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

Form 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2019

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.)
300 South Tryon Street Charlotte, NC	28202
(Address of principal executive offices)	(Zip Code)

704 627-6200
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $1 per share*	HON	The New York Stock Exchange
0.650% Senior Notes due 2020	HON 20	The New York Stock Exchange
1.300% Senior Notes due 2023	HON 23A	The New York Stock Exchange
2.250% Senior Notes due 2028	HON 28A	The New York Stock Exchange

* The common stock is also listed on the London Stock Exchange

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 x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes x No o

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

Large Accelerated Filer	x	Accelerated filer	☐
Non-Accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

There were 714,533,499 shares of Common Stock outstanding at September 30, 2019.

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 2018 Annual Report on Form 10-K.

PART I. FINANCIAL INFORMATION

The financial statements and related footnotes as of September 30, 2019 should be read in conjunction with the financial statements for the year ended December 31, 2018 contained in our 2018 Annual Report on Form 10-K.

ITEM 1. FINANCIAL STATEMENTS

Honeywell International Inc.
Consolidated Statement of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions, except per share amounts)			
Product sales	$ 6,793	$ 8,477	$ 20,496	$ 25,414
Service sales	2,293	2,285	6,717	6,659
Net sales	9,086	10,762	27,213	32,073
Costs, expenses and other				
Cost of products sold	4,775	6,127	14,244	18,234
Cost of services sold	1,263	1,429	3,767	4,127
	6,038	7,556	18,011	22,361
Selling, general and administrative expenses	1,296	1,524	4,046	4,527
Other (income) expense	(311)	(275)	(901)	(859)
Interest and other financial charges	96	99	266	277
	7,119	8,904	21,422	26,306
Income before taxes	1,967	1,858	5,791	5,767
Tax expense (benefit)	319	(498)	1,151	679
Net income	1,648	2,356	4,640	5,088
Less: Net income attributable to the noncontrolling interest	24	18	59	44
Net income attributable to Honeywell	$ 1,624	$ 2,338	$ 4,581	$ 5,044
Earnings per share of common stock - basic	$ 2.26	$ 3.15	$ 6.33	$ 6.76
Earnings per share of common stock - assuming dilution	$ 2.23	$ 3.11	$ 6.25	$ 6.67

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Net income	$ 1,648	$ 2,356	$ 4,640	$ 5,088
Other comprehensive income (loss), net of tax				
Foreign exchange translation adjustment	163	49	177	61
Prior service credit (cost)	—	35	—	35
Actuarial (gains) losses recognized	—	(3)	—	2
Prior service (credit) cost recognized	(20)	(18)	(59)	(55)
Pension and other postretirement benefits adjustments	(20)	14	(59)	(18)
Cash flow hedges recognized in other comprehensive income (loss)	62	24	110	27
Less: Reclassification adjustment for gains (losses) included in net income	47	(9)	86	(40)
Changes in fair value of cash flow hedges	15	33	24	67
Other comprehensive income (loss), net of tax	158	96	142	110
Comprehensive income	1,806	2,452	4,782	5,198
Less: Comprehensive income attributable to the noncontrolling interest	19	8	56	31
Comprehensive income attributable to Honeywell	$ 1,787	$ 2,444	$ 4,726	$ 5,167

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

Honeywell International Inc.
Consolidated Balance Sheet
(Unaudited)

	September 30, 2019	December 31, 2018
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,908	$ 9,287
Short-term investments	1,456	1,623
Accounts receivable - net	7,583	7,508
Inventories	4,601	4,326
Other current assets	1,640	1,618
Total current assets	26,188	24,362
Investments and long-term receivables	631	742
Property, plant and equipment - net	5,240	5,296
Goodwill	15,426	15,546
Other intangible assets - net	3,787	4,139
Insurance recoveries for asbestos related liabilities	412	437
Deferred income taxes	241	382
Other assets	8,179	6,869
Total assets	$ 60,104	$ 57,773
LIABILITIES		
Current liabilities:		
Accounts payable	$ 5,522	$ 5,607
Commercial paper and other short-term borrowings	3,422	3,586
Current maturities of long-term debt	4,088	2,872
Accrued liabilities	6,883	6,859
Total current liabilities	19,915	18,924
Long-term debt	11,101	9,756
Deferred income taxes	1,366	1,713
Postretirement benefit obligations other than pensions	329	344
Asbestos related liabilities	2,195	2,269
Other liabilities	6,885	6,402
Redeemable noncontrolling interest	7	7
SHAREOWNERS' EQUITY		
Capital - common stock issued	958	958
- additional paid-in capital	6,806	6,452
Common stock held in treasury, at cost	(23,135)	(19,771)
Accumulated other comprehensive loss	(3,295)	(3,437)
Retained earnings	36,775	33,978
Total Honeywell shareowners' equity	18,109	18,180
Noncontrolling interest	197	178
Total shareowners' equity	18,306	18,358
Total liabilities, redeemable noncontrolling interest and shareowners' equity	$ 60,104	$ 57,773

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

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

	Nine Months Ended September 30,	
	2019	2018
	(Dollars in millions)	
Cash flows from operating activities:		
Net income	$ 4,640	$ 5,088
Less: Net income attributable to the noncontrolling interest	59	44
Net income attributable to Honeywell	4,581	5,044
Adjustments to reconcile net income attributable to Honeywell to net cash provided by operating activities:		
Depreciation	500	558
Amortization	319	304
Repositioning and other charges	306	756
Net payments for repositioning and other charges	(157)	(519)
Pension and other postretirement income	(484)	(769)
Pension and other postretirement benefit payments	(50)	(67)
Stock compensation expense	112	131
Deferred income taxes	(298)	(482)
Other	98	(163)
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts receivable	(78)	131
Inventories	(276)	(459)
Other current assets	(68)	356
Accounts payable	(89)	466
Accrued liabilities	(133)	(412)
Net cash provided by (used for) operating activities	4,283	4,875
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(504)	(522)
Proceeds from disposals of property, plant and equipment	41	4
Increase in investments	(3,218)	(2,882)
Decrease in investments	3,318	4,634
Cash paid for acquisitions, net of cash acquired	(4)	(51)
Other	245	250
Net cash provided by (used for) investing activities	(122)	1,433
Cash flows from financing activities:		
Proceeds from issuance of commercial paper and other short-term borrowings	10,292	19,300
Payments of commercial paper and other short-term borrowings	(10,293)	(19,153)
Proceeds from issuance of common stock	425	242
Proceeds from issuance of long-term debt	2,725	26
Payments of long-term debt	(120)	(1,303)
Repurchases of common stock	(3,650)	(2,308)
Cash dividends paid	(1,798)	(1,669)
Pre-separation funding	—	1,604
Other	(72)	(141)
Net cash provided by (used for) financing activities	(2,491)	(3,402)
Effect of foreign exchange rate changes on cash and cash equivalents	(49)	(162)
Net increase (decrease) in cash and cash equivalents	1,621	2,744
Cash and cash equivalents at beginning of period	9,287	7,059
Cash and cash equivalents at end of period	$ 10,908	$ 9,803

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

Honeywell International Inc.
Consolidated Statement of Shareowners' Equity
(Unaudited)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	Shares	$	Shares	$	Shares	$	Shares	$
	(Dollars in millions, except per share amounts)							
Common stock, par value	957.6	958	957.6	958	957.6	958	957.6	958
Additional paid-in capital								
Beginning balance		6,780		6,317		6,452		6,212
Issued for employee savings and option plans		(11)		39		242		55
Stock-based compensation expense		37		42		112		131
Ending balance		6,806		6,398		6,806		6,398
Treasury stock								
Beginning balance	(238.1)	(22,156)	(215.0)	(17,557)	(228.0)	(19,771)	(206.7)	(15,914)
Reacquired stock or repurchases of common stock	(5.9)	(1,000)	(3.9)	(604)	(22.1)	(3,650)	(15.3)	(2,308)
Issued for employee savings and option plans	0.9	21	1.6	59	7.0	286	4.7	120
Ending balance	(243.1)	(23,135)	(217.3)	(18,102)	(243.1)	(23,135)	(217.3)	(18,102)
Retained earnings								
Beginning balance		35,741		29,331		33,978		27,481
Adoption of new accounting standards		—		—		—		264
Net income attributable to Honeywell		1,624		2,338		4,581		5,044
Dividends on common stock		(590)		(557)		(1,784)		(1,677)
Redemption value adjustment		—		(2)		—		(2)
Ending balance		36,775		31,110		36,775		31,110
Accumulated other comprehensive income (loss)								
Beginning balance		(3,453)		(2,222)		(3,437)		(2,235)
Foreign exchange translation adjustment		163		49		177		61
Pensions and other postretirement benefit adjustments		(20)		14		(59)		(18)
Changes in fair value of cash flow hedges		15		34		24		67
Ending balance		(3,295)		(2,125)		(3,295)		(2,125)
Noncontrolling interest								
Beginning balance		190		173		178		163
Acquisitions, divestitures, and other		1		—		1		1
Net income attributable to noncontrolling interest		24		18		59		45
Foreign exchange translation adjustment		(5)		(10)		(3)		(14)
Dividends paid		(13)		(4)		(38)		(18)
Ending balance		197		177		197		177
Total shareowners' equity	714.5	18,306	740.3	18,416	714.5	18,306	740.3	18,416
Cash dividends per share of common stock		$ 0.820		$ 0.745		$ 2.460		$ 2.235

Notes to Consolidated 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 ("Honeywell" or "the Company") at September 30, 2019 and December 31, 2018, the cash flows for the nine months ended September 30, 2019 and 2018 and the results of operations for the three and nine months ended September 30, 2019 and 2018. The results of operations for the three and nine months ended September 30, 2019 and cash flows for the nine months ended September 30, 2019 should not necessarily be taken as indicative of the entire year.

