on our consolidated financial position.

New Jersey Chrome Sites—The excavation and offsite disposal of approximately one million tons of chromium residue present at a predecessor Honeywell site located in Jersey City, New Jersey, known as Study Area 7, was completed in January 2010. We are also implementing related groundwater remedial actions, and have conducted related river sediment work. In addition, remedial investigations and related activities are underway at other sites in Hudson County, New Jersey that allegedly have chromium contamination, and for which Honeywell has accepted responsibility in whole or in part. Provisions have been made in our financial statements for the estimated cost of investigations and implementation of these remedies consistent with the accounting policy described above. We do not believe that these matters will have a material adverse impact on our consolidated results of operations, financial position or operating cash flows.

Onondaga Lake, Syracuse, NY—We are implementing a combined dredging/capping remedy of Onondaga Lake pursuant to a consent decree approved by the United States District Court for the Northern District of New York in January 2007. We have accrued for our estimated cost of remediating Onondaga Lake based on currently available information and analysis performed by our engineering consultants. Honeywell is also conducting remedial investigations and activities at other sites in Syracuse. We have recorded reserves for these investigations and activities where appropriate, consistent with the accounting policy described above.

Honeywell has entered into a cooperative agreement with potential natural resource trustees to assess alleged natural resource damages relating to this site. It is not possible to predict the outcome or duration of this assessment, or the amounts of, or responsibility for, any damages.

Asbestos Matters

Like many other industrial companies, Honeywell is a defendant in personal injury actions related to asbestos. We did not mine or produce asbestos, nor did we make or sell insulation products or other construction materials that have been identified as the primary cause of asbestos related disease in the vast majority of claimants.

Honeywell’s predecessors owned North American Refractories Company (NARCO) from 1979 to 1986. NARCO produced refractory products (bricks and cement used in high temperature applications). We sold the NARCO business in 1986 and agreed to indemnify NARCO with respect to personal injury claims for products that had been discontinued prior to the sale (as defined in the sale agreement). NARCO retained all liability for all other claims. NARCO and/or Honeywell are defendants in asbestos personal injury cases asserting claims based upon alleged exposure to NARCO asbestos-containing products. Claimants consist largely of individuals who allege exposure to NARCO asbestos-containing refractory products in an occupational setting. These claims, and the filing of subsequent claims, were stayed continuously since January 4, 2002, the date on which NARCO sought bankruptcy protection (see discussion below).

Honeywell’s Bendix friction materials (Bendix) business 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:

(Dollars in millions, except per share amounts)

Asbestos Related Liabilities

	Bendix	NARCO	Total
December 31, 2013	$ 656	$ 955	$ 1,611
Accrual for update to estimated liability	167	3	170
Asbestos related liability payments	(163)	(25)	(188)
September 30, 2014	$ 660	$ 933	$ 1,593

Insurance Recoveries for Asbestos Related Liabilities

	Bendix	NARCO	Total
December 31, 2013	$ 141	$ 531	$ 672
Probable insurance recoveries related to estimated liability	18	-	18
Insurance receivables settlements	2	7	9
Insurance receipts for asbestos related liabilities	(13)	(184)	(197)
Other	-	(1)	(1)
September 30, 2014	$ 148	$ 353	$ 501

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

	September 30, 2014	December 31, 2013
Other current assets	$ 35	$ 77
Insurance recoveries for asbestos related liabilities	466	595
	$ 501	$ 672
Accrued liabilities	$ 462	$ 461
Asbestos related liabilities	1,131	1,150
	$ 1,593	$ 1,611

NARCO Products – On January 4, 2002, NARCO filed a petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In connection with the filing of NARCO's petition in 2002, the U.S. Bankruptcy Court for the Western District of Pennsylvania ("the Bankruptcy Court") issued an injunction staying the prosecution of NARCO-related asbestos claims against the Company, which stayed in place throughout NARCO's Chapter 11 case. In November 2007, the Bankruptcy Court confirmed NARCO's Third Amended Plan of Reorganization (NARCO Plan of Reorganization) and it became fully effective on April 30, 2013.

In connection with implementation of the NARCO Plan of Reorganization, 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 products to be made against the NARCO Trust. The NARCO Trust will review submitted claims and determine award amounts in accordance with established Trust Distribution Procedures approved by the Bankruptcy Court which set forth all criteria claimants must meet to qualify for compensation including, among other things, exposure and medical criteria that determine the award amount. In addition, Honeywell will continue to provide input to the detailed controls design of the NARCO Trust, and has on-going audit rights to review and monitor claims processors' adherence to the established requirements of the Trust Distribution Procedures and as a means of detecting and deterring irregularities in claims.

In connection with NARCO's bankruptcy filing, Honeywell agreed to certain obligations which were triggered upon the effective date of the NARCO Plan of Reorganization. As agreed, during the second quarter of 2013, we provided NARCO with $17 million in financing and simultaneously forgave such indebtedness. We also paid $40 million to NARCO's former parent company and $16 million to certain asbestos claimants whose claims were fully resolved during the pendency of the NARCO bankruptcy proceedings.

