

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

Form 10-Q

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from _____ to _____

Commission file number 1-8974

Honeywell International Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

22-2640650

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

101 Columbia Road
Morris Township, New Jersey

(Address of principal executive offices)

07962

(Zip Code)

(973) 455-2000

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

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

Large accelerated filer S

Accelerated filer £

Non-Accelerated filer £

Smaller reporting company £

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

There were 786,783,943 shares of Common Stock outstanding at March 31, 2013.

Honeywell International Inc.
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Cautionary Statement about Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are those that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future. They are based on management’s assumptions and assessments in the light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near- and long-term. These forward-looking statements should be considered in the light of the information included in this report and our other filings with the Securities and Exchange Commission, including, without limitation, the Risk Factors, as well as the description of trends and other factors in Management’s Discussion and Analysis of Financial Condition and Results of Operations, set forth in our Form 10-K for the year ended December 31, 2012.

PART I. FINANCIAL INFORMATION

The financial information as of March 31, 2013 should be read in conjunction with the financial statements for the year ended December 31, 2012 contained in our Form 10-K filed on February 15, 2013.

ITEM 1. FINANCIAL STATEMENTS

Honeywell International Inc.
Consolidated Statement of Operations
(Unaudited)

| | Three Months Ended March 31, | |
|--|---------------------------------|------------------|
| | 2013 | 2012 |
| (Dollars in millions, except per share amounts) | | |
| Product sales | \$ 7,474 | \$ 7,377 |
| Service sales | 1,854 | 1,930 |
| Net sales | <u>9,328</u> | <u>9,307</u> |
| Costs, expenses and other | | |
| Cost of products sold | 5,567 | 5,571 |
| Cost of services sold | 1,216 | 1,309 |
| | <u>6,783</u> | <u>6,880</u> |
| Selling, general and administrative expenses | 1,229 | 1,231 |
| Other (income) expense | (28) | (15) |
| Interest and other financial charges | 84 | 89 |
| | <u>8,068</u> | <u>8,185</u> |
| Income before taxes | 1,260 | 1,122 |
| Tax expense | 291 | 297 |
| Net income | 969 | 825 |
| Less: Net income attributable to the noncontrolling interest | 3 | 2 |
| Net income attributable to Honeywell | <u>\$ 966</u> | <u>\$ 823</u> |
| Earnings per share of common stock- basic | <u>\$ 1.23</u> | <u>\$ 1.06</u> |
| Earnings per share of common stock- assuming dilution | <u>\$ 1.21</u> | <u>\$ 1.04</u> |
| Cash dividends per share of common stock | <u>\$ 0.4100</u> | <u>\$ 0.3725</u> |

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

HONEYWELL INTERNATIONAL INC.
Consolidated Statement of Comprehensive Income
(Unaudited)

| | Three Months Ended March 31, | |
|--|---------------------------------|----------|
| | 2013 | 2012 |
| | (Dollars in millions) | |
| Net income | \$ 969 | \$ 825 |
| Other comprehensive income (loss), net of tax | | |
| Foreign exchange translation adjustment | (381) | 189 |
| Prior service cost recognized during year | 3 | 2 |
| Actuarial losses recognized during year | 6 | 7 |
| Settlements and curtailments | — | 2 |
| Pension and other postretirement benefits adjustments | 9 | 11 |
| Unrealized gains for the period | 54 | 43 |
| Changes in fair value of available for sale investments | 54 | 43 |
| Effective portion of cash flow hedges recognized in other comprehensive income | — | 25 |
| Less: Reclassification adjustment for gains (losses) included in net income | (1) | 6 |
| Changes in fair value of effective cash flow hedges | 1 | 19 |
| Other comprehensive income (loss), net of tax | (317) | 262 |
| Comprehensive income | 652 | 1,087 |
| Less: Comprehensive income attributable to noncontrolling interest | 3 | 4 |
| Comprehensive income attributable to Honeywell | \$ 649 | \$ 1,083 |

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

Honeywell International Inc.
Consolidated Balance Sheet
(Unaudited)

| | <u>March 31,</u> <u>2013</u> | <u>December 31,</u> <u>2012</u> |
|---|---------------------------------|------------------------------------|
| (Dollars in millions) | | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,539 | \$ 4,634 |
| Accounts, notes and other receivables | 7,585 | 7,429 |
| Inventories | 4,297 | 4,235 |
| Deferred income taxes | 672 | 669 |
| Investments and other current assets | 588 | 631 |
| Total current assets | 17,681 | 17,598 |
| Investments and long-term receivables | 738 | 623 |
| Property, plant and equipment - net | 4,948 | 5,001 |
| Goodwill | 12,386 | 12,425 |
| Other intangible assets - net | 2,384 | 2,449 |
| Insurance recoveries for asbestos related liabilities | 654 | 663 |
| Deferred income taxes | 1,842 | 1,889 |
| Other assets | 1,167 | 1,205 |
| Total assets | \$ 41,800 | \$ 41,853 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 4,444 | \$ 4,736 |
| Short-term borrowings | 86 | 76 |
| Commercial paper | 1,200 | 400 |
| Current maturities of long-term debt | 626 | 625 |
| Accrued liabilities | 6,755 | 7,208 |
| Total current liabilities | 13,111 | 13,045 |
| Long-term debt | 5,787 | 6,395 |
| Deferred income taxes | 683 | 628 |
| Postretirement benefit obligations other than pensions | 1,338 | 1,365 |
| Asbestos related liabilities | 1,300 | 1,292 |
| Other liabilities | 5,896 | 5,913 |
| Redeemable noncontrolling interest | 152 | 150 |
| SHAREOWNERS' EQUITY | | |
| Capital - common stock issued | 958 | 958 |
| - additional paid-in capital | 4,446 | 4,358 |
| Common stock held in treasury, at cost | (8,748) | (8,801) |
| Accumulated other comprehensive income (loss) | (1,656) | (1,339) |
| Retained earnings | 18,442 | 17,799 |
| Total Honeywell shareowners' equity | 13,442 | 12,975 |
| Noncontrolling interest | 91 | 90 |
| Total shareowners' equity | 13,533 | 13,065 |
| Total liabilities, redeemable noncontrolling interest and shareowners' equity | \$ 41,800 | \$ 41,853 |