We report our quarterly financial information using a calendar convention; the first, second and third quarters are consistently reported as ending on March 31, June 30 and September 30. It has been our practice to establish actual quarterly closing dates using a predetermined fiscal calendar, which requires our businesses to close their books on a Saturday in order to minimize the potentially disruptive effects of quarterly closing on our business processes. The effects of this practice are generally not significant to reported results for any quarter and only exist within a reporting year. In the event that differences in actual closing dates are material to year-over-year comparisons of quarterly or year-to-date results, we will provide appropriate disclosures. Our actual closing dates for the three and nine months ended September 30, 2019 and 2018 were September 28, 2019 and September 29, 2018.

On October 1, 2018, the Company completed the tax-free spin-off to Honeywell shareowners of its Transportation Systems business, previously part of Aerospace, into a standalone publicly-traded company, Garrett Motion Inc. ("Garrett"). On October 29, 2018, the Company completed the tax-free spin-off to Honeywell shareowners of its Homes and Global Distribution business, previously part of Home and Building Technologies (renamed Honeywell Building Technologies following the spin-off), into a standalone publicly-traded company, Resideo Technologies, Inc. ("Resideo"). The assets and liabilities associated with Garrett and Resideo have been removed from the Company's Consolidated Balance Sheet as of the effective dates of the respective spin-offs. The results of operations for Garrett and Resideo are included in the Consolidated Statement of Operations through the effective dates of the respective spin-offs.

Note 2. Summary of Significant Accounting Policies

The accounting policies of the Company are set forth in Note 1 to Consolidated Financial Statements contained in the Company's 2018 Annual Report on Form 10-K. We include herein certain updates to those policies.

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

Leases—At the inception of a contract, we assess whether the contract is, or contains, a lease. The assessment is based on (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtains the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether the Company has the right to direct the use of the asset.

All significant lease arrangements are generally recognized at lease commencement. Operating lease right-of-use ("ROU") assets and lease liabilities are recognized at commencement. An ROU asset and corresponding lease liability are not recorded for leases with an initial term of 12 months or less (short term leases) and we recognize lease expense for these leases as incurred over the lease term.

ROU assets represent our right to use an underlying asset during the reasonably certain lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease payments may be fixed or variable, however, only fixed payments or in-substance fixed payments are included in determining the lease liability. Variable lease payments are recognized in operating expenses in the period in which the obligation for those payments are incurred. The operating lease ROU asset also includes any lease payments related to initial direct cost and prepayments and excludes lease incentives. Lease expense is recognized on a straight-line basis over the lease term. We have lease agreements with lease and non-lease components, which are generally accounted for separately.

(Dollars in millions, except per share amounts)

We primarily use our incremental borrowing rate, which is based on the information available at the lease commencement date, in determining the present value of the lease payments. In determining the borrowing rate, we consider the lease term, secured incremental borrowing rate, and for leases denominated in a currency different than U.S. dollar, the collateralized borrowing rate in the foreign currency using the U.S. dollar and foreign currency swap spread, when available.

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

In February 2018, the FASB issued guidance that allows for an entity to elect to reclassify from accumulated other comprehensive income to retained earnings the income tax effects on items resulting from what is commonly referred to as the U.S. Tax Cuts and Jobs Act ("U.S. Tax Reform"). The guidance is effective for fiscal years beginning after December 15, 2018 with early adoption permitted, including interim periods within those years. The Company has elected to not reclassify the stranded income tax effects of U.S. Tax Reform from accumulated other comprehensive income to retained earnings.

Note 3. Repositioning and Other Charges

A summary of repositioning and other charges follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Severance	$ 41	$ 39	$ 147	$ 100
Asset impairments	15	26	26	74
Exit costs	33	8	62	48
Reserve adjustments	(3)	1	(7)	(2)
Total net repositioning charge	86	74	228	220
Asbestos related litigation charges, net of insurance and indemnities	9	59	26	157
Probable and reasonably estimable environmental liabilities, net of indemnities	6	150	59	334
Other	(5)	16	(7)	45
Total net repositioning and other charges	$ 96	$ 299	$ 306	$ 756

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Cost of products and services sold	$ 75	$ 261	$ 204	$ 605
Selling, general and administrative expenses	21	38	102	110
Other (income) expense	—	—	—	41
	$ 96	$ 299	$ 306	$ 756

(Dollars in millions, except per share amounts)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Aerospace	$ 12	$ 54	$ 32	$ 157
Honeywell Building Technologies	28	4	36	17
Performance Materials and Technologies	28	12	61	85
Safety and Productivity Solutions	6	39	54	52
Corporate	22	190	123	445
	$ 96	$ 299	$ 306	$ 756

In the quarter ended September 30, 2019, we recognized gross repositioning charges totaling $89 million including severance costs of $41 million related to workforce reductions of 1,123 manufacturing and administrative positions across our segments. The workforce reductions were primarily related to cost savings actions taken in connection with our productivity and ongoing functional transformation initiatives. The repositioning charges included exit costs of $33 million primarily related to termination fees associated with the early cancellation of supply agreements for certain raw materials in Performance Materials and Technologies and Honeywell Building Technologies and current period exit costs incurred for previously approved repositioning projects.

In the quarter ended September 30, 2018, we recognized gross repositioning charges totaling $73 million including severance costs of $39 million related to workforce reductions of 816 manufacturing and administrative positions across our segments. The workforce reductions were primarily related to site transitions, mainly in Safety and Productivity Solutions and Performance Materials and Technologies, to more cost-effective locations. The repositioning charges included asset impairments of $26 million primarily due to the write-off of certain capitalized assets in Corporate and manufacturing equipment associated with a site transition in Performance Materials and Technologies.

In the nine months ended September 30, 2019, we recognized gross repositioning charges totaling $235 million including severance costs of $147 million related to workforce reductions of 3,436 manufacturing and administrative positions across our segments. The workforce reductions were primarily related to cost savings actions taken in connection with our productivity and ongoing functional transformation initiatives and to site transitions in Aerospace to more cost-effective locations. The repositioning charges included exit costs of $62 million primarily related to current period exit costs incurred for previously approved repositioning projects, termination fees associated with the early cancellation of supply agreements for certain raw materials in Performance Materials and Technologies and Honeywell Building Technologies and closure obligations associated with site transitions.

In the nine months ended September 30, 2018, we recognized gross repositioning charges totaling $222 million including severance costs of $100 million related to workforce reductions of 2,700 manufacturing and administrative positions across our segments. The workforce reductions were primarily related to site transitions, mainly in Safety and Productivity Solutions, Performance Materials and Technologies and Aerospace, to more cost-effective locations and to cost savings actions taken in connection with our productivity and ongoing functional transformation initiatives. The repositioning charges included asset impairments of $74 million primarily related to the write-down of a legacy property in Corporate in connection with its planned disposition, and the write-off of certain capitalized assets in Corporate and manufacturing equipment associated with a site transition in Performance Materials and Technologies. The repositioning charges included exit costs of $48 million primarily related to a termination fee associated with the early cancellation of a supply agreement for certain raw materials in Performance Materials and Technologies.

(Dollars in millions, except per share amounts)

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

	Severance Costs	Asset Impairments	Exit Costs	Total
December 31, 2018	$ 489	$ —	$ 77	$ 566
Charges	147	26	62	235
Usage - cash	(122)	—	(27)	(149)
Usage - noncash	—	(26)	—	(26)
Foreign currency translation	(3)	—	—	(3)
Adjustments	(7)	—	—	(7)
September 30, 2019	$ 504	$ —	$ 112	$ 616

Certain repositioning projects will recognize exit costs in future periods when the actual liability is incurred. Such exit costs incurred in the quarter and nine months ended September 30, 2019 and 2018 were not significant.

Note 4. Other (Income) Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Interest income	$ (64)	$ (55)	$ (194)	$ (154)
Pension ongoing income – non-service	(180)	(301)	(549)	(906)
Other postretirement income – non-service	(12)	(12)	(35)	(24)
Equity income of affiliated companies	(13)	(14)	(33)	(38)
Loss (gain) on sale of non-strategic business and assets	—	—	(1)	—
Foreign exchange	(43)	(15)	(97)	(27)
Separation costs	—	116	—	234
Other (net)	1	6	8	56
	$ (311)	$ (275)	$ (901)	$ (859)

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

Note 5. Income Taxes

The effective tax rate increased for the quarter and nine months ended September 30, 2019 compared to the quarter and nine months ended September 30, 2018 primarily due to lower tax benefits (reduction of accrued withholding taxes of approximately $114 million in 2019 and approximately $1.1 billion in 2018 related to unremitted foreign earnings), partially offset by $432 million of tax costs incurred in 2018 related to the spin-offs. Other changes to the tax rate include increased tax benefits for employee share-based compensation, and lower forecasted Global Intangible Low Taxed Income tax expense in the current year.

The effective tax rate for the quarter and nine months ended September 30, 2019 was lower than the U.S. federal statutory rate of 21% primarily due to the reduction of withholding taxes related to unremitted foreign earnings.

Note 6. Earnings Per Share

	Three Months Ended September 30,		Nine Months Ended September 30,	
Basic	2019	2018	2019	2018
Net income attributable to Honeywell	$ 1,624	$ 2,338	$ 4,581	$ 5,044
Weighted average shares outstanding	717.6	741.8	723.5	746.0
Earnings per share of common stock	$ 2.26	$ 3.15	$ 6.33	$ 6.76

(Dollars in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
Assuming Dilution	**2019**	**2018**	**2019**	**2018**
Net income attributable to Honeywell	$ 1,624	$ 2,338	$ 4,581	$ 5,044
Average Shares				
Weighted average shares outstanding	717.6	741.8	723.5	746.0
Dilutive securities issuable - stock plans	9.1	10.2	9.3	10.0
Total weighted average shares outstanding	726.7	752.0	732.8	756.0
Earnings per share of common stock	$ 2.23	$ 3.11	$ 6.25	$ 6.67

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, 2019, the weighted average number of stock options excluded from the computations were 2.9 million and 3.2 million. For the three and nine months ended September 30, 2018, the weighted average number of stock options excluded from the computations were 3.0 million and 2.4 million. These stock options were outstanding at the end of each of the respective periods.