Honeywell is obligated to fund NARCO asbestos claims submitted to the Trust which qualify for payment under the Trust Distribution Procedures, subject to annual caps of $140 million in the years 2014 through 2018 and $145 million for each year thereafter, provided, however, that the first $100 million of claims processed through the NARCO Trust (the "Initial Claims Amount") will not count against the first year annual cap and any unused portion of the Initial Claims Amount will roll over to subsequent years until fully utilized. As of September 30, 2014, Honeywell has not made any payments to the NARCO Trust for these claims.

Honeywell will also be responsible for the following funding obligations which are not subject to the annual cap described above: a) previously approved payments due to claimants pursuant to settlement agreements reached during the pendency of the NARCO bankruptcy proceedings which provide that a portion of these settlements is to be paid by the NARCO Trust, which amounts are estimated at $130 million and are expected to be paid during the first year of trust operations ($91 million of which was paid in 2013 and $20 million of which was paid in the first nine months of 2014 with an additional $2 million of which has been approved and will be paid in the fourth quarter of 2014) and, b) 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, which amounts are estimated at $150 million and are expected to be paid during the first two years of trust operations (as of September 30, 2014 there have been no payments, however, $3 million is expected to be paid in the fourth quarter of 2014).

Our consolidated financial statements reflect an estimated liability for the amounts discussed above, unsettled claims pending as of the time NARCO filed for bankruptcy protection and for the estimated value of future NARCO asbestos claims expected to be asserted against the NARCO Trust through 2018. In light of the uncertainties inherent in making long-term projections and in connection with the initial operation of a 524(g) trust, as well as the stay of all NARCO asbestos claims which remained in place throughout NARCO's Chapter 11 case, we do not believe that we have a reasonable basis for estimating NARCO asbestos claims beyond 2018. In the absence of actual trust experience on which to base the estimate, Honeywell projected the probable value, including trust claim handling costs, of asbestos related future liabilities based on Company specific and general asbestos claims filing rates, expected rates of disease and anticipated claim values. Specifically, the valuation methodology included an analysis of the population likely to have been exposed to asbestos containing products, epidemiological studies estimating the number of people likely to develop asbestos related diseases, NARCO asbestos claims filing history, general asbestos claims filing rates in the tort system and in certain operating asbestos trusts, and the claims experience in those forums, the pending inventory of NARCO asbestos claims, disease criteria and payment values contained in the Trust Distribution Procedures and an estimated approval rate of claims submitted to the NARCO Trust. This methodology used to estimate the liability for future claims has been commonly accepted by numerous bankruptcy courts addressing 524(g) trusts and 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.

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 determine the amount of insurance that we estimate is probable of recovery in relation to payment of current and estimated future 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. In the second quarter of 2014 the Company collected $130 million in connection with a receivable due from one of its insurance carriers.

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. There is no assurance that insurance recoveries will be timely or whether there will be any NARCO-related asbestos claims beyond 2018. Given the inherent uncertainty in predicting future events, 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.

(Dollars in millions, except per share amounts)

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

Claims Activity	Nine Months Ended September 30, 2014	Year Ended December 31, 2013	2012
Claims Unresolved at the beginning of period	12,302	23,141	22,571
Claims Filed during the period	2,949	4,527	3,920
Claims Resolved during the period[(a)]	(3,899)	(15,366)	(3,350)
Claims Unresolved at the end of period	11,352	12,302	23,141

(a) Claims resolved during the nine months ended September 30, 2014 include 2,110 cancer claims which were determined to have no value. Claims resolved during the year ended December 31, 2013 included significantly aged (i.e., pending for more than six years) claims totaling 12,250 of which 92% were non-malignant.

Disease Distribution of Unresolved Claims	September 30, 2014	December 31, 2013	2012
Mesothelioma and Other Cancer Claims	4,484	5,810	5,367
Nonmalignant Claims	6,868	6,492	17,774
Total Claims	11,352	12,302	23,141

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

	Year Ended December 31, 2013	2012	2011	2010	2009
	(in whole dollars)				
Malignant claims	$ 51,000	$ 49,000	$ 48,000	$ 54,000	$ 50,000
Nonmalignant claims	$ 850	$ 1,400	$ 1,000	$ 1,300	$ 200

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

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 future NARCO-related asbestos claims liability.

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.

On a cumulative historical basis, Honeywell has recorded insurance receivables equal to approximately 35 percent of the value of the underlying asbestos claims recorded. However, because there are gaps in our coverage due to insurance company insolvencies, certain uninsured periods, and insurance settlements, this rate is expected to decline for any future Bendix-related asbestos liabilities that may be recorded. Future recoverability rates may also be impacted by numerous other factors, such as future insurance settlements, insolvencies and judicial determinations relevant to our coverage program, which are difficult to predict. Assuming continued defense and indemnity spending at current levels, we estimate that the cumulative recoverability rate could decline over the next five years to approximately 29 percent.