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

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

| | Three Months Ended | |
|---|-----------------------|-----------------|
| | March 31, | |
| | 2013 | 2012 |
| | (Dollars in millions) | |
| Cash flows from operating activities: | | |
| Net income attributable to Honeywell | \$ 966 | \$ 823 |
| Adjustments to reconcile net income attributable to Honeywell to net cash provided by operating activities: | | |
| Depreciation and amortization | 248 | 230 |
| Repositioning and other charges | 128 | 122 |
| Net payments for repositioning and other charges | (98) | (104) |
| Pension and other postretirement expense | 1 | 36 |
| Pension and other postretirement benefit payments | (171) | (289) |
| Stock compensation expense | 54 | 51 |
| Deferred income taxes | 27 | 132 |
| Excess tax benefits from share based payment arrangements | (24) | (12) |
| Other | (33) | (7) |
| Changes in assets and liabilities, net of the effects of acquisitions and divestitures: | | |
| Accounts, notes and other receivables | (142) | (40) |
| Inventories | (51) | (108) |
| Other current assets | 18 | (28) |
| Accounts payable | (295) | (203) |
| Accrued liabilities | (287) | (407) |
| Net cash provided by operating activities | <u>341</u> | <u>196</u> |
| Cash flows from investing activities: | | |
| Expenditures for property, plant and equipment | (148) | (152) |
| Proceeds from disposals of property, plant and equipment | — | 1 |
| Increase in investments | (174) | (84) |
| Decrease in investments | 166 | 92 |
| Cash paid for acquisitions, net of cash acquired | (122) | (1) |
| Other | (33) | 22 |
| Net cash used for investing activities | <u>(311)</u> | <u>(122)</u> |
| Cash flows from financing activities: | | |
| Net increase in commercial paper | 800 | 349 |
| Net increase in short-term borrowings | 8 | 7 |
| Proceeds from issuance of common stock | 164 | 90 |
| Proceeds from issuance of long-term debt | 7 | 2 |
| Payments of long-term debt | (600) | — |
| Excess tax benefits from share based payment arrangements | 24 | 12 |
| Repurchases of common stock | (139) | — |
| Cash dividends paid | (322) | (291) |
| Net cash (used for)/provided by financing activities | <u>(58)</u> | <u>169</u> |
| Effect of foreign exchange rate changes on cash and cash equivalents | <u>(67)</u> | <u>47</u> |
| Net (decrease)/increase in cash and cash equivalents | (95) | 290 |
| Cash and cash equivalents at beginning of period | 4,634 | 3,698 |
| Cash and cash equivalents at end of period | <u>\$ 4,539</u> | <u>\$ 3,988</u> |

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

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

Note 1. Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of Honeywell International Inc. and its consolidated subsidiaries (the "Company") at March 31, 2013 and the results of operations for the three months ended March 31, 2013 and 2012 and cash flows for the three months ended March 31, 2013 and 2012. The results of operations for the three months ended March 31, 2013 should not necessarily be taken as indicative of the results of operations that may be expected for the entire year. We have evaluated subsequent events through the date of issuance of our consolidated financial statements.

We report our quarterly financial information using a calendar convention; that is, the first, second and third quarters are consistently reported as ending on March 31, June 30 and September 30, respectively. It has been our practice to establish actual quarterly closing dates using a predetermined "fiscal" calendar, which requires our businesses to close their books on a Saturday in order to minimize the potentially disruptive effects of quarterly closing on our business processes. The effects of this practice are generally not significant to reported results for any quarter and only exist within a reporting year. In the event that differences in actual closing dates are material to year-over-year comparisons of quarterly or year-to-date results, we provide appropriate disclosures. Our actual closing dates for the three months ended March 31, 2013 and 2012 were March 30, 2013 and March 31, 2012, respectively.

The financial information as of March 31, 2013 should be read in conjunction with the financial statements for the year ended December 31, 2012 contained in our Form 10-K filed on February 15, 2013.