As of September 30, 2019 and 2018, total shares outstanding were 714.5 million and 740.3 million and as of September 30, 2019 and 2018, total shares issued were 957.6 million.

(Dollars in millions, except per share amounts)

Note 7. Revenue Recognition and Contracts with Customers

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Aerospace				
Commercial Aviation Original Equipment	$ 772	$ 724	$ 2,265	$ 2,131
Commercial Aviation Aftermarket	1,452	1,370	4,234	3,964
Defense and Space	1,320	1,134	3,894	3,348
Transportation Systems	—	802	—	2,622
	3,544	4,030	10,393	12,065
Honeywell Building Technologies				
Homes Products and Software	—	521	—	1,554
Distribution (ADI)	—	671	—	1,985
Products	823	720	2,476	2,188
Building Solutions	592	605	1,778	1,769
	1,415	2,517	4,254	7,496
Performance Materials and Technologies				
UOP	717	722	2,030	2,012
Process Solutions	1,283	1,225	3,818	3,712
Specialty Products	256	279	790	847
Fluorine Products	414	414	1,339	1,301
	2,670	2,640	7,977	7,872
Safety and Productivity Solutions				
Safety and Retail	558	564	1,653	1,680
Productivity Products	271	329	809	1,017
Warehouse and Workflow Solutions	419	463	1,478	1,299
Sensing & Internet-of-Things (IoT)	209	219	649	644
	1,457	1,575	4,589	4,640
Net sales	$ 9,086	$ 10,762	$ 27,213	$ 32,073

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

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

(Dollars in millions, except per share amounts)

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

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

For a summary by disaggregated product and services sales for each segment, refer to Note 14 *Segment Financial Data* of Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Products, transferred point in time	62%	67%	61%	68%
Products, transferred over time	13	11	14	11
Net product sales	75	78	75	79
Services, transferred point in time	8	7	9	7
Services, transferred over time	17	15	16	14
Net service sales	25	22	25	21
Net sales	100%	100%	100%	100%

Contract Balances

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

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

(Dollars in millions, except per share amounts)

The following table summarizes our contract assets and liabilities balances:

	2019	2018
Contract assets - Beginning period	$ 1,548	$ 1,721
Contract assets - September 30	1,812	1,689
Change in contract assets - increase (decrease)	$ 264	$ (32)
Contract liabilities - Beginning period	$ (3,378)	$ (2,973)
Contract liabilities - September 30	(3,188)	(3,165)
Change in contract liabilities - decrease (increase)	$ 190	$ (192)
Net change	$ 454	$ (224)

The net change for the nine months ended September 30, 2019 was primarily driven by the recognition of revenue as performance obligations were satisfied prior to billing and exceeded receipt of advance payments from customers. The net change for the nine months ended September 30, 2018 was due primarily to customer payments received exceeding the related revenue recognition upon the completion of the underlying performance obligations to the customer.

For the three and nine months ended September 30, 2019, we recognized revenue of $215 million and $1,195 million that was previously included in the beginning balance of contract liabilities. For the three and nine months ended September 30, 2018, we recognized revenue of $122 million and $1,023 million that was previously included in the beginning balance of contract liabilities.

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

Performance Obligations

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

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

(Dollars in millions, except per share amounts)

The following table outlines our performance obligations disaggregated by segment:

	September 30, 2019
Aerospace	$ 11,412
Honeywell Building Technologies	5,558
Performance Materials and Technologies	6,320
Safety and Productivity Solutions	1,839
	$ 25,129

Performance obligations recognized as of September 30, 2019 will be satisfied over the course of future periods. Our disclosure of the timing for satisfying the performance obligation is based on the requirements of contracts with customers. However, from time to time, these contracts may be subject to modifications, impacting the timing of satisfying the performance obligations. Performance obligations expected to be satisfied within one year and greater than one year are 57% and 43%, respectively.

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

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

Note 8. Accounts Receivable - Net

	September 30, 2019	December 31, 2018
Trade	$ 7,750	$ 7,705
Less - Allowance for doubtful accounts	(167)	(197)
	$ 7,583	$ 7,508

Trade receivables include $1,796 million and $1,543 million of unbilled balances under long-term contracts as of September 30, 2019 and December 31, 2018. These amounts are billed in accordance with the terms of the customer contracts to which they relate.

Note 9. Inventories

	September 30, 2019	December 31, 2018
Raw materials	$ 1,083	$ 1,109
Work in process	829	811
Finished products	2,734	2,445
	4,646	4,365
Reduction to LIFO cost basis	(45)	(39)
	$ 4,601	$ 4,326

(Dollars in millions, except per share amounts)

Note 10. Leases

Adoption

Effective January 1, 2019, the Company adopted the new lease accounting standard using the modified retrospective method of applying the new standard at the adoption date. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard. This allowed us to carry forward the historical lease classification. Adoption of this standard resulted in the recording of net operating lease right-of-use (ROU) assets and corresponding operating lease liabilities of $0.7 billion. Financial position for reporting periods beginning on or after January 1, 2019 are presented under the new guidance, while prior periods amounts are not adjusted and continue to be reported in accordance with previous guidance.

A significant portion of our operating and finance lease portfolio includes corporate offices, research and development facilities, manufacturing sites, information technology (IT) equipment, and automobiles. The majority of our leases have remaining lease terms of 1 year to 20 years, some of which include options to extend the leases for 5 years or more. Operating lease ROU assets are presented within Other assets. The current portion of operating lease liabilities are presented within Accrued liabilities, and the non-current portion of operating lease liabilities are presented within Other liabilities on the Consolidated Balance Sheet. Finance lease assets are included in Property, plant and equipment - net, and the finance lease obligations are included in Current maturities of long-term debt, and in Long-term debt on the Consolidated Balance Sheet.

A portion of our real estate leases is generally subject to annual changes in the Consumer Price Index (CPI). The changes to the CPI are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred. In addition, a subset of our automobile leases is considered variable. The variable lease payments for such automobiles leases are based on actual mileage incurred at the stated contractual rate and recognized in the period in which the obligation for those payments was incurred.

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost	$ 62	$ 172
Variable lease cost	3	17
Short-term lease cost	3	9
Financing lease cost:		
Amortization of right-of-use assets	15	43
Interest on lease liability	8	23
Total financing lease cost	23	66
Total lease cost	$ 91	$ 264

(Dollars in millions, except per share amounts)

Supplemental cash flow information related to leases was as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 65	$ 174
Operating cash flows from finance leases	8	23
Financing cash flows from finance leases	14	40
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 92	$ 118
Finance leases	9	17

Supplemental balance sheet information related to leases was as follows:

	September 30, 2019
Operating leases	
Other assets	$ 677
Accrued liabilities	176
Other liabilities	535
Total operating lease liabilities	$ 711
Financing leases	
Property, plant and equipment	$ 321
Accumulated depreciation	(125)
Property, plant and equipment - net	$ 196
Current maturities of long-term debt	50
Long-term debt	150
Total financing lease liabilities	$ 200
Weighted-average remaining lease term	
Operating leases	6 years
Financing leases	4 years
Weighted-average discount rate	
Operating leases	3.3%
Financing leases	17.2%

As of September 30, 2019, maturities of lease liabilities were as follows:

	Operating Leases	Financing Leases
2019	$ 55	$ 21
2020	186	75
2021	154	63
2022	122	47
2023	92	39
Thereafter	184	49
Total lease payments	793	294
Less: interest	(82)	(94)
Total	$ 711	$ 200

(Dollars in millions, except per share amounts)

As previously disclosed in our 2018 Annual Report on Form 10-K and under the previous lease accounting standard, future minimum lease payments for operating leases having initial or remaining noncancellable lease terms in excess of one year would have been as follows:

	At December 31, 2018
2019	$ 210
2020	168
2021	142
2022	109
2023	80
Thereafter	147
	$ 856

Note 11. Long-term Debt and Credit Agreements

	September 30, 2019	December 31, 2018
1.40% notes due 2019	$ 1,250	$ 1,250
Three year floating rate notes due 2019	250	250
Two year floating rate notes due 2019	450	450
1.80% notes due 2019	750	750
0.65% Euro notes due 2020	1,093	1,145
4.25% notes due 2021	800	800
1.85% notes due 2021	1,500	1,500
2.15% notes due 2022	600	—
Floating rate notes due 2022	600	—
1.30% Euro notes due 2023	1,367	1,432
3.35% notes due 2023	300	300
2.30% notes due 2024	750	—
2.50% notes due 2026	1,500	1,500
2.25% Euro notes due 2028	820	859
2.70% notes due 2029	750	—
5.70% notes due 2036	441	441
5.70% notes due 2037	462	462
5.375% notes due 2041	417	417
3.812% notes due 2047	445	445
Industrial development bond obligations, floating rate maturing at various dates through 2037	22	22
6.625% debentures due 2028	201	201
9.065% debentures due 2033	51	51
Other (including capitalized leases and debt issuance costs), 6.0% weighted average maturing at various dates through 2025	370	353
	15,189	12,628
Less: current portion	(4,088)	(2,872)
	$ 11,101	$ 9,756

On August 8, 2019, the Company issued $600 million 2.15% Senior Notes due 2022, $600 million Floating Rate Senior Notes due 2022, $750 million 2.30% Senior Notes due 2024 and $750 million 2.70% Senior Notes due

(Dollars in millions, except per share amounts)

2029 (collectively the "2019 Notes"). The 2019 Notes are senior unsecured and unsubordinated obligations of Honeywell and rank equally with all of Honeywell's existing and future senior unsecured debt and senior to all of Honeywell's subordinated debt. The offering resulted in gross proceeds of $2,700 million, offset by $18 million in discount and closing costs related to the offering. The 2019 Notes issued in the amount of $2,700 million were issued to prefund the repayment of our 1.40% notes, 1.80% notes, three year floating rate notes and two year floating rate notes, in each case due on October 30, 2019.