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 July 2011, Honeywell filed an action in federal court (District of New Jersey) against the UAW and all former employees who retired under a series of Master Collective Bargaining Agreements (“MCBAs”) between Honeywell and the UAW. The Company is seeking a declaratory judgment that certain express limitations on its obligation to contribute toward the healthcare coverage of such retirees (the “CAPS”) set forth in the MCBAs may be implemented, effective January 1, 2012. In September 2011, the UAW and certain retiree defendants filed a motion to dismiss the New Jersey action and filed suit in the Eastern District of Michigan alleging that the MCBAs do not provide for CAPS on the Company’s liability for healthcare coverage. The UAW and retiree plaintiffs subsequently filed a motion for class certification and a motion for partial summary judgment in the Michigan action, seeking a ruling that retirees who retired prior to the initial inclusion of the CAPS in the 2003 MCBA are not covered by the CAPS as a matter of law. In December 2011, the New Jersey action was dismissed on forum grounds. Honeywell appealed the New Jersey court’s dismissal to the United States Court of Appeals for the Third Circuit. The Third Circuit denied the appeal.

Honeywell answered the UAW's complaint in Michigan and asserted counterclaims for fraudulent inducement, negligent misrepresentation and breach of implied warranty. The UAW filed a motion to dismiss these counterclaims. The court dismissed Honeywell's fraudulent inducement and negligent misrepresentation claims, but let stand the claim for breach of implied warranty. The parties have agreed to stay the proceedings with respect to those retirees who retired before the initial inclusions of the CAPS in the 2003 MCBA until the Supreme Court decides the *M&G Polymers USA, LLC v. Tackett* case. In the *Tackett* case, the Supreme Court will resolve a split between the U.S. Court of Appeals for the Sixth Circuit, on the one hand, and the majority of other U.S. Court of Appeals, on the other hand, as to whether retiree health insurance benefits provided in collective bargaining agreements carry an inference that they are vested or guaranteed to continue for life where the agreement is silent as to their duration. Honeywell is confident that the CAPS will be upheld and that its liability for healthcare coverage premiums with respect to the putative class will be limited as negotiated and expressly set forth in the applicable MCBAs. In the event of an adverse ruling, however, Honeywell's other postretirement benefits for pre-2003 retirees would increase by approximately $180 million, reflecting the estimated value of these CAPS.

In December 2013, the UAW and certain of the plaintiffs filed a motion for partial summary judgment with respect to those retirees who retired after the initial inclusion of the CAPS in the 2003 MCBA. The UAW sought a ruling that the 2003 MCBA did not limit Honeywell's obligation to contribute to healthcare coverage for the post-2003 retirees. That motion remains pending. Honeywell is confident that the Court will find that the 2003 MCBA does, in fact, limit Honeywell's retiree healthcare obligation for post-2003 retirees. In the event of an adverse ruling, however, Honeywell's other postretirement benefits for post-2003 retirees would increase by approximately $105 million, reflecting the estimated value of these CAPS.

Joint Strike Fighter Investigation - In 2013 the Company received subpoenas from the Department of Justice requesting information relating primarily to parts manufactured in the United Kingdom and China used in the F-35 fighter jet. The Company is cooperating fully with the investigation. While we believe that Honeywell has complied with all relevant U.S. laws and regulations regarding the manufacture of these sensors, it is not possible to predict the outcome of the investigation or what action, if any, may result from it.

Given the uncertainty inherent in litigation and investigations (including the specific matters 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.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners
of Honeywell International Inc.:

We have reviewed the accompanying consolidated balance sheet of Honeywell International Inc. and its subsidiaries as of September 30, 2014, and the related consolidated statements of operations and comprehensive income for the three-month and nine-month periods ended September 30, 2014 and 2013 and the consolidated statement of cash flows for the nine-month periods ended September 30, 2014 and 2013. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations, of comprehensive income, of shareowners' equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 14, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2013, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
October 17, 2014

The "Report of Independent Registered Public Accounting Firm" included above is not a "report" or "part of a Registration Statement" prepared or certified by an independent accountant within the meanings of Sections 7 and 11 of the Securities Act of 1933, and the accountants' Section 11 liability does not extend to such report.

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. ("Honeywell" or the "Company") for the three and nine months ended September 30, 2014. The financial information as of September 30, 2014 should be read in conjunction with the financial statements for the year ended December 31, 2013 contained in our Form 10-K filed on February 14, 2014.

In April 2014, the Company announced the realignment of our Honeywell Process Solutions business from Automation and Control Solutions into Performance Materials and Technologies. Effective with the quarter ended June 30, 2014, the Company has reported its financial performance based on the inclusion of Honeywell Process Solutions in Performance Materials and Technologies.

In July 2014, following the closing of the sale of its Friction Materials business, the Company announced the realignment of its Transportation Systems business segment with its Aerospace business segment. Under the realigned segment reporting structure, the Company has three business segments: Aerospace, Automation and Control Solutions and Performance Materials and Technologies. Effective with the quarter ended September 30, 2014, the Company has reported its financial performance based on the inclusion of Transportation Systems in Aerospace.

These realignments have no impact on the Company's historical consolidated financial position, results of operations or cash flows. Prior period amounts have been reclassified to conform to current period presentation.

A. Results of Operations – three and nine months ended September 30, 2014 compared with the three and nine months ended September 30, 2013

Net Sales

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales	$ 10,108	$ 9,647	$ 30,040	$ 28,668
% change compared with prior period	5%		5%	

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

	Three Months	Year to Date
Volume	4%	3%
Price	1%	-
Acquisitions/Divestitures	-	2%
	5%	5%

A discussion of net sales by segment can be found in the Review of Business Segments section of this MD&A.