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

Note 2. Recent Accounting Pronouncements

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

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

In June 2011, the FASB issued amendments to disclosure requirements for presentation of comprehensive income. This guidance, effective retrospectively for the interim and annual periods beginning on or after December 15, 2011 (early adoption is permitted), requires presentation of total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB issued an amendment to defer the presentation on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for annual and interim financial statements. The implementation of the amended accounting guidance has not had a material impact on our consolidated financial position or results of operations. In February 2013, the FASB issued amendments to disclosure requirements for presentation of comprehensive income. The standard requires presentation (either in a single note or parenthetically on the face of the financial statements) of the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, a cross reference to the related footnote for additional information will be required. The amendments are effective prospectively for reporting

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(Dollars in millions, except per share amounts)

periods beginning after December 15, 2012. The implementation of the amended accounting guidance has not had a material impact on our consolidated financial position or results of operations.

In July 2012, the FASB issued amendments to the indefinite-lived intangible asset impairment guidance which provides an option for companies to use a qualitative approach to test indefinite-lived intangible assets for impairment if certain conditions are met. The amendments are effective for annual and interim indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012. The implementation of the amended accounting guidance has not had a material impact on our consolidated financial position or results of operations.

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

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

Note 3. Acquisitions

In December 2012, the Company entered into a definitive agreement to acquire Intermec, Inc. (Intermec) a leading provider of mobile computing, radio frequency identification solutions (RFID) and bar code, label and receipt printers for use in warehousing, supply chain, field service and manufacturing environments for \$10 per share in cash, or an aggregate purchase price of approximately \$600 million, net of cash acquired. Intermec is a U.S. public company which operates globally and had reported 2012 revenues of approximately \$790 million. The transaction is expected to close by the end of the second quarter of 2013, pending regulatory review by the United States and the European Commission. The acquisition is expected to be funded with available cash and the issuance of commercial paper. Intermec will be integrated into our Automation and Control Solutions segment.

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

Note 4. Repositioning and Other Charges

A summary of repositioning and other charges follows:

| | Three Months Ended March 31, | |
|---|---------------------------------|---------------|
| | 2013 | 2012 |
| Severance | \$ 38 | \$ 15 |
| Asset impairments | — | 9 |
| Exit costs | 2 | 8 |
| Reserve adjustments | (7) | (7) |
| Total net repositioning charge | <u>33</u> | <u>25</u> |
| Asbestos related litigation charges, net of insurance | 41 | 36 |
| Probable and reasonably estimable environmental liabilities | 54 | 61 |
| Total net repositioning and other charges | <u>\$ 128</u> | <u>\$ 122</u> |

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

| | Three Months Ended March 31, | |
|--|---------------------------------|---------------|
| | 2013 | 2012 |
| Cost of products and services sold | \$ 108 | \$ 119 |
| Selling, general and administrative expenses | 20 | 3 |
| | <u>\$ 128</u> | <u>\$ 122</u> |

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

| | Three Months Ended March 31, | |
|--|---------------------------------|---------------|
| | 2013 | 2012 |
| Aerospace | \$ 22 | \$ 1 |
| Automation and Control Solutions | 9 | (1) |
| Performance Materials and Technologies | (1) | 14 |
| Transportation Systems | 40 | 52 |
| Corporate | 58 | 56 |
| | <u>\$ 128</u> | <u>\$ 122</u> |

In the quarter ended March 31, 2013, we recognized repositioning charges totaling \$ 40 million primarily for severance costs related to workforce reductions of 647 manufacturing and administrative positions mainly in our Aerospace and Automation and Control Solutions segments. The workforce reductions were primarily related to cost savings actions taken in connection with our productivity and ongoing functional transformation initiatives. Also, \$7 million of previously established accruals in our Performance Materials and Technologies and Automation and Control Solutions segments were returned to income in the first quarter of 2013 due primarily to lower than expected costs in completing the exit of a product line.

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In the quarter ended March 31, 2012 we recognized repositioning charges totaling \$ 32 million including severance costs of \$ 15 million related to workforce reductions of 618 manufacturing and administrative positions across all of our segments. The workforce reductions were primarily related to the planned shutdown of a manufacturing facility in our Transportation Systems segment, the exit from a product line in our Performance Materials and Technologies segment, and cost savings actions taken in connection with our productivity and ongoing functional transformation initiatives. The repositioning charge included asset impairments of \$ 9 million principally related to manufacturing plant and equipment associated with the exit from a product line in our Performance Materials and Technologies segment. The repositioning charge also included exit costs of \$ 8 million related to closure obligations associated with the planned shutdown of a manufacturing facility and exit of a product line as discussed above. Also, \$7 million of previously established accruals for severance in our Automation and Control Solutions segment were returned to income in the first quarter of 2012 due primarily to fewer employee separations than originally planned associated with prior severance programs.