For issuances described above, unless otherwise noted, all debt issuance costs are deferred and recognized as a direct deduction to the related debt liability and are amortized to interest expense over the debt term.

On April 26, 2019, the Company entered into a $4.0 billion Amended and Restated Five Year Credit Agreement (the “5-Year Credit Agreement”), with a syndicate of banks. The 5-Year Credit Agreement is maintained for general corporate purposes. Commitments under the 5-Year Credit Agreement can be increased pursuant to the terms of the 5-Year Credit Agreement to an aggregate amount not to exceed $4.5 billion. The 5-Year Credit Agreement amends and restates the previously reported $4.0 billion amended and restated five year credit agreement dated as of April 27, 2018 (the "Prior Agreement"). The 5-Year Credit Agreement has substantially the same material terms and conditions of the Prior Agreement.

On April 26, 2019, the Company entered into a $1.5 billion 364-Day Credit Agreement with a syndicate of banks. This 364-Day Credit Agreement is maintained for general corporate purposes.

As of September 30, 2019, there are no outstanding borrowings under any of our credit agreements.

Note 12. Financial Instruments and Fair Value Measures

Our credit, market, foreign currency and interest rate risk management policies are described in Note 15, *Financial Instruments and Fair Value Measures* of Notes to Consolidated Financial Statements in our 2018 Annual Report on Form 10-K.

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

	September 30, 2019	December 31, 2018
Assets:		
Foreign currency exchange contracts	$ 298	$ 119
Available for sale investments	1,642	1,784
Interest rate swap agreements	74	20
Cross currency swap agreements	80	32
Liabilities:		
Foreign currency exchange contracts	$ 10	$ 4
Interest rate swap agreements	—	65

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

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

(Dollars in millions, except per share amounts)

	September 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Long-term receivables	$ 153	$ 152	$ 333	$ 329
Liabilities				
Long-term debt and related current maturities	$ 15,189	$ 16,455	$ 12,628	$ 13,133

The following table sets forth the amounts on the Consolidated Balance Sheet related to cumulative basis adjustments for fair value hedges:

	Carrying Amount of the Hedged Item		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Item	
Line in the Consolidated Balance Sheet of Hedged Item	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Long-term debt	$ 4,773	$ 2,555	$ 73	$ (45)

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

Interest rate swap agreements are designated as hedge relationships with gains or losses on the derivative recognized in Interest and other financial charges offsetting the gains and losses on the underlying debt being hedged. For the three and nine months ended September 30, 2019, we recognized $55 million and $118 million of gains in earnings on interest rate swap agreements. For the three and nine months ended September 30, 2018, we recognized $12 million and $75 million of losses in earnings on interest rate swap agreements. Gains and losses are fully offset by losses and gains on the underlying debt being hedged.

We economically hedge our exposure to changes in foreign exchange rates primarily with forward contracts. These contracts are marked-to-market with the resulting gains and losses recognized in earnings offsetting the gains and losses on the non-functional currency denominated monetary assets and liabilities being hedged. For the three and nine months ended September 30, 2019, we recognized $182 million and $231 million of income in Other (income) expense. For the three and nine months ended September 30, 2018, we recognized $30 million and $245 million of income in Other (income) expense.

(Dollars in millions, except per share amounts)

The following tables summarize the location and impact to the Consolidated Statement of Operations related to fair value and cash flow hedging relationships:

	Three Months Ended September 30, 2019				
	Revenue	Cost of Products Sold	SG&A	Other (Income) Expense	Interest and Other Financial Charges
	$ 9,086	$ 4,775	$ 1,296	$ (311)	$ 96
Gain or (loss) on cash flow hedges:					
Foreign currency exchange contracts:					
Amount reclassified from accumulated other comprehensive income into income	1	9	—	53	—
Amount excluded from effectiveness testing recognized in earnings using an amortization approach	—	6	—	9	—
Gain or (loss) on fair value hedges:					
Interest rate swap agreements:					
Hedged items	—	—	—	—	(55)
Derivatives designated as hedges	—	—	—	—	55

	Three Months Ended September 30, 2018				
	Revenue	Cost of Products Sold	SG&A	Other (Income) Expense	Interest and Other Financial Charges
	$ 10,762	$ 6,127	$ 1,524	$ (275)	$ 99
Gain or (loss) on cash flow hedges:					
Foreign currency exchange contracts:					
Amount reclassified from accumulated other comprehensive income into income	(2)	(6)	(2)	—	—
Amount excluded from effectiveness testing recognized in earnings using an amortization approach	—	—	—	—	—
Gain or (loss) on fair value hedges:					
Interest rate swap agreements:					
Hedged items	—	—	—	—	12
Derivatives designated as hedges	—	—	—	—	(12)

(Dollars in millions, except per share amounts)

	Nine Months Ended September 30, 2019				
	Revenue	Cost of Products Sold	SG&A	Other (Income) Expense	Interest and Other Financial Charges
	$ 27,213	$ 14,244	$ 4,046	(901)	$ 266
Gain or (loss) on cash flow hedges:					
Foreign currency exchange contracts:					
Amount reclassified from accumulated other comprehensive income into income	2	33	1	77	—
Amount excluded from effectiveness testing recognized in earnings using an amortization approach	—	17	—	27	—
Gain or (loss) on fair value hedges:					
Interest rate swap agreements:					
Hedged items	—	—	—	—	(118)
Derivatives designated as hedges	—	—	—	—	118

	Nine Months Ended September 30, 2018				
	Revenue	Cost of Products Sold	SG&A	Other (Income) Expense	Interest and Other Financial Charges
	$ 32,073	$ 18,234	$ 4,527	$ (859)	$ 277
Gain or (loss) on cash flow hedges:					
Foreign currency exchange contracts:					
Amount reclassified from accumulated other comprehensive income into income	(8)	(40)	—	—	—
Amount excluded from effectiveness testing recognized in earnings using an amortization approach	—	—	—	—	—
Gain or (loss) on fair value hedges:					
Interest rate swap agreements:					
Hedged items	—	—	—	—	75
Derivatives designated as hedges	—	—	—	—	(75)

The following table summarizes the amounts of gain or (loss) on net investment hedges recognized in Accumulated other comprehensive income (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Derivatives Net Investment Hedging Relationships	2019	2018	2019	2018
Euro-denominated long-term debt	$ 131	$ 20	$ 157	$ 139
Euro-denominated commercial paper	136	21	163	129
Cross currency swap agreements	39	(10)	44	10
Foreign currency exchange contracts	23	—	28	—

Note 13. Accumulated Other Comprehensive Income (Loss)

Changes in Accumulated Other Comprehensive Income (Loss) by Component

	Foreign Exchange Translation Adjustment	Pension and Other Postretirement Benefits Adjustments	Changes in Fair Value of Cash Flow Hedges	Total
Balance at December 31, 2018	$ (2,709)	$ (761)	$ 33	$ (3,437)
Other comprehensive income (loss) before reclassifications	188	—	110	298
Amounts reclassified from accumulated other comprehensive income	(11)	(59)	(86)	(156)
Net current period other comprehensive income (loss)	177	(59)	24	142
Balance at September 30, 2019	$ (2,532)	$ (820)	$ 57	$ (3,295)

(Dollars in millions, except per share amounts)

	Foreign Exchange Translation Adjustment	Pension and Other Postretirement Benefits Adjustments	Changes in Fair Value of Cash Flow Hedges	Total
Balance at December 31, 2017	$ (1,981)	$ (202)	$ (52)	$ (2,235)
Other comprehensive income (loss) before reclassifications	61	35	27	123
Amounts reclassified from accumulated other comprehensive income	—	(53)	40	(13)
Net current period other comprehensive income (loss)	61	(18)	67	110
Balance at September 30, 2018	$ (1,920)	$ (220)	$ 15	$ (2,125)

(Dollars in millions, except per share amounts)

Note 14. Segment Financial Data

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net sales				
Aerospace				
Products	$ 2,213	$ 2,747	$ 6,462	$ 8,275
Services	1,331	1,283	3,931	3,790
Total	3,544	4,030	10,393	12,065
Honeywell Building Technologies				
Products	1,091	2,157	3,283	6,423
Services	324	360	971	1,073
Total	1,415	2,517	4,254	7,496
Performance Materials and Technologies				
Products	2,129	2,089	6,437	6,346
Services	541	551	1,540	1,526
Total	2,670	2,640	7,977	7,872
Safety and Productivity Solutions				
Products	1,360	1,484	4,314	4,370
Services	97	91	275	270
Total	1,457	1,575	4,589	4,640
	$ 9,086	$ 10,762	$ 27,213	$ 32,073
Segment profit				
Aerospace	$ 908	$ 891	$ 2,653	$ 2,702
Honeywell Building Technologies	297	430	868	1,273
Performance Materials and Technologies	582	560	1,790	1,676
Safety and Productivity Solutions	195	262	598	760
Corporate	(54)	(53)	(202)	(181)
Total segment profit	1,928	2,090	5,707	6,230
Interest and other financial charges	(96)	(99)	(266)	(277)
Stock compensation expense(a)	(37)	(41)	(112)	(131)
Pension ongoing income(b)	150	247	449	745
Other postretirement income(b)	12	12	35	24
Repositioning and other charges(c)	(96)	(299)	(306)	(756)
Other(d)	106	(52)	284	(68)
Income before taxes	$ 1,967	$ 1,858	$ 5,791	$ 5,767

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

(Dollars in millions, except per share amounts)

(c) Amounts included in Cost of products and services sold, Selling, general and administrative expenses, and Other income/expense.
(d) Amounts include the other components of Other income/expense not included within other categories in this reconciliation. Equity income/loss of affiliated companies is included in segment profit.