Cost of Products and Services Sold

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Cost of products and services sold	$ 7,128	$ 6,942	$ 21,391	$ 20,752
% change compared with prior period	3%		3%	
Gross Margin percentage	29.5%	28.0%	28.8%	27.6%

Cost of products and services sold increased by $186 million or 3 percent in the quarter ended September 30, 2014 compared with the quarter ended September 30, 2013 principally due to an increase in direct material costs of approximately $140 million (driven primarily by higher sales volume) and acquisitions, partially offset by an increase in pension income of approximately $30 million.

Cost of products and services sold increased by $639 million or 3 percent in the nine months ended September 30, 2014 compared with the nine months ended September 30, 2013 principally due to an increase in direct material costs of approximately $515 million (driven primarily by higher sales volume), acquisitions and higher repositioning and other charges of approximately $55 million, partially offset by an increase in pension income of approximately $85 million.

Gross margin percentage increased by 1.5 percentage points in the quarter ended September 30, 2014 compared with the quarter ended September 30, 2013 primarily due to higher gross margin in our Aerospace and Automation and Control Solutions businesses (approximately 1.1 percentage point impact collectively) and increased pension income (approximately 0.3 percentage point impact), partially offset by lower repositioning and other charges (approximately 0.1 percentage point impact).

Gross margin percentage increased by 1.2 percentage points in the nine months ended September 30, 2014 compared with the nine months ended September 30, 2013 primarily due to higher gross margin in each of our business segments (approximately 0.8 percentage point impact collectively) and increased pension income (approximately 0.3 percentage point impact), partially offset by higher repositioning and other charges (approximately 0.2 percentage point impact).

For further discussion of segment results see “Review of Business Segments”.

Selling, General and Administrative Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Selling, general and administrative expense	$ 1,344	$ 1,242	$ 4,058	$ 3,752
Percent of sales	13.3%	12.9%	13.5%	13.1%

Selling, general and administrative expenses (SG&A) increased as a percentage of sales by 0.4 percentage points in the quarter ended September 30, 2014 compared to the quarter ended September 30, 2013 and 0.4 percentage points in the nine months ended September 30, 2014 compared with the nine months ended September 30, 2013 primarily driven by increased labor costs (primarily acquisitions, merit increases and investment for growth) partially offset by higher sales and decreased repositioning and other charges.

Other (Income) Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Equity income of affiliated companies	$ (10)	$ (11)	$ (27)	$ (31)
Gain on sale of available for sale investments	-	-	(105)	-
Loss on sale of non-strategic businesses and assets	1	-	11	-
Interest income	(24)	(15)	(71)	(47)
Foreign exchange	11	21	30	24
Other, net	1	4	3	1
	$ (21)	$ (1)	$ (159)	$ (53)

Other Income increased by $20 million in the quarter ended September 30, 2014 compared to the quarter ended September 30, 2013 primarily due to lower expense from foreign exchange and an increase in interest income.

Other Income increased by $106 million in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily due to $105 million of realized gain related to the sale of marketable equity securities, partially offset by higher foreign exchange expense. The securities (B/E Aerospace common stock), designated as available for sale, were obtained in conjunction with the sale of the Consumables Solutions business in July 2008.

Interest and Other Financial Charges

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest and other financial charges	$ 77	$ 80	$ 236	$ 244
% change compared with prior period	(4)%		(3)%	

Interest and other financial charges decreased by $3 million in the quarter ended September 30, 2014 compared with the quarter ended September 30, 2013 and decreased by $8 million in the nine months ended 2014 compared with the nine months ended September 30, 2013 primarily due to lower borrowing costs partially, offset by higher debt balances.

Tax Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Tax expense	$ 388	$ 377	$ 1,160	$ 975
Effective tax rate	24.6%	27.2%	25.7%	24.5%

The effective tax rate decreased by 2.6 percent in the quarter ended September 30, 2014 compared with the quarter ended September 30, 2013 primarily due to decreased tax expense related to the resolution of tax audits, partially offset by the impact of more income in jurisdictions with higher tax rates, additional tax reserves and increase in our nine month tax rate to be in line with our full year projected tax rate.

The effective tax rate increased by 1.2 percent in the nine months ended September 30, 2014 compared with the nine months ended September 30, 2013 primarily due to the impact of more income in jurisdictions with higher tax rates, additional tax reserves, increase in our nine month tax rate to be in line with our full year projected tax rate and the absence of law changes enacted in 2013, partially offset by decreased tax expense due to the resolution of tax audits.

The effective tax rates for the three and nine months periods ending in 2014 were lower than the statutory rate of 35 percent due, in part, to foreign earnings taxed at lower rates, increased tax benefits from the resolution of tax audits and benefits from manufacturing incentives.

The effective tax rates for the three and nine months periods ending in 2013 were lower than the statutory rate of 35 percent due, in part, to foreign earnings taxed at lower rates and benefits from manufacturing incentives and U.S tax credits.

Net Income Attributable to Honeywell

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income attributable to Honeywell	$ 1,167	$ 990	$ 3,283	$ 2,977
Earnings per share of common stock – assuming dilution	$ 1.47	$ 1.24	$ 4.13	$ 3.73

Earnings per share of common stock – assuming dilution increased by $0.23 per share in the quarter ended September 30, 2014 compared with the quarter ended September 30, 2013 primarily due to increased segment profit in each of our business segments, increased pension income and higher other income as previously discussed, partially offset by increased tax expense.