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

| | Severance Costs | Asset Impairments | Exit Costs | Total |
|------------------------------|--------------------|----------------------|---------------|---------------|
| December 31, 2012 | \$ 276 | \$ — | \$ 47 | \$ 323 |
| Charges | 38 | — | 2 | 40 |
| Usage - cash | (28) | — | (3) | (31) |
| Usage - noncash | — | — | — | — |
| Foreign currency translation | (5) | — | (1) | (6) |
| Adjustments | (4) | — | (3) | (7) |
| March 31, 2013 | <u>\$ 277</u> | <u>\$ —</u> | <u>\$ 42</u> | <u>\$ 319</u> |

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

| <u>2011 Repositioning Actions</u> | Aerospace | Automation and Control Solutions | Transportation Systems | Total |
|---|--------------|--|---------------------------|--------------|
| Expected exit and disposal costs | \$ 15 | \$ 12 | \$ 7 | \$ 34 |
| Costs incurred during | | | | |
| Year ended December 31, 2011 | (1) | — | — | (1) |
| Year ended December 31, 2012 | (2) | (3) | (1) | (6) |
| Current year-to-date | — | (1) | — | (1) |
| Remaining exit and disposal costs at March 31, 2013 | <u>\$ 12</u> | <u>\$ 8</u> | <u>\$ 6</u> | <u>\$ 26</u> |

In the quarter ended March 31, 2013, we recognized a charge of \$ 54 million for environmental liabilities deemed probable and reasonably estimable in the quarter. We also recognized a charge of \$ 41 million primarily representing an update to our estimated liability for the resolution of Bendix related asbestos claims as of March 31,

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

2013, net of probable insurance recoveries. Environmental and Asbestos matters are discussed in detail in Note 17, Commitments and Contingencies.

In the quarter ended March 31, 2012, we recognized a charge of \$ 61 million for environmental liabilities deemed probable and reasonably estimable in the quarter. We also recognized a charge of \$ 36 million primarily representing an update to our estimated liability for the resolution of Bendix related asbestos claims as of March 31, 2012, net of probable insurance recoveries.

Note 5. Other (income) expense

| | Three Months Ended March 31, | |
|--|---------------------------------|----------------|
| | 2013 | 2012 |
| Equity (income) loss of affiliated companies | \$ (9) | \$ (10) |
| Interest income | (17) | (14) |
| Foreign exchange | 2 | 10 |
| Other, net | (4) | (1) |
| | <u>\$ (28)</u> | <u>\$ (15)</u> |

Note 6. Earnings Per Share

The details of the earnings per share calculations for the three months ended March 31, 2013 and 2012 are as follows:

| | Three Months Ended March 31, | |
|--|---------------------------------|----------------|
| | 2013 | 2012 |
| Basic | | |
| Net income attributable to Honeywell | 966 | 823 |
| Weighted average shares outstanding | 785.8 | 777.3 |
| Earnings per share of common stock | <u>\$ 1.23</u> | <u>\$ 1.06</u> |
| Assuming Dilution | | |
| Net income attributable to Honeywell | 966 | 823 |
| Average Shares | | |
| Weighted average shares outstanding | 785.8 | 777.3 |
| Dilutive securities issuable - stock plans | 11.3 | 10.8 |
| Total weighted average shares outstanding | 797.1 | 788.1 |
| Earnings per share of common stock | <u>\$ 1.21</u> | <u>\$ 1.04</u> |

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 months ended March 31, 2013 and 2012, the number of stock options excluded from the computations were 2.7 and 9.6 million, respectively. These stock options were outstanding at the end of each of the respective periods.

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

Note 7. Accounts, Notes and Other Receivables

| | March 31, 2013 | December 31, 2012 |
|---------------------------------------|-------------------|----------------------|
| Trade | \$ 7,217 | \$ 6,940 |
| Other | 609 | 737 |
| | 7,826 | 7,677 |
| Less: Allowance for doubtful accounts | (241) | (248) |
| | \$ 7,585 | \$ 7,429 |

Trade Receivables includes \$1,580, and \$1,495 million of unbilled balances under long-term contracts as of March 31, 2013 and December 31, 2012, respectively. These amounts are billed in accordance with the terms of customer contracts to which they relate.

Note 8. Inventories

| | March 31, 2013 | December 31, 2012 |
|------------------------------|-------------------|----------------------|
| Raw materials | \$ 1,102 | \$ 1,152 |
| Work in process | 866 | 859 |
| Finished products | 2,494 | 2,421 |
| | 4,462 | 4,432 |
| Reduction to LIFO cost basis | (165) | (197) |
| | \$ 4,297 | \$ 4,235 |

Note 9. Goodwill and Other Intangible Assets - Net

The change in the carrying amount of goodwill for the three months ended March 31, 2013 by segment is as follows:

| | December 31, 2012 | Acquisitions | Divestitures | Currency Translation Adjustment | March 31, 2013 |
|--|----------------------|--------------|--------------|---------------------------------------|-------------------|
| Aerospace | \$ 2,075 | \$ — | \$ — | \$ (12) | \$ 2,063 |
| Automation and Control Solutions | 8,343 | 80 | — | (115) | 8,308 |
| Performance Materials and Technologies | 1,810 | 12 | — | (4) | 1,818 |
| Transportation Systems | 197 | — | — | — | 197 |
| | \$ 12,425 | \$ 92 | \$ — | \$ (131) | \$ 12,386 |

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

Other intangible assets are comprised of:

| | March 31, 2013 | | | December 31, 2012 | | |
|---------------------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Determinable life intangibles: | | | | | | |
| Patents and technology | \$ 1,228 | \$ (855) | \$ 373 | \$ 1,224 | \$ (841) | \$ 383 |
| Customer relationships | 1,747 | (649) | 1,098 | 1,736 | (625) | 1,111 |
| Trademarks | 180 | (104) | 76 | 179 | (103) | 76 |
| Other | 299 | (183) | 116 | 311 | (157) | 154 |
| | <u>3,454</u> | <u>(1,791)</u> | <u>1,663</u> | <u>3,450</u> | <u>(1,726)</u> | <u>1,724</u> |
| Indefinite life intangibles: | | | | | | |
| Trademarks | 721 | — | 721 | 725 | — | 725 |
| | <u>\$ 4,175</u> | <u>\$ (1,791)</u> | <u>\$ 2,384</u> | <u>\$ 4,175</u> | <u>\$ (1,726)</u> | <u>\$ 2,449</u> |

Amortization expense related to intangible assets was \$82 million and \$65 million for the three months ended March 31, 2013 and 2012, respectively.