Note 15. Pension Benefits

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

	U.S. Plans			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Service cost	$ 21	$ 35	$ 63	$ 105
Interest cost	153	143	460	430
Expected return on plan assets	(279)	(357)	(837)	(1,071)
Amortization of prior service (credit)	(11)	(11)	(33)	(33)
	$ (116)	$ (190)	$ (347)	$ (569)

	Non-U.S. Plans			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Service cost	$ 4	$ 6	$ 16	$ 20
Interest cost	34	35	106	108
Expected return on plan assets	(81)	(108)	(248)	(336)
Amortization of prior service (credit)	—	—	—	(1)
	$ (43)	$ (67)	$ (126)	$ (209)

For the three and nine months ended September 30, 2019, the Company repurchased $100 million and $300 million of outstanding Honeywell shares from the Honeywell U.S. Pension Plan Master Trust.

Note 16. Commitments and Contingencies

Environmental Matters

Our environmental matters are described in Note 20 *Commitments and Contingencies* of Notes to Consolidated Financial Statements in our 2018 Annual Report on Form 10-K.

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

December 31, 2018	$ 755
Accruals for environmental matters deemed probable and reasonably estimable	169
Environmental liability payments	(135)
Other	(4)
September 30, 2019	$ 785

In the nine months ended September 30, 2019 we recorded a gain of $43 million related to the sale of a legacy remediated property.

(Dollars in millions, except per share amounts)

Environmental liabilities are included in the following balance sheet accounts:

	September 30, 2019	December 31, 2018
Accrued liabilities	$ 184	$ 175
Other liabilities	601	580
	$ 785	$ 755

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

Reimbursements associated with the indemnification and reimbursement agreement with a Resideo subsidiary were $105 million in the nine months ended September 30, 2019 and offset operating cash outflows incurred by the Company. As the Company records the accruals for environmental matters deemed probable and reasonably estimable related to the sites covered by the indemnification and reimbursement agreement, a corresponding receivable from Resideo for 90 percent of such accrual is also recorded. This receivable amount recorded in the nine months ended September 30, 2019 was $67 million. As of September 30, 2019, Other Current Assets and Other Assets includes $140 million and $438 million representing the short-term and long-term portion of the receivable amount due from Resideo under the indemnification and reimbursement agreement.

Asbestos Matters

Honeywell is a defendant in asbestos related personal injury actions related to North American Refractories Company ("NARCO"), which was sold in 1986, and Bendix Friction Materials ("Bendix") business, which was sold in 2014.

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

Asbestos-Related Liabilities

	Bendix	NARCO	Total
December 31, 2018	$ 1,623	$ 891	$ 2,514
Accrual for update to estimated liability	48	17	65
Asbestos related liability payments	(126)	(13)	(139)
September 30, 2019	$ 1,545	$ 895	$ 2,440

Insurance Recoveries for Asbestos-Related Liabilities

	Bendix	NARCO	Total
December 31, 2018	$ 170	$ 307	$ 477
Insurance receipts for asbestos related liabilities	(34)	(13)	(47)
Insurance receivables settlements	18	4	22
September 30, 2019	$ 154	$ 298	$ 452

(Dollars in millions, except per share amounts)

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

	September 30, 2019	December 31, 2018
Other current assets	$ 40	$ 40
Insurance recoveries for asbestos-related liabilities	412	437
	$ 452	$ 477
Accrued liabilities	$ 245	$ 245
Asbestos-related liabilities	2,195	2,269
	$ 2,440	$ 2,514

NARCO Products – Honeywell's predecessor, Allied Corporation owned NARCO from 1979 to 1986. When the NARCO business was sold, Honeywell's predecessor entered into a cross-indemnity agreement with NARCO which included an obligation to indemnify the purchaser for asbestos claims. Such claims arise primarily from alleged occupational exposure to asbestos-containing refractory brick and mortar for high-temperature applications. NARCO ceased manufacturing these products in 1980, and the first asbestos claims were filed in the tort system against NARCO in 1983. Claims filings and related costs increased dramatically in the late 1990s through 2001, which led to NARCO filing for bankruptcy in January 2002. Once NARCO filed for bankruptcy, all then current and future NARCO asbestos claims were stayed against both NARCO and Honeywell pending the reorganization of NARCO.

Following the bankruptcy filing, in December 2002 Honeywell recorded a total NARCO asbestos liability of $3.2 billion, which was comprised of three components: (i) the estimated liability to settle pre-bankruptcy petition NARCO claims and certain post-petition settlements ($2.2 billion, referred to as "Pre-bankruptcy NARCO Liability"), (ii) the estimated liability related to then unasserted NARCO claims for the period 2004 through 2018 ($950 million, referred to as "NARCO Trust Liability"), and (iii) other NARCO bankruptcy-related obligations totaling $73 million.

When the NARCO Trust Liability of $950 million was established in 2002, the methodology for estimating the potential liability was based primarily on: (a) epidemiological projections of the future incidence of disease for the period 2004 through 2018, a fifteen-year period; (b) historical claims rates in the tort system for the five-year period prior to the bankruptcy filing date; and (c) anticipated NARCO Trust payment values set forth in the then current draft of the NARCO Trust Distribution Procedures. The methodology required estimating, by disease, three critical inputs: (i) likely number of claims to be asserted against the NARCO Trust in the future, (ii) percentage of those claims likely to receive payment, and (iii) payment values. The Company utilized outside asbestos liability valuation specialists to support its preparation of the NARCO Trust Liability estimate, which was based on a commonly accepted methodology used by numerous bankruptcy courts addressing 524(g) trusts.

In 2002, when we first established our initial liability, NARCO asbestos claims resolution shifted from the tort system to an anticipated NARCO Trust framework, where claims would be processed in accordance with established NARCO Trust Distribution Procedures, including strict medical and exposure criteria for a plaintiff to receive compensation. We believed at the time that the NARCO Trust's claims filing and resolution experience after the NARCO Trust became operational would be significantly different from pre-bankruptcy tort system experience in light of these more rigorous claims processing requirements in the NARCO Trust Distribution Procedures and Honeywell's active oversight of claims processing and approval. Given these anticipated differences, we believed that a 15-year time period was the appropriate horizon for establishing a probable and reasonably estimable liability for then unasserted NARCO claims as it represented our best estimate of the time period it would take for the NARCO Trust to be approved by the Bankruptcy Court, become fully operational and generate sufficiently reliable claims data (i.e., a data set which is statistically representative) to enable us to update our NARCO Trust Liability.

The NARCO Trust Distribution Procedures were finalized in 2006, and the Company updated its NARCO Trust Liability to reflect the final terms and payment values. The original 15-year period (from 2004 through 2018) for unasserted claims did not change as asbestos claims filings continued to be stayed against both Honeywell and NARCO. The 2006 update resulted in a range of the estimated liability for unasserted claims of $743 million to $961 million, and we believed that no amount within this range was a better estimate than any other amount. In accordance with ASC 450 – Contingencies ("ASC 450"), we recorded the low end of the range of $743 million which resulted in a reduction of $207 million in our NARCO Trust Liability.

NARCO emerged from bankruptcy on April 30, 2013, at which time a federally authorized 524(g) trust was established for the evaluation and resolution of all existing and future NARCO asbestos claims. Both Honeywell and NARCO are protected by a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos related claims based on exposure to NARCO asbestos-containing products to be made against the NARCO Trust.

The NARCO Trust Agreement and the NARCO Trust Distribution Procedures are the principal documents setting forth the structure of the NARCO Trust. These documents establish Honeywell's evergreen funding obligations. Honeywell is obligated to fund NARCO asbestos claims submitted to the NARCO Trust which qualify for payment under the Trust Distribution Procedures (Annual Contribution Claims), subject to an annual cap of $145 million. However, the initial $100 million of claims processed through the NARCO Trust (the Initial Claims Amount) will not count against the annual cap and any unused portion of the Initial Claims Amount will roll over to subsequent years until fully utilized. These documents also establish the material operating rules for the NARCO Trust, including Honeywell audit rights and the criteria claimants must meet to have a valid claim paid. These claims payment criteria include providing the NARCO Trust with adequate medical evidence of the claimant's asbestos-related condition and credible evidence of exposure to a specific NARCO asbestos-containing product. Further, the NARCO Trust is eligible to receive cash dividends from Harbison-Walker International Inc ("HWI"), the reorganized and renamed entity that emerged, fully operational, from the NARCO bankruptcy. The NARCO Trust is required to use any funding received from HWI to pay Annual Contribution Claims until those funds are exhausted. It is only at this point that Honeywell's funding obligation to the Trust is triggered. Thus, there is an unrelated primary source for funding that affects Honeywell's funding of the NARCO Trust Liability.

Once operational, the NARCO Trust began to receive, process and pay claims that had been previously stayed pending the Trust becoming operational. As the NARCO Trust began to pay claims in 2014, we began to assert our on-going audit rights to review and monitor the claims processor's adherence to the established requirements of the NARCO Trust Distribution Procedures. While doing so, we identified several issues with the way the Trust was implementing the NARCO Trust Distribution Procedures. In 2015, Honeywell filed suit against the NARCO Trust in Bankruptcy Court alleging breach of certain provisions of the NARCO Trust Agreement and NARCO Trust Distribution Procedures. The parties agreed to dismiss the proceeding without prejudice pursuant to an 18-month Standstill Agreement, which expired in October 2017. Notwithstanding its expiration, claims processing continues, and Honeywell continues to negotiate and attempt to resolve remaining disputed issues (that is, instances where Honeywell believes the NARCO Trust is not processing claims in accordance with established NARCO Trust Distribution Procedures). Honeywell reserves its right to seek judicial intervention should negotiations fail.

After the NARCO Trust became effective in 2013, the $743 million NARCO Trust Liability was then comprised of:

(i) liability for unasserted claims; and
(ii) liability for claims asserted after the NARCO Trust became operational but not yet paid.