Earnings per share of common stock – assuming dilution increased by $0.40 per share in the nine months ended September 30, 2014 compared with the nine months ended September 30, 2013, primarily due to increased segment profit in each of our business segments, increased pension income and higher other income as previously discussed, partially offset by increased tax expense and higher repositioning and other charges.

Review of Business Segments

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net Sales				
Aerospace				
Products	$ 2,658	$ 2,648	$ 8,170	$ 7,982
Services	1,237	1,241	3,586	3,676
Total	3,895	3,889	11,756	11,658
Automation and Control Solutions				
Products	3,351	3,076	9,713	8,833
Services	320	299	927	891
Total	3,671	3,375	10,640	9,724
Performance Materials and Technologies				
Products	2,081	1,969	6,330	6,096
Services	461	414	1,314	1,190
Total	2,542	2,383	7,644	7,286
	$ 10,108	$ 9,647	$ 30,040	$ 28,668
Segment Profit				
Aerospace	$ 790	$ 730	$ 2,252	$ 2,101
Automation and Control Solutions	583	523	1,587	1,413
Performance Materials and Technologies	444	413	1,392	1,325
Corporate	(58)	(51)	(167)	(157)
Total segment profit	1,759	1,615	5,064	4,682
Other income (expense)(a)	11	(10)	132	22
Interest and other financial charges	(77)	(80)	(236)	(244)
Stock compensation expense(b)	(41)	(38)	(143)	(129)
Pension ongoing income(b)	62	22	187	68
Other postretirement expense(b)	(12)	(5)	(37)	(7)
Repositioning and other charges (b)	(122)	(120)	(453)	(419)
Income before taxes	$ 1,580	$ 1,384	$ 4,514	$ 3,973

(a) Equity income (loss) of affiliated companies is included in segment profit.

(b) Amounts included in cost of products and services sold and selling, general and administrative expenses.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	% Change	2014	2013	% Change
Aerospace Sales						
Commercial Original Equipment	$ 706	$ 672	5%	$ 2,086	$ 2,046	2%
Commercial Aftermarket	1,171	1,147	2%	3,371	3,296	2%
Defense and Space	1,190	1,154	3%	3,459	3,539	(2)%
Transportation Systems	828	916	(10)%	2,840	2,777	2%
Total Aerospace Sales	3,895	3,889		11,756	11,658	
Automation and Control Solutions Sales						
Energy Safety & Security	2,449	2,174	13%	7,144	6,258	14%
Building Solutions & Distribution	1,222	1,201	2%	3,496	3,466	1%
Total Automation and Control Solutions Sales	3,671	3,375		10,640	9,724	
Performance Materials and Technologies						
UOP	761	704	8%	2,435	2,186	11%
Process Solutions	787	754	4%	2,285	2,256	1%
Advanced Materials	994	925	7%	2,924	2,844	3%
Total Performance Materials and Technologies Sales	2,542	2,383		7,644	7,286	
Net Sales	$ 10,108	$ 9,647		$ 30,040	$ 28,668	

Aerospace

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	% Change	2014	2013	% Change
Net sales	$ 3,895	$ 3,889	-	$ 11,756	$ 11,658	1%
Cost of products and services sold	2,856	2,919		8,767	8,837	
Selling, general and administrative expenses	181	173		536	523	
Other	68	67		201	197	
Segment profit	$ 790	$ 730	8%	$ 2,252	$ 2,101	7%

	2014 vs. 2013			
	Three Months Ended September 30,		Nine Months Ended September 30,	
Factors Contributing to Year-Over-Year Change	Sales	Segment Profit	Sales	Segment Profit
Organic growth/ Operational segment profit	3%	6%	2%	7%
Acquisitions, divestitures and other, net	(3)%	2%	(1)%	-
Total % Change	-	8%	1%	7%

Aerospace sales were flat in the quarter ended September 30, 2014 compared with the quarter ended September 30, 2013 driven primarily by an increase in organic sales, offset by the Friction Materials divestiture.

Aerospace sales increased by 1 percent in the nine months ended September 30, 2014 compared with the nine months ended September 30, 2013 driven primarily by an increase in organic sales, partially offset by the Friction Materials divestiture.

- Commercial Original Equipment sales increased by 5 percent and 2 percent for the quarter and nine months ended September 30, 2014, respectively, driven primarily by higher air transport volumes, consistent with the OE Manufacturers' (OEM) higher production rates, and business and general aviation engine shipments.

- Commercial Aftermarket sales increased by 2 percent for the quarter and nine months ended September 30, 2014, driven primarily by higher sales of spare parts to air transport and regional customers, partially offset by a decline in retrofits, modifications and upgrades and lower repair and overhaul activities.

- Defense and Space sales increased by 3 percent for the quarter ended September 30, 2014, driven primarily by growth in international programs, partially offset by lower government services revenue.

  Defense and Space sales decreased by 2 percent for the nine months ended September 30, 2014, primarily due to lower government services revenue, partially offset by growth in international programs.