We completed our annual impairment testing of goodwill and indefinite-lived intangibles as of March 31, 2013 and determined that there was no impairment as of that date.

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Note 10. Long-term Debt and Credit Agreements

| | March 31, 2013 | December 31, 2012 |
|---|-------------------|----------------------|
| 4.25% notes due 2013 | \$ — | \$ 600 |
| 3.875% notes due 2014 | 600 | 600 |
| 5.40% notes due 2016 | 400 | 400 |
| 5.30% notes due 2017 | 400 | 400 |
| 5.30% notes due 2018 | 900 | 900 |
| 5.00% notes due 2019 | 900 | 900 |
| 4.25% notes due 2021 | 800 | 800 |
| 5.375% notes due 2041 | 600 | 600 |
| Industrial development bond obligations, floating rate maturing at various dates through 2037 | 37 | 37 |
| 6.625% debentures due 2028 | 216 | 216 |
| 9.065% debentures due 2033 | 51 | 51 |
| 5.70% notes due 2036 | 550 | 550 |
| 5.70% notes due 2037 | 600 | 600 |
| Other (including capitalized leases), 0.2%-9.5% maturing at various dates through 2023 | 359 | 366 |
| | <u>6,413</u> | <u>7,020</u> |
| Less: current portion | (626) | (625) |
| | <u>\$ 5,787</u> | <u>\$ 6,395</u> |

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

| | March 31, 2013 |
|-----------------------|-------------------|
| 2013 | \$ 25 |
| 2014 | 664 |
| 2015 | 54 |
| 2016 | 454 |
| 2017 | 409 |
| Thereafter | 4,807 |
| | <u>6,413</u> |
| Less: current portion | (626) |
| | <u>\$ 5,787</u> |

In the first quarter of 2013, the Company repaid \$600 million of its 4.25 percent notes. The repayment was funded with the issuance of commercial paper.

As a source of liquidity, we sell interests in designated pools of trade accounts receivables to third parties. As of March 31, 2013 and December 31, 2012 none of the receivables in the designated pools had been sold to third parties. When we sell receivables, they are over-collateralized and we retain a subordinated interest in the pool of receivables representing that over-collateralization as well as an undivided interest in the balance of the receivables pools. The terms of the trade accounts receivable program permit the repurchase of receivables from the third parties at our discretion, providing us with an additional source of revolving credit. As a result, program receivables remain on the Company's balance sheet with a corresponding amount recorded as Short-term borrowings.

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Note 11. Financial Instruments and Fair Value Measures

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

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

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

We hedge monetary assets and liabilities denominated in non-functional currencies. Prior to conversion into U.S. dollars, these assets and liabilities are remeasured at spot exchange rates in effect on the balance sheet date. The effects of changes in spot rates are recognized in earnings and included in Other (Income) Expense. We partially hedge forecasted sales and purchases, which predominantly occur in the next twelve months and are denominated in non-functional currencies, with currency forward contracts. Changes in the forecasted non-functional currency cash flows due to movements in exchange rates are substantially offset by changes in the fair value of the currency forward contracts designated as hedges. Market value gains and losses on these contracts are recognized in earnings when the hedged transaction is recognized. Open foreign currency exchange forward contracts mature predominantly in the next twelve months. At March 31, 2013 and December 31, 2012, we had contracts with notional amounts of \$6,111 million and \$8,506 million respectively, to exchange foreign currencies, principally the U.S. dollar, Euro, Canadian dollar, British pound, Mexican peso, Chinese renminbi, Indian rupee, Czech koruna, Hong Kong dollar, Singapore dollar, Romanian leu, Swiss franc, Swedish krona, Thai baht and Korean won.

Commodity Price Risk Management—Our exposure to market risk for commodity prices can result in changes in our cost of production. We primarily mitigate our exposure to commodity price risk through the use of long-term, fixed-price contracts with our suppliers and formula price agreements with suppliers and customers. We also enter into forward commodity contracts with third parties designated as hedges of anticipated purchases of several commodities. Forward commodity contracts are marked-to-market, with the resulting gains and losses recognized in earnings when the hedged transaction is recognized. At March 31, 2013 and December 31, 2012, we had contracts with notional amounts of \$9 million and \$17 million, respectively, related to forward commodity agreements, principally base metals and natural gas.

Interest Rate Risk Management— We use a combination of financial instruments, including long-term, medium-term and short-term financing, variable-rate commercial paper, and interest rate swaps to manage the interest rate mix of our total debt portfolio and related overall cost of borrowing. At March 31, 2013 and December 31, 2012, interest rate swap agreements designated as fair value hedges effectively changed \$1,400

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million of fixed rate debt at a rate of 4.09 to LIBOR based floating rate debt. Our interest rate swaps mature at various dates through 2021.