Although we know the number of claims filed with the NARCO Trust each year, we are not able to determine at this time the portion of the NARCO Trust Liability which represents asserted versus unasserted claims due to the lack of sufficiently reliable claims data because of the claims processing issues described previously.

Honeywell maintained the $743 million accrual for NARCO Trust Liability, as there has not been sufficiently reliable claims data history to enable us to update that liability.

As of September 30, 2019, our total NARCO asbestos liability of $895 million reflects Pre-bankruptcy NARCO liability of $152 million and NARCO Trust Liability of $743 million. Through September 30, 2019, Pre-bankruptcy NARCO Liability has been reduced by approximately $2 billion since first established in 2002, largely related to settlement payments. The remaining Pre-bankruptcy NARCO Liability principally represents estimated amounts owed 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. The other NARCO bankruptcy-related obligations were paid in 2013 and no further liability is recorded.

(Dollars in millions, except per share amounts)

As of September 30, 2019, Honeywell has not made any payments to the NARCO Trust for Annual Contribution Claims as any Annual Contribution Claims which have been paid since the Trust became operational have been funded by cash dividends from HWI.

Honeywell continues to evaluate the appropriateness of the $743 million NARCO Trust Liability. Despite becoming effective in 2013, the NARCO Trust has experienced delays in becoming fully operational. Violations of the Trust Distribution Procedures and the resulting disputes and challenges, a standstill pending dispute resolution, and limited claims payments, have all contributed to the lack of sufficient normalized data based on actual claims processing experience in the Trust since it became operational. As a result, we have not been able to further update the NARCO Trust Liability. The $743 million NARCO Trust Liability continues to be appropriate because of the unresolved pending claims in the Trust, some portion of which will result in payouts in the future, and because new claims continue to be filed with the NARCO Trust. When sufficiently reliable claims data exists, we will update our estimate of the NARCO Trust Liability and it is possible that a material change may need to be recognized.

Our insurance receivable of $298 million as of September 30, 2019, corresponding to the estimated liability for asserted and unasserted NARCO asbestos claims, reflects coverage which reimburses Honeywell for portions of NARCO-related indemnity and defense costs and is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. We conduct analyses to estimate the probable amount of insurance that is recoverable for asbestos claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. We made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings and our knowledge of any pertinent solvency issues surrounding insurers.

Bendix Products—Bendix manufactured automotive brake linings 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 present information regarding Bendix-related asbestos claims activity:

	Nine Months Ended September 30,	Years Ended December 31,	
Claims Activity	**2019**	**2018**	**2017**
Claims unresolved at the beginning of period	6,209	6,280	7,724
Claims filed	1,996	2,430	2,645
Claims resolved	(1,744)	(2,501)	(4,089)
Claims unresolved at the end of period	6,461	6,209	6,280

Disease Distribution of Unresolved Claims	September 30,	December 31,	
	2019	**2018**	**2017**
Mesothelioma and other cancer claims	3,323	2,949	3,062
Nonmalignant claims	3,138	3,260	3,218
Total claims	6,461	6,209	6,280

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

	Years Ended December 31,				
	2018	**2017**	**2016**	**2015**	**2014**
	(in whole dollars)				
Malignant claims	$ 55,300	$ 56,000	$ 44,000	$ 44,000	$ 53,500
Nonmalignant claims	$ 4,700	$ 2,800	$ 4,485	$ 100	$ 120

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 asserted (claims filed as of the financial statement date) and unasserted Bendix-related asbestos claims and excludes the Company's legal fees to defend such asbestos claims which will continue to be expensed by the Company as they are incurred. We have valued Bendix asserted and unasserted claims using average resolution values for the previous five years. We update the resolution values used to estimate the cost of Bendix asserted and unasserted claims during the fourth quarter each year.

Honeywell reflects the inclusion of all years of epidemiological disease projection through 2059 when estimating the liability for unasserted Bendix-related asbestos claims. Such liability for unasserted Bendix-related asbestos claims is based on historic and anticipated claims filing experience and dismissal rates, disease classifications, and resolution values in the tort system for the previous five years.

Our insurance receivable corresponding to the liability for settlement of asserted and unasserted 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.

Reimbursements associated with the indemnification and reimbursement agreement with a Garrett subsidiary (the "Agreement") were $114 million for the nine months ended September 30, 2019 and offset operating cash outflows incurred by the Company. As the Company records the accruals for matters covered by the indemnification and reimbursement agreement, a corresponding receivable from Garrett for 90 percent of such accrual is also recorded. This receivable amount was $25 million in the nine months ended September 30, 2019. As of September 30, 2019, Other Current Assets and Other Assets includes $164 million and $932 million representing the short-term and long-term portion of the receivable amount due from Garrett under the indemnification and reimbursement agreement.

In our ongoing communications with Garrett with respect to the Agreement and Garrett's associated material weakness disclosure in its Form 10-K for the year ended December 31, 2018, Garrett has taken the position that (i) Honeywell has not satisfied all of its obligations under the Agreement, and (ii) the Agreement is unenforceable either in whole or in part. We strongly believe that Garrett's allegations have no merit, nor are they material to Honeywell. We believe we have fully complied with our obligations under the Agreement and that the Agreement is enforceable in its entirety. We intend to continue to have ongoing discussions with Garrett to try to resolve this matter.

On September 13, 2018, following completion of the Securities and Exchange Commission (SEC) Division of Corporation Finance's review of our prior accounting for liabilities for unasserted Bendix-related asbestos claims, the SEC Division of Enforcement advised that it had opened an investigation related to this matter. On August 28, 2019, the SEC informed the Company that it had concluded its investigation and that it does not intend to recommend any enforcement action against Honeywell. On October 31, 2018, David Kanefsky, a Honeywell shareholder, filed a putative class action complaint alleging violations of the Securities Exchange Act of 1934 and Rule 10b-5 related to the prior accounting for Bendix asbestos claims. On May 15, 2019, Wayne County Employees' Retirement System, another Honeywell shareholder, filed a putative class action asserting the same claims relating to substantially the same alleged conduct in the same jurisdiction. On August 26, 2019, Wayne County Employees' Retirement System voluntarily dismissed its complaint without prejudice, in light of its motion to be appointed as substitute lead plaintiff in the Kanefsky action. We believe neither complaint has any merit.

Other Matters

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

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

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

On March 29, 2018, the District Court issued its opinion resolving all pending summary judgment motions, except for Honeywell's counterclaim for breach of implied warranty, which has since been dismissed without prejudice.

In the opinion, the District Court held that the MCBAs do not promise retirees vested, lifetime benefits that survive expiration of the MCBAs. Based on this ruling, Honeywell terminated the retirees healthcare coverage benefits altogether as of July 31, 2018. In response, the UAW filed a motion to enjoin Honeywell from completely terminating coverage as of July 31, 2018, arguing that the CAPS themselves are vested and that Honeywell must continue to provide retiree medical benefits at the capped level. On July 28, 2018, the District Court denied the UAW's motion and entered a final judgment consistent with its March 2018 ruling. The UAW has appealed this decision to the Sixth Circuit Court of Appeals. Honeywell believes the District Court's ruling will be upheld.

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

Petrobras and Unaoil—We are cooperating with certain investigations by the U.S. Department of Justice (DOJ), the SEC and Brazilian authorities relating to our use of third parties who previously worked for our UOP business in Brazil in relation to Petróleo Brasileiro S.A. (Petrobras). The investigations are focused on compliance with the U.S. Foreign Corrupt Practices Act and similar Brazilian laws, and involve, among other things, document production and interviews with former and current management and employees. The DOJ and the SEC are also examining a matter involving a foreign subsidiary's prior engagement of Unaoil S.A.M. in Algeria. We are cooperating with the authorities in each of the above matters. While we cannot predict the outcome of these matters, based on the facts currently known to us, we do not anticipate that these matters will have a material adverse effect on our financial condition, results of operations, or cash flows.

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.

ITEM 2. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

(Dollars in millions, except per share amounts)

The following Management Discussion and Analysis is intended to help the reader understand the results of operations and financial condition of Honeywell International Inc. and its consolidated subsidiaries ("Honeywell" or "the Company") for the three months (quarter) and nine months ended September 30, 2019. The financial information as of September 30, 2019 should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018 contained in our 2018 Annual Report on Form 10-K.

On October 1, 2018, the Company completed the tax-free spin-off to Honeywell shareowners of its Transportation Systems business, previously part of Aerospace, into a standalone publicly-traded company, Garrett Motion Inc. ("Garrett").

On October 29, 2018, the Company completed the tax-free spin-off to Honeywell shareowners of its Homes and Global Distribution business, previously part of Home and Building Technologies (renamed Honeywell Building Technologies following the spin-off), into a standalone publicly-traded company, Resideo Technologies, Inc. ("Resideo").

The assets and liabilities associated with Garrett and Resideo have been removed from the Company's Consolidated Balance Sheet as of the effective dates of the respective spin-offs. The results of operations for Garrett and Resideo are included in the Consolidated Statement of Operations through the effective dates of the respective spin-offs.

A. Results of Operations – three and nine months ended September 30, 2019 compared with the three and nine months ended September 30, 2018

Net Sales

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net sales	$ 9,086	$ 10,762	$ 27,213	$ 32,073
% change compared with prior period	(16)%		(15)%	

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

	Three Months	Year to Date
Volume	2 %	4 %
Price	1 %	2 %
Foreign Currency Translation	(1)%	(2)%
Acquisitions/Divestitures	(18)%	(19)%
	(16)%	(15)%

A discussion of net sales by segment can be found in the Review of Business Segments section of this Management Discussion and Analysis.

The unfavorable impact of foreign currency translation in the quarter and nine months is driven by the strengthening of the U.S. Dollar against the currencies of the majority of our international markets, primarily the Euro, British Pound and Chinese Renminbi.

The acquisitions/divestitures impact is primarily driven by the spin-offs of the Transportation Systems business and Homes and Global Distribution business.