- Transportation Systems sales decreased by 10 percent (4 percent organic increase) for the quarter ended September 30, 2014, primarily due to the divestiture of the Friction Materials business and moderating light vehicle production volumes in Europe, partially offset by continued growth from new platform launches, higher global turbo gas penetration and increased commercial vehicle demand in Europe.

  Transportation Systems sales increased by 2 percent (5 percent organic) for the nine months ended September 30, 2014, driven primarily by continued growth from new platform launches, higher global turbo gas penetration and increased commercial vehicle demand in Europe, as well as a favorable impact from foreign exchange, partially offset by the divestiture of the Friction Materials business.

Aerospace segment profit increased by 8 percent in the quarter ended September 30, 2014 compared with the quarter ended September 30, 2013 due to a 6 percent increase in operational segment profit and a 2 percent favorable impact from lower OEM payments and benefit from the Friction Materials divestiture. The increase in operational segment profit is driven primarily by favorable price and productivity, net of inflation. Cost of products and services sold totaled $2.9 billion for the quarter ended September 30, 2014, a decrease of $63 million primarily due to the factors discussed above (excluding price).

Aerospace segment profit increased by 7 percent for the nine months ended September 30, 2014 compared with the nine months ended September 30, 2013 due to a 7 percent increase in operational segment profit, driven primarily by commercial sales growth, as discussed above, including favorable price and productivity, net of inflation. Cost of products and services sold totaled $8.8 billion for the nine months ended September 30, 2014, a decrease of $70 million primarily due to the factors discussed above (excluding price).

Automation and Control Solutions

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	% Change	2014	2013	% Change
Net sales	$ 3,671	$ 3,375	9%	$ 10,640	$ 9,724	9%
Cost of products and services sold	2,385	2,228		6,935	6,422	
Selling, general and administrative expenses	638	560		1,924	1,700	
Other	65	64		194	189	
Segment profit	$ 583	$ 523	11%	$ 1,587	$ 1,413	12%

Factors Contributing to Year-Over-Year Change	2014 vs. 2013 Three Months Ended September 30, Sales	Segment Profit	Nine Months Ended September 30, Sales	Segment Profit
Organic growth/ Operational segment profit	4%	8%	3%	7%
Foreign exchange	1%	-	-	-
Acquisitions and divestitures, net	4%	3%	6%	5%
Total % Change	9%	11%	9%	12%

Automation and Control Solutions ("ACS") sales increased by 9 percent in the quarter and nine months ended September 30, 2014 compared with the quarter and nine months ended September 30, 2013 primarily due to growth from acquisitions, net of divestitures and organic sales growth.

- Sales in Energy, Safety & Security increased by 13 percent (6 percent organic) in the quarter ended September 30, 2014 principally due to (i) acquisitions, net of divestitures, (ii) increases in sales volumes in our Industrial Safety business, primarily in the Americas and Europe, (iii) higher sales volumes in the Environmental and Combustion Controls business and security products driven by strong U.S. residential market conditions and new product introductions and (iv) increases in sales volumes in our Scanning and Mobility business.

- Sales in Energy, Safety & Security increased by 14 percent (4 percent organic) in the nine months ended September 30, 2014 principally due to (i) acquisitions, net of divestitures, (ii) higher global sales volumes in the Environmental and Combustion Controls business driven by strong U.S. residential market conditions and new product introductions and (iii) increases in sales volumes in our Industrial Safety business primarily in the Americas and Europe.

- Sales in Building Solutions & Distribution increased by 2 percent in the quarter ended September 30, 2014 and 1 percent in the nine months ended September 30, 2014 principally due to increased sales volumes in our Americas Distribution business partially offset by softness in the U.S. energy retrofit business. Building Solutions backlog increased in the nine months ended September 30, 2014.

ACS segment profit increased by 11 percent in the quarter ended September 30, 2014 compared with the quarter ended September 30, 2013 due to an 8 percent increase in operational segment profit and a 3 percent increase from acquisitions. The increase in operational segment profit is primarily due to higher sales volumes as discussed above, and the positive impact of price and productivity, net of inflation, partially offset by continued investment for growth. Cost of products and services sold totaled $2.4 billion for the quarter ended September 30, 2014, an increase of $157 million which is primarily due to higher sales volume and inflation, partially offset by productivity, acquisitions, net of divestitures and the favorable impact of foreign exchange.

ACS segment profit increased by 12 percent in the nine months ended September 30, 2014 compared with the nine months ended September 30, 2013 due to a 7 percent increase in operational segment profit and a 5 percent increase from acquisitions, net of divestitures. The increase in operational segment profit is primarily due to higher sales volumes as discussed above and the positive impact of price and productivity, net of inflation, partially offset by continued investment for growth. Cost of products and services sold totaled $6.9 billion for the nine months ended September 30, 2014, an increase of $513 million which is primarily due to acquisitions, net of divestitures, higher sales volume and inflation and the unfavorable impact of foreign exchange partially offset by productivity.