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

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

The Company endeavors to utilize the best available information in measuring fair value. Financial and nonfinancial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of March 31, 2013 and December 31, 2012:

| | March 31, 2013 | December 31, 2012 |
|-------------------------------------|-------------------|----------------------|
| Assets: | | |
| Foreign currency exchange contracts | \$ 44 | \$ 52 |
| Available for sale investments | 591 | 518 |
| Interest rate swap agreements | 132 | 146 |
| Forward commodity contracts | 1 | 1 |
| Liabilities: | | |
| Foreign currency exchange contracts | \$ 39 | \$ 32 |
| Forward commodity contracts | 1 | 1 |

The foreign currency exchange contracts, interest rate swap agreements, and forward commodity contracts are valued using broker quotations, or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are classified within level 2. The Company holds investments in marketable equity securities that are designated as available for sale and are valued using quoted market prices. As such, these investments are classified within level 1. The Company also holds investments in commercial paper, certificates of deposits, and time deposits that are designated as available for sale and are valued using market transactions in over-the-counter markets. As such, these investments are classified within level 2.

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

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| | March 31, 2013 | | December 31, 2012 | |
|---|----------------|------------|-------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Assets | | | | |
| Long-term receivables | \$ 211 | \$ 209 | \$ 199 | \$ 200 |
| Liabilities | | | | |
| Long-term debt and related current maturities | \$ 6,413 | \$ 7,409 | \$ 7,020 | \$ 8,152 |

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.

As of March 31, 2013, the Company had nonfinancial assets with a net book value of \$4 million which were accounted for at fair value on a nonrecurring basis. These assets were tested for impairment and based on the fair value of these assets the Company recognized losses of \$4 million in the three months ended March 31, 2013. The Company has determined that the fair value measurements of these nonfinancial assets are level 3 in the fair value hierarchy. The Company utilizes the market, income or cost approaches or a combination of these valuation techniques for its non-recurring level 3 fair value measures. Inputs to such measures include observable market data obtained from independent sources such as broker quotes and recent market transactions for similar assets. It is the Company's policy to maximize the use of observable inputs in the measurement of fair value or non-recurring level 3 measurements. To the extent observable inputs are not available the Company utilizes unobservable inputs based upon the assumptions market participants would use in valuing the asset. Examples of utilized unobservable inputs are future cash flows, long term growth rates and applicable discount rates. As of March 31, 2012, the Company had nonfinancial assets, specifically property, plant and equipment, with a net book value of \$11 million that were accounted for at fair value on a nonrecurring basis. Based on the fair value of these assets the Company recognized losses of \$11 million in the three months ended March 31, 2012 primarily in connection with our repositioning actions (see Note 4 Repositioning and Other Charges). The Company has determined that the fair value measurements of these nonfinancial assets are level 3 in the fair value hierarchy.

The derivatives utilized for risk management purposes as detailed above are included on the Consolidated Balance Sheet and impacted the Statement of Operations as follows:

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

| <u>Designated as a Hedge</u> | <u>Balance Sheet Classification</u> | <u>March 31,</u> <u>2013</u> | <u>December 31,</u> <u>2012</u> |
|-------------------------------------|--|---------------------------------|------------------------------------|
| Foreign currency exchange contracts | Accounts, notes, and other receivables | \$ 43 | \$ 37 |
| Interest rate swap agreements | Other assets | 132 | 146 |
| Forward commodity contracts | Accounts, notes, and other receivables | 1 | 1 |
| Not Designated as a Hedge | | | |
| <u>Not Designated as a Hedge</u> | <u>Balance Sheet Classification</u> | <u>March 31,</u> <u>2013</u> | <u>December 31,</u> <u>2012</u> |
| Foreign currency exchange contracts | Accounts, notes, and other receivables | \$ 1 | \$ 15 |

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

| <u>Designated as a Hedge</u> | <u>Balance Sheet Classification</u> | <u>March 31,</u> <u>2013</u> | <u>December 31,</u> <u>2012</u> |
|-------------------------------------|-------------------------------------|---------------------------------|------------------------------------|
| Foreign currency exchange contracts | Accrued liabilities | \$ 32 | \$ 29 |
| Forward commodity contracts | Accrued liabilities | 1 | 1 |
| Not Designated as a Hedge | | | |
| <u>Not Designated as a Hedge</u> | <u>Balance Sheet Classification</u> | <u>March 31,</u> <u>2013</u> | <u>December 31,</u> <u>2012</u> |
| Foreign currency exchange contracts | Accrued liabilities | \$ 7 | \$ 3 |

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

| <u>Designated Cash Flow Hedge</u> | <u>Three Months Ended</u> <u>March 31,</u> | |
|-------------------------------------|---|-------------|
| | <u>2013</u> | <u>2012</u> |
| Foreign currency exchange contracts | \$ 1 | \$ 39 |
| Forward commodity contracts | — | (9) |

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

| <u>Designated</u> <u>Cash Flow Hedge</u> | <u>Income Statement Location</u> | <u>Three Months Ended</u> <u>March 31,</u> | |
|---|----------------------------------|---|-------------|
| | | <u>2013</u> | <u>2012</u> |
| Foreign currency exchange contracts | Product sales | \$ 2 | \$ 3 |
| | Cost of products sold | (3) | 3 |
| | Sales & general administrative | — | 6 |
| Forward commodity contracts | Cost of products sold | \$ — | \$ (6) |

Ineffective portions of commodity derivative instruments designated in cash flow hedge relationships were insignificant in the three months ended March 31, 2013 and 2012 and are located in cost of products sold. Foreign currency exchange contracts in cash flow hedge relationships qualify as critical matched terms hedge relationships and as a result have no ineffectiveness.