Cost of Products and Services Sold

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Cost of products and services sold	$ 6,038	$ 7,556	$ 18,011	$ 22,361
% change compared with prior period	(20)%		(19)%	
Gross margin percentage	33.5 %	29.8%	33.8 %	30.3%

Cost of products and services sold decreased in the quarter primarily due to lower direct material costs of approximately $1,060 million and lower labor costs of approximately $150 million (both driven by the spin-off of the Transportation Systems and Homes and Global Distribution businesses and productivity, partially offset by higher organic sales and inflation), and lower repositioning and other charges of approximately $190 million.

Cost of products and services sold decreased in the nine months primarily due to lower direct and indirect material costs of approximately $3,400 million and lower labor costs of approximately $400 million (both driven by the spin-off of the Transportation Systems and Homes and Global Distribution businesses and productivity, partially offset by higher organic sales and inflation), and lower repositioning and other charges of approximately $400 million.

Gross margin percentage increased in the quarter primarily due to higher gross margin in the segments (approximately 1.5 percentage points), with higher Aerospace and Honeywell Building Technologies gross margins partially offset by lower Safety and Productivity Solutions and Performance Materials and Technologies segment gross margin, and due to the lower costs within cost of products and services sold for repositioning and other charges (approximately 2.0 percentage point impact) and pension service costs (approximately 0.2 percentage point impact).

Gross margin percentage increased in the nine months primarily due to higher gross margin in the segments (approximately 1.8 percentage points), with higher Aerospace, Honeywell Building Technologies and Performance Materials and Technologies gross margins partially offset by lower Safety and Productivity Solutions segment gross margin, and due to the lower costs within cost of products and services sold for repositioning and other charges (approximately 1.5 percentage point impact) and pension service costs (approximately 0.2 percentage point impact).

Selling, General and Administrative Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Selling, general and administrative expense	$ 1,296	$ 1,524	$ 4,046	$ 4,527
% of sales	14.3%	14.2%	14.9%	14.1%

Selling, general and administrative expenses decreased $228 million and $481 million in the quarter and nine months primarily due to the absence of costs of the Transportation Systems and Homes and Global Distribution businesses following their spin-offs, and the favorable impact of foreign currency translation, partially offset by inflation.

Other (Income) Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Other (income) expense	$ (311)	$ (275)	$ (901)	$ (859)

Other income increased for the quarter and nine months primarily due to the absence of separation costs, higher foreign exchange income, and higher interest income, partially offset by lower pension non-service income.

Tax Expense (Benefit)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Tax expense (benefit)	$ 319	$ (498)	$ 1,151	$ 679
Effective tax rate	16.2%	(26.8)%	19.9%	11.8%

The effective tax rate increased for the quarter and nine months ended September 30, 2019 compared to the quarter and nine months ended September 30, 2018 primarily due to lower tax benefits (reduction of accrued withholding taxes of approximately $114 million in 2019 and approximately $1.1 billion in 2018 related to unremitted foreign earnings), partially offset by $432 million of tax costs incurred in 2018 related to the spin-offs. Other changes to the tax rate include increased tax benefits for employee share-based compensation, and lower forecasted Global Intangible Low Taxed Income tax expense in the current year.

The effective tax rate for the quarter and nine months ended September 30, 2019 was lower than the U.S. federal statutory rate of 21% primarily due to the reduction of withholding taxes related to unremitted foreign earnings.

Net Income Attributable to Honeywell

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income attributable to Honeywell	$ 1,624	$ 2,338	$ 4,581	$ 5,044
Earnings per share of common stock – assuming dilution	$ 2.23	$ 3.11	$ 6.25	$ 6.67

Earnings per share of common stock – assuming dilution decreased in the quarter and nine months primarily driven by higher tax expense due to the lower tax benefits compared to the prior year as indicated in the Tax Expense (Benefit) section of this Management Discussion and Analysis, lower segment profit associated with the spin-offs and lower pension ongoing income, partially offset by increased operational segment profit, lower repositioning and other charges and the favorable impact of lower share count.

Review of Business Segments

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Aerospace sales						
Commercial Aviation Original Equipment	$ 772	$ 724	7 %	$ 2,265	$ 2,131	6 %
Commercial Aviation Aftermarket	1,452	1,370	6 %	4,234	3,964	7 %
Defense and Space	1,320	1,134	16 %	3,894	3,348	16 %
Transportation Systems	—	802	(100)%	—	2,622	(100)%
Total Aerospace sales	3,544	4,030		10,393	12,065	
Honeywell Building Technologies sales						
Homes	—	1,192	(100)%	—	3,539	(100)%
Buildings	1,415	1,325	7 %	4,254	3,957	8 %
Total Honeywell Building Technologies sales	1,415	2,517		4,254	7,496	
Performance Materials and Technologies sales						
UOP	717	722	(1)%	2,030	2,012	1 %
Process Solutions	1,283	1,225	5 %	3,818	3,712	3 %
Advanced Materials	670	693	(3)%	2,129	2,148	(1)%
Total Performance Materials and Technologies sales	2,670	2,640		7,977	7,872	
Safety and Productivity Solutions sales						
Safety	558	564	(1)%	1,653	1,680	(2)%
Productivity Solutions	899	1,011	(11)%	2,936	2,960	(1)%
Total Safety and Productivity Solutions sales	1,457	1,575		4,589	4,640	
Net sales	$ 9,086	$ 10,762		$ 27,213	$ 32,073	

Aerospace

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	% Change	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	% Change
Net sales	$ 3,544	$ 4,030	(12)%	$ 10,393	$ 12,065	(14)%
Cost of products and services sold	2,375	2,843		6,944	8,470	
Selling, general and administrative and other expenses	261	296		796	893	
Segment profit	$ 908	$ 891	2 %	$ 2,653	$ 2,702	(2)%

	2019 vs. 2018			
	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	10 %	22 %	10 %	22 %
Foreign currency translation	— %	— %	— %	— %
Acquisitions, divestitures and other, net	(22)%	(20)%	(24)%	(24)%
Total % change	(12)%	2 %	(14)%	(2)%

Aerospace sales decreased in the quarter and nine months ended September 30, 2019 due to the divestiture impacts following the spin-off of the Transportation Systems business, partially offset by organic growth.

- Commercial Aviation Original Equipment sales increased 7% (increased 7% organic) in the quarter primarily due to increased demand from air transport, regional, and business aviation original equipment manufacturers (OEMs) and increased 6% (increased 7% organic) in the nine months primarily due to increased demand from business aviation OEMs.

- Commercial Aviation Aftermarket sales increased 6% (increased 6% organic) in the quarter and increased 7% (increased 7% organic) in the nine months with growth in both air transport and regional, and business aviation.

- Defense and Space sales increased 16% (increased 17% organic) in the quarter and nine months primarily driven by growth in U.S. and international defense.

Aerospace segment profit increased in the quarter due to an increase in operational segment profit, primarily driven by productivity, net of inflation, and price, partially offset by the divestiture impacts following the spin-off of the Transportation Systems business. Aerospace segment profit decreased for the nine months due to the divestiture impacts following the spin-off of the Transportation Systems business, partially offset by an increase in operational segment profit, primarily driven by price, higher sales volumes, and productivity, net of inflation. Cost of products and services sold decreased in the quarter and nine months due to the spin-off of the Transportation Systems business, partially offset by higher organic sales volumes.

Honeywell Building Technologies

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Net sales	$ 1,415	$ 2,517	(44)%	$ 4,254	$ 7,496	(43)%
Cost of products and services sold	841	1,644		2,563	4,918	
Selling, general and administrative and other expenses	277	443		823	1,305	
Segment profit	$ 297	$ 430	(31)%	$ 868	$ 1,273	(32)%

	2019 vs. 2018			
	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 %	10 %	6 %	9 %
Foreign currency translation	(1)%	(2)%	(2)%	(2)%
Acquisitions, divestitures and other, net	(46)%	(39)%	(47)%	(39)%
Total % change	(44)%	(31)%	(43)%	(32)%

Honeywell Building Technologies sales decreased in the quarter and nine months ended September 30, 2019 due to the divestiture impacts following the spin-off of the Homes business and the unfavorable impact of foreign currency translation, partially offset by organic growth.

- Sales in Building Technologies, excluding the Homes divestiture and related impacts, increased 7% (increased 3% organic) in the quarter primarily due to higher organic sales growth in Products, partially offset by the unfavorable impact of foreign currency translation. Sales increased 8% (increased 6% organic) in the nine months primarily due to higher organic growth in both Products and Building Solutions, partially offset by the unfavorable impact of foreign currency translation.

Honeywell Building Technologies segment profit decreased in the quarter and nine months due to the divestiture impacts following the spin-off of the Homes business and the unfavorable impact of foreign currency translation, partially offset by an increase in operational segment profit. The increase in operational segment profit in the quarter was primarily driven by price, organic sales volumes, and productivity, partially offset by inflation. The increase in operational segment profit for the nine months was primarily due to higher organic sales volumes and price, partially offset by inflation. Cost of products and services sold decreased in the quarter and nine months due to the Homes divestiture and the favorable impact of foreign currency translation, partially offset by higher organic sales volumes.

Performance Materials and Technologies

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Net sales	$ 2,670	$ 2,640	1%	$ 7,977	$ 7,872	1%
Cost of products and services sold	1,742	1,715		5,121	5,141	
Selling, general and administrative and other expenses	346	365		1,066	1,055	
Segment profit	$ 582	$ 560	4%	$ 1,790	$ 1,676	7%

	2019 vs. 2018			
	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 %	5 %	4 %	9 %
Foreign currency translation	(2)%	(1)%	(3)%	(2)%
Acquisitions, divestitures, and other, net	— %	— %	— %	— %
Total % change	1 %	4 %	1 %	7 %

Performance Materials and Technologies sales increased in the quarter and nine months ended September 30, 2019 primarily due to organic growth, partially offset by the unfavorable impact of foreign currency translation.