Performance Materials and Technologies

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	% Change	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	% Change
Net sales	$ 2,542	$ 2,383	7%	$ 7,644	$ 7,286	5%
Cost of products and services sold	1,804	1,686		5,367	5,111	
Selling, general and administrative expenses	261	251		784	752	
Other	33	33		101	98	
Segment profit	$ 444	$ 413	8%	$ 1,392	$ 1,325	5%

	2014 vs. 2013			
	Three Months Ended September 30,		Nine Months Ended September 30,	
Factors Contributing to Year-Over-Year Change	Sales	Segment Profit	Sales	Segment Profit
Organic growth/ Operational segment profit	7%	8%	5%	5%
Total % Change	7%	8%	5%	5%

Performance Materials and Technologies sales increased by 7 percent in the quarter ended September 30, 2014 compared with the quarter ended September 30, 2013 and 5 percent for the nine months ended September 30, 2014 compared with the nine months ended September 30, 2013 due to an increase in organic sales.

- UOP sales increased by 8 percent (7 percent organic) in the quarter ended September 30, 2014 and 11 percent in the nine months ended September 30, 2014 driven primarily by higher catalysts and gas processing volumes, partially offset by lower equipment and service revenues. We expect sales to decline in the fourth quarter of 2014 due to project timing as well as stronger volume growth in the fourth quarter of 2013 as compared to the fourth quarter of 2014.

- Process Solutions sales increased 4 percent (5 percent organic) in the quarter ended September 30, 2014 and 1 percent (3 percent organic) in the nine months ended September 30, 2014 driven primarily by volume growth in service and software solutions and field products. Project and service orders and backlog increased in the quarter and nine months ended September 30, 2014.

- Advanced Materials sales increased by 7 percent in the quarter ended September 30, 2014 and 3 percent in the nine months ended September 30, 2014 driven primarily by increased volume in Fluorine Products and Resins and Chemicals, partially offset by unfavorable pricing most significantly in Fluorine Products and Resins and Chemicals (for the first six months of 2014). We anticipate unfavorable pricing to continue through the fourth quarter.

Performance Materials and Technologies segment profit increased by 8 percent in the quarter ended September 30, 2014 compared with the quarter ended September 30, 2013 primarily due to higher sales volumes, as discussed above, and favorable price and productivity, net of inflation, partially offset by continued investment for growth. Cost of products and services sold totaled $1.8 billion for the quarter ended September 30, 2014 September 30, 2014, an increase of $118 million, which is primarily due to higher volume, inflation and continued investment for growth partially offset by productivity.

Performance Materials and Technologies segment profit increased by 5 percent compared with the nine months ended September 30, 2013 primarily due to higher sales volumes, as discussed above, and productivity, net of inflation, partially offset by unfavorable Advanced Materials pricing (which is anticipated to continue through the fourth quarter) and continued investment for growth. Cost of products and services sold totaled $5.4 billion for the nine months ended September 30, 2014, an increase $256 million, which is primarily due to higher volume and continued investment for growth partially offset by productivity net of inflation.

Repositioning and Other Charges

See Note 4 of Notes to Financial Statements for a discussion of repositioning and other charges incurred in the three and nine months ended September 30, 2014 and 2013. Our repositioning actions are expected to generate incremental pretax savings of approximately $125 million in 2014 compared with 2013 principally from planned workforce reductions. Cash expenditures for severance and other exit costs necessary to execute these actions were $108 million in the nine months ended September 30, 2014 and were funded through operating cash flows. Cash expenditures for severance and other exit costs necessary to execute the remaining actions are expected to be approximately $150 million in 2014 and will be funded through operating cash flows.

B. Liquidity and capital resources

Cash flow summary

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows for the nine months ended September 30, 2014 and 2013, are summarized as follows:

	2014	2013
Cash provided by (used for):		
Operating activities	$ 3,262	$ 2,667
Investing activities	(1,639)	(1,554)
Financing activities	(1,503)	(133)
Effect of exchange rate changes on cash	(114)	(115)
Net increase in cash and cash equivalents	$ 6	$ 865

Cash provided by operating activities increased by $595 million during the nine months ended September 30, 2014 compared with the nine months ended September 30, 2013 primarily due to (i) a $541 million increase of income before taxes, (ii) reduced net payments for repositioning and other charges of $216 million (primarily due to the collection of a $130 million asbestos receivable due from one of our insurance carriers and lower asbestos related payments of $75 million), (iii) reduced cash contributions to our pension and other postretirement plans of $130 million, partially offset by a $146 million unfavorable impact from working capital (driven by higher receivables due to timing of sales within the quarter and inventory to support sales growth, partially offset by improved accounts payable performance) and higher cash tax payments of approximately $31 million.

Cash used for investing activities increased by $85 million during the nine months ended September 30, 2014 compared with the nine months ended September 30, 2013 primarily due to (i) a net $960 million increase in investments (primarily short-term marketable securities), (ii) an increase of approximately $213 million in settlement payments of foreign currency exchange contracts used as economic hedges on certain non-functional currency denominated monetary assets and liabilities, (iii) a $133 million increase in expenditures for property, plant and equipment, partially offset by a decrease in cash paid for acquisitions of $1,059 million (most significantly Intermec and RAE Systems, Inc. in 2013) and an increase in proceeds from the sales of businesses of $157 million (most significantly Friction Materials).

Cash used for financing activities increased by $1,370 million during the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily due to by a decrease in the net proceeds from debt issuances of $1,123 million, an increase in cash dividends paid of $106 million and lower net proceeds from issuance of common stock of $76 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 February 2014, the Company repaid its $600 million of 3.875 percent notes. The repayment was funded through the issuance of commercial paper.