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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 months ended March 31, 2013 and 2012, we recognized \$14 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 also economically hedge our exposure to changes in foreign exchange rates principally with forward contracts. These contracts are marked-to-market with the resulting gains and losses recognized in earnings offsetting the gains and losses on the non-functional currency denominated monetary assets and liabilities being hedged. For the three months ended March 31, 2013 and 2012, we recognized \$46 million of expense and \$10 million of income, respectively in Other (Income) Expense.

Note 12. Accumulated Other Comprehensive Income (Loss)

Changes in Accumulated Other Comprehensive Income by Component

| | <u>Foreign Exchange Translation Adjustment</u> | <u>Pension and Other Postretirement Adjustments</u> | <u>Changes in Fair Value of Available for Sale Investments</u> | <u>Changes in Fair Value of Effective Cash Flow Hedges</u> | <u>Total</u> |
|--|--|---|--|--|-------------------|
| Balance at December 31, 2012 | \$ 356 | \$ (1,848) | \$ 157 | \$ (4) | \$ (1,339) |
| Other comprehensive income (loss) before reclassifications | (381) | — | 54 | — | (327) |
| Amounts reclassified from accumulated other comprehensive income | — | 9 | — | 1 | 10 |
| Net current period other comprehensive income (loss) | (381) | 9 | 54 | 1 | (317) |
| Balance at March, 31, 2013 | <u>\$ (25)</u> | <u>\$ (1,839)</u> | <u>\$ 211</u> | <u>\$ (3)</u> | <u>\$ (1,656)</u> |

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Reclassifications Out of Accumulated Other Comprehensive Income

| | Three Months Ended March 31, 2013 | | | Total |
|---|---|--------------------------------------|--|--------------|
| | Amortization of Pension and Other Postretirement Items | | (Gains)/Losses on Cash Flow Hedges | |
| | Actuarial Losses Recognized | Prior Service Costs Recognized | Foreign Currency Exchange Contracts | |
| Affected Line in the Consolidated Statement of Operations: | | | | |
| Product sales | \$ — | \$ — | \$ (2) | \$ (2) |
| Cost of products sold | 7 | 2 | 3 | 12 |
| Cost of services sold | 1 | 1 | — | 2 |
| Selling, general and administrative expenses | 2 | 1 | — | 3 |
| Total before tax | <u>\$ 10</u> | <u>\$ 4</u> | <u>\$ 1</u> | <u>\$ 15</u> |
| Tax expense | | | | (5) |
| Total reclassifications for the period, net of tax | | | | <u>\$ 10</u> |

Note 13. Noncontrolling Interest

Changes in noncontrolling interest consist of the following:

| | Three Months Ended March 31, | |
|---|---------------------------------|--------------|
| | 2013 | 2012 |
| Balance beginning of period, December 31 | \$ 90 | \$ 96 |
| Comprehensive income (loss) attributable to noncontrolling interest | (2) | 4 |
| Other owner changes | 3 | (1) |
| Balance end of period, March 31 | <u>\$ 91</u> | <u>\$ 99</u> |

In the three months ended March 31, 2013, there was a \$1 million decrease to Honeywell additional paid in capital for purchases or sales of existing noncontrolling interests.

In the three months ended March 31, 2012, there were no increases or decreases to Honeywell additional paid in capital for purchases or sales of existing noncontrolling interests.

Note 14. Redeemable Noncontrolling Interest

On October 22, 2012, the Company acquired a 70 percent controlling interest in Thomas Russell Co. During the calendar year 2016, Honeywell has the right to acquire and the noncontrolling shareholder has the right to sell to Honeywell the remaining 30 percent interest at a price based on a multiple of Thomas Russell Co.'s average annual operating income from 2013 to 2015, subject to a predetermined cap and floor. Additionally,

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Honeywell has the right to acquire the remaining 30 percent interest for a fixed price equivalent to the cap at any time on or before December 31, 2015. Noncontrolling interests with redemption features, such as the arrangement described above, that are not solely within the Company's control are considered redeemable noncontrolling interests. Redeemable noncontrolling interest is considered temporary equity and is therefore reported outside of permanent equity on the Company's Consolidated Balance Sheet at the greater of the initial carrying amount adjusted for the noncontrolling interest's share of net income (loss) or its redemption value. The Company accretes changes in the redemption value over the period from the date of acquisition to the date that the redemption feature becomes puttable. The Company will reflect redemption value adjustments in the earnings per share calculation if redemption value is in excess of the fair value of the noncontrolling interest.