- UOP sales decreased 1% (flat organic) in the quarter driven primarily by the unfavorable impact of foreign currency translation, with growth in catalyst and licensing sales offset by lower gas processing volumes. UOP sales increased 1% (increased 2% organic) in the nine months driven primarily by growth in catalyst and licensing sales, partially offset by lower gas processing equipment volumes.

- Process Solutions sales increased 5% (increased 7% organic) in the quarter primarily driven by increases in maintenance and migration services and projects, partially offset by the unfavorable impact of foreign currency translation. Process Solutions sales increased 3% (increased 6% organic) in the nine months driven primarily by increases in maintenance and migration services, partially offset by the unfavorable impact of foreign currency translation.

- Advanced Materials sales decreased 3% (decreased 2% organic) in the quarter driven primarily by decreases in specialty products volumes. Advanced Materials sales decreased 1% (increased 1% organic) in the nine months driven primarily by decreases in specialty products and the unfavorable impact of foreign currency translation, partially offset by growth in fluorine products.

Performance Materials and Technologies segment profit increased in the quarter and nine months due to an increase in operational segment profit, partially offset by the unfavorable impact of foreign currency translation. The increase in operational segment profit in the quarter is primarily due to productivity, net of inflation, price, and higher sales volumes, partially offset by higher sales of lower margin products. The increase in operational segment profit in the nine months is primarily due to price and productivity, net of inflation. Cost of products and services sold increased in the quarter primarily due to higher sales volumes partially offset by the favorable impact of foreign currency translation. Cost of products and services sold decreased in the nine months primarily due to the favorable impact of foreign currency translation and productivity, net of inflation, partially offset by higher sales volumes.

Safety and Productivity Solutions

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	% Change	2019	2018	% Change
Net sales	$ 1,457	$ 1,575	(7)%	$ 4,589	$ 4,640	(1)%
Cost of products and services sold	984	1,045		3,129	3,068	
Selling, general and administrative and other expenses	278	268		862	812	
Segment profit	$ 195	$ 262	(26)%	$ 598	$ 760	(21)%

	2019 vs. 2018			
	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	(8)%	(26)%	(1)%	(21)%
Foreign currency translation	(1)%	(2)%	(2)%	(2)%
Acquisitions, divestitures, and other, net	2 %	2 %	2 %	2 %
Total % change	(7)%	(26)%	(1)%	(21)%

Safety and Productivity Solutions sales decreased for the quarter and nine months ended September 30, 2019 primarily due to lower organic sales and the unfavorable impact of foreign currency translation, partially offset by acquisitions.

- Sales in Safety decreased 1% (flat organic) for the quarter and decreased 2% (increased 1% organic) for the nine months. The decrease in sales for the quarter was driven by the unfavorable impact of foreign currency translation. For the nine months, the decrease in sales was primarily driven by the unfavorable impact of foreign currency translation, partially offset by favorable pricing.

- Sales in Productivity Solutions decreased 11% (decreased 13% organic) for the quarter and decreased 1% (decreased 3% organic) for the nine months. The decrease in sales for the quarter is primarily attributable to lower sales volumes in Intelligrated due to the timing of large projects, lower sales volumes in Productivity Products, and the unfavorable impact of foreign currency translation, partially offset by acquisitions. The decrease in sales for the nine months is primarily attributable to lower sales volumes in Productivity Products and the unfavorable impact of foreign currency translation, partially offset by acquisitions.

Safety and Productivity Solutions segment profit decreased for the quarter and the nine months as a result of lower operational segment profit and the unfavorable impact of foreign currency translation, partially offset by acquisitions. The decreases in operational segment profit were primarily due to lower sales volumes in Productivity Products, partially offset by higher productivity and favorable pricing. Cost of products and services sold decreased for the quarter, primarily due to higher productivity and lower sales volumes, partially offset by acquisitions and inflation. Cost of products and services sold increased for the nine months, primarily due to inflation, acquisitions and higher sales of lower margin products primarily in the first half of the year, partially offset by higher productivity and the favorable impact of foreign currency translation.

Repositioning and Other Charges

Cash spending related to our repositioning actions was $149 million in the nine months ended September 30, 2019 and was funded through operating cash flows. We expect cash spending for repositioning actions to be approximately $225 million in 2019 and to be funded through operating cash flows.

B. Liquidity and Capital Resources

Cash Flow Summary

	Nine Months Ended September 30,	
	2019	2018
Cash provided by (used for):		
Operating activities	$ 4,283	$ 4,875
Investing activities	(122)	1,433
Financing activities	(2,491)	(3,402)
Effect of exchange rate changes on cash	(49)	(162)
Net increase (decrease) in cash and cash equivalents	$ 1,621	$ 2,744

Cash provided by operating activities decreased by $592 million primarily due to a $581 million unfavorable impact from working capital (primarily accounts payable and accounts receivable) and increased cash tax payments of $205 million, partially offset by reimbursements associated with the indemnification and reimbursement agreements with subsidiaries of Garrett and Resideo of $219 million.

Cash used for investing activities increased by $1,555 million primarily due to a net $1,652 million increase in investments, primarily short term marketable securities, partially offset by lower cash paid for acquisitions of $47 million.

Cash used for financing activities decreased by $911 million primarily due to an increase in net debt issuances of $3,734 million and an increase in proceeds from the issuance of common stock of $183 million partially offset by prior year Garrett pre-separation funding of $1,604 million and an increase in repurchases of common stock of $1,342 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 repayments, 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 the nine months ended September 30, 2019, the Company repurchased $3,650 million of outstanding shares. In April 2019, the Board of Directors authorized the repurchase of up to a total of $10 billion of Honeywell common stock, which included amounts remaining under, and replaced, the previously approved share repurchase program. As of September 30, 2019, $7.7 billion remained available for additional share repurchases. Honeywell presently expects to repurchase outstanding shares from time to time to offset the dilutive impact over the long-term of employee stock-based compensation plans, including future option exercises, restricted unit vesting and matching contributions under our savings plans. Additionally, we will seek to reduce share count via share repurchases as and when attractive opportunities arise. The amount and timing of future repurchases may vary depending on market conditions and the level of operating, financing and other investing activities.

The Company increased the quarterly dividend rate by 10% to $.90 per share of common stock effective with the fourth quarter 2019 dividend.

See Note 11 *Long-term Debt and Credit Agreements* of Notes to Consolidated Financial Statements for additional discussion of items impacting our liquidity.

C. Other Matters

Litigation

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See Note 16 *Commitments and Contingencies* of Notes to Consolidated Financial Statements for further discussion of environmental, asbestos and other litigation matters.

Critical Accounting Policies

The financial information as of September 30, 2019 should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018 contained in our 2018 Annual Report on Form 10-K.

For a discussion of the Company's critical accounting policies, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2018 Annual Report on Form 10-K.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risks

For a discussion of the Company's quantitative and qualitative disclosures about market risks, see Item 7A. Quantitative and Qualitative Disclosures About Market Risks, in our 2018 Annual Report on Form 10-K. As of September 30, 2019, there has been no material change in this information.

Item 4. Controls and Procedures

Honeywell management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that such disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure information required to be disclosed in the reports that

Honeywell files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer, our Chief Financial Officer, and our Controller, as appropriate, to allow timely decisions regarding required disclosure. There have been no changes that have materially affected, or are reasonably likely to materially affect, Honeywell's internal control over financial reporting that have occurred during the period covered by this Quarterly Report on Form 10-Q.

Part II. Other Information

Item 1. Legal Proceedings

General Legal Matters

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See Note 16 *Commitments and Contingencies* of Notes to Consolidated Financial Statements for a discussion of environmental, asbestos and other litigation matters.

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

None.

Item 1A. Risk Factors

There have been no material changes to the disclosure presented in our 2018 Annual Report on Form 10-K under Item 1A. Risk Factors.

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

Honeywell purchased 5,938,355 shares of its common stock, par value $1 per share, in the quarter ended September 30, 2019. On April 29, 2019, the Board of Directors authorized the repurchase of up to a total of $10 billion of Honeywell common stock, which included amounts remaining under, and replaced, the previously approved share repurchase program. As of September 30, 2019, $7.7 billion remained available for additional share repurchases. The following table summarizes Honeywell's purchase of its common stock for the quarter ended September 30, 2019:

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)
July 2019	1,291,430	$ 174.50	1,291,430	$ 8,514
August 2019	3,628,346	$ 167.08	3,628,346	$ 7,907
September 2019	1,018,579	$ 165.23	1,018,579	$ 7,739

Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	Description
10.1	Amendment to the 2016 Stock Plan for Non-Employee Directors of Honeywell International Inc. (incorporated by reference to Exhibit 99.2 to Honeywell's Form 8-K filed October 8, 2019)
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	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline XBRL: (i) Consolidated Statements of Cash Flows, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Balance Sheets, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
101.SCH	Inline XBRL Taxonomy Extension Schema (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase (filed herewith)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase (filed herewith)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase (filed herewith)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase (filed herewith)
104	Cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline XBRL (and contained in Exhibit 101)

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, 2019 By: /s/ Robert D. Mailloux

Robert D. Mailloux
Vice President and Controller
(on behalf of the Registrant
and as the Registrant's
Principal Accounting Officer)

EXHIBIT 31.1

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

I, Darius Adamczyk, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Honeywell International Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 17, 2019 By: /s/ Darius Adamczyk

Darius Adamczyk
Chairman and Chief Executive Officer

EXHIBIT 31.2

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

I, Gregory P. Lewis, 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, 2019 By: /s/ Gregory P. Lewis

Gregory P. Lewis
Senior Vice President and 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 ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Darius Adamczyk, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: October 17, 2019 By: /s/ Darius Adamczyk

Darius Adamczyk
Chairman and Chief Executive Officer

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 ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Gregory P. Lewis, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: October 17, 2019 By: /s/ Gregory P. Lewis

Gregory P. Lewis
Senior Vice President and Chief Financial Officer