In January 2014, the Company entered into a definitive agreement to sell its Friction Materials business to Federal Mogul Corporation for $155 million. The Company closed the sale of its Friction Materials business on July 11, 2014.

In 2014, we are not required to make contributions to our U.S. pension plans. We plan to make contributions of cash or marketable securities of approximately $150 million to our non-U.S. plans to satisfy regulatory funding standards. In the first nine months of 2014, we contributed $117 million of marketable securities and $29 million of cash to our non-U.S. plans. 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.

The Company repurchased $138 million and $689 million of outstanding shares in the quarter and nine months ended September 30, 2014, respectively. Under the Company's previously reported $5 billion share repurchase program, $4.3 billion remained available as of September 30, 2014 for additional share repurchases. Honeywell presently expects to repurchase outstanding shares from time to time during 2014 to offset the dilutive impact of employee stock based compensation plans, including future option exercises, restricted unit vesting and matching contributions under our savings plans. The amount and timing of future repurchases may vary depending on market conditions and the level of operating, financing and other investing activities.

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 a discussion of environmental, asbestos and other litigation matters in Note 17 of Notes to Financial Statements.

Critical Accounting Policies

The financial information as of September 30, 2014 should be read in conjunction with the financial statements for the year ended December 31, 2013 contained in our Form 10-K filed on February 14, 2014.

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 Form 10-K filed on February 14, 2014.

Recent Accounting Pronouncements

See Note 2 of Notes to Financial Statements for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

See our 2013 Annual Report on Form 10-K (Item 7A). As of September 30, 2014, 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 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 CEO, our CFO, 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 a discussion of environmental, asbestos and other litigation matters in Note 17 of Notes to Financial Statements.

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

None.

Item 2. Changes in Securities and Use of Proceeds

Honeywell purchased 1,500,000 shares of its common stock, par value $1 per share, in the quarter ending September 30, 2014. Under the Company's previously reported $5 billion share repurchase program, $4.3 billion remained available as of September 30, 2014 for additional share repurchases. Honeywell presently expects to repurchase outstanding shares from time to time during 2014 to offset the dilutive impact of employee stock based compensation plans, including future option exercises, restricted unit vesting and matching contributions under our savings plans. The amount and timing of future repurchases may vary depending on market conditions and the level of operating, financing and other investing activities.

The following table summarizes Honeywell's purchase of its common stock, par value $1 per share, for the quarter ended September 30, 2014:

Issuer Purchases of Equity Securities

Period	(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)
August 2014	1,500,000	$92.07	1,500,000	$4,311

Item 6. EXHIBITS

(a) Exhibits. See the Exhibit Index on page 47 of this Quarterly Report on Form 10-Q.

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: October 17, 2014

By: /s/ Adam M. Matteo

Adam M. Matteo
Vice President and Controller
(on behalf of the Registrant
and as the Registrant's
Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
11	Computation of Per Share Earnings [(1)]
12	Computation of Ratio of Earnings to Fixed Charges (filed herewith)
15	Independent Accountants' Acknowledgment Letter as to the incorporation of their report relating to unaudited interim financial statements (filed herewith)
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	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)
32.2	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)
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 to the consolidated financial statements in this report.

HONEYWELL INTERNATIONAL INC.
STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
Nine Months Ended
September 30, 2014
(Dollars in millions)

Determination of Earnings:	
Income before taxes	$ 4,514
Add (Deduct):	
Amortization of capitalized interest	15
Fixed charges	269
Equity income, net of distributions	(27)
Total earnings, as defined	$ 4,771
Fixed Charges:	
Rents[(a)]	$ 33
Interest and other financial charges	236
	269
Capitalized interest	16
Total fixed charges	$ 285
Ratio of Earnings to Fixed Charges	**16.74**

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

EXHIBIT 15

October 17, 2014

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We are aware that our report dated October 17, 2014 on our review of interim financial information of Honeywell International Inc. (the "Company") for the three and nine-month periods ended September 30, 2014 and 2013 and included in the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2014 is incorporated by reference in its Registration Statements on Form S-3 (No.033-55425, 333-22355, 333-101455, and 333-186695), Form S-8 (No. 033-58347, 333-49280, 333-136083, 333-136086, 333-146932, 333-148995, 333-175260 and 333-195331) and Form S-4 (No. 333-82049).

Very truly yours,

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey

EXHIBIT 31.1

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

I, David M. Cote, Chief Executive Officer, 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: October 17, 2014

By: /s/ David M. Cote
David M. Cote
Chief Executive Officer

EXHIBIT 31.2

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

I, Thomas A. Szlosek, Chief Financial Officer, 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: October 17, 2014

By: /s/ Thomas A. Szlosek
Thomas A. Szlosek
Chief Financial Officer

EXHIBIT 32.1

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 ending September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David M. Cote, 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.

By: /s/ David M. Cote
David M. Cote
Chief Executive Officer
October 17, 2014

EXHIBIT 32.2

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 ending September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Thomas A. Szlosek, 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.

By: /s/ Thomas A. Szlosek
Thomas A. Szlosek
Chief Financial Officer
October 17, 2014