The rollforward of redeemable noncontrolling interest as of March 31, 2013 is as follows:

| | | Three Months Ended March 31, 2013 |
|--|----|--|
| Balance beginning of period, December 31 | \$ | 150 |
| Net income | | 5 |
| Distributions | | (7) |
| Adjustments to redemption value | | 1 |
| Other | | 3 |
| Balance end of period, March 31 | \$ | 152 |

Note 15. Segment Financial Data

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

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| | Three Months Ended March 31, | |
|--|---------------------------------|-----------------|
| | 2013 | 2012 |
| Net Sales | | |
| Aerospace | | |
| Product | \$ 1,706 | \$ 1,705 |
| Service | 1,205 | 1,245 |
| Total | <u>2,911</u> | <u>2,950</u> |
| Automation and Control Solutions | | |
| Product | 3,239 | 3,251 |
| Service | 547 | 537 |
| Total | <u>3,786</u> | <u>3,788</u> |
| Performance Materials and Technologies | | |
| Product | 1,615 | 1,467 |
| Service | 102 | 148 |
| Total | <u>1,717</u> | <u>1,615</u> |
| Transportation Systems | | |
| Product | 914 | 954 |
| Service | — | — |
| Total | <u>914</u> | <u>954</u> |
| | <u>\$ 9,328</u> | <u>\$ 9,307</u> |
| Segment Profit | | |
| Aerospace | \$ 551 | \$ 534 |
| Automation and Control Solutions | 523 | 491 |
| Performance Materials and Technologies | 374 | 319 |
| Transportation Systems | 111 | 120 |
| Corporate | (51) | (49) |
| Total Segment Profit | <u>1,508</u> | <u>1,415</u> |
| Other income (expense) ^(a) | 19 | 5 |
| Interest and other financial charges | (84) | (89) |
| Stock compensation expense ^(b) | (54) | (51) |
| Pension ongoing income (expense) ^(b) | 21 | (13) |
| Other postretirement income (expense) ^(b) | (22) | (23) |
| Repositioning and other charges ^(b) | (128) | (122) |
| Income before taxes | <u>\$ 1,260</u> | <u>\$ 1,122</u> |

(a) Equity income (loss) of affiliated companies is included in Segment Profit.

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

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Note 16. Pension and Other Postretirement Benefits

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

| <u>Pension Benefits</u> | Three Months Ended | | | |
|------------------------------------|-------------------------|-------------|-----------------------------|---------------|
| | U.S. Plans March 31, | | Non-U.S. Plans March 31, | |
| | 2013 | 2012 | 2013 | 2012 |
| Service cost | \$ 68 | \$ 64 | \$ 14 | \$ 12 |
| Interest cost | 168 | 184 | 54 | 55 |
| Expected return on plan assets | (268) | (255) | (77) | (72) |
| Amortization of prior service cost | 6 | 7 | (1) | — |
| Settlements and curtailments | — | — | — | 2 |
| | <u>\$ (26)</u> | <u>\$ —</u> | <u>\$ (10)</u> | <u>\$ (3)</u> |

| <u>Other Postretirement Benefits</u> | Three Months Ended March 31, | |
|--|---------------------------------|--------------|
| | 2013 | 2012 |
| Service cost | \$ — | \$ — |
| Interest cost | 12 | 14 |
| Amortization of prior service (credit) | (1) | (3) |
| Recognition of actuarial losses | 10 | 11 |
| | <u>\$ 21</u> | <u>\$ 22</u> |

In the first quarter of 2013, Honeywell made cash contributions of \$134 million to our non-U.S. pension plans.

If required, a mark to market adjustment will be recorded in the fourth quarter of 2013 in accordance with our pension accounting method as described in Note 1 to our financial statements for the year ended December 31, 2012 contained in our Form 10-K filed on February 15, 2013.

Note 17. Commitments and Contingencies

Environmental Matters

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

With respect to environmental matters involving site contamination, we continually conduct studies, individually or jointly with other potentially responsible parties, to determine the feasibility of various remedial techniques. It is our policy to record appropriate liabilities for environmental matters when remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on

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

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

| | |
|---|---------------|
| December 31, 2012 | \$ 654 |
| Accruals for environmental matters deemed probable and reasonably estimable | 54 |
| Environmental liability payments | (43) |
| Other | 20 |
| March 31, 2013 | <u>\$ 685</u> |

Environmental liabilities are included in the following balance sheet accounts:

| | March 31, 2013 | December 31, 2012 |
|---------------------|-------------------|----------------------|
| Accrued liabilities | \$ 305 | \$ 304 |
| Other liabilities | 380 | 350 |
| | <u>\$ 685</u> | <u>\$ 654</u> |

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

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

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

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

Asbestos Matters

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

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

Honeywell's Bendix friction materials (Bendix) business manufactured automotive brake parts that contained chrysotile asbestos in an encapsulated form. Claimants consist largely of individuals who allege exposure to asbestos from brakes from either performing or being in the vicinity of individuals who performed brake replacements.

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

Asbestos Related Liabilities

| | <u>Bendix</u> | <u>NARCO</u> | <u>Total</u> |
|---|---------------|-----------------|-----------------|
| December 31, 2012 | \$ 653 | \$ 1,119 | \$ 1,772 |
| Accrual for update to estimated liability | 49 | 2 | 51 |
| Asbestos related liability payments | (42) | (1) | (43) |
| March 31, 2013 | <u>\$ 660</u> | <u>\$ 1,120</u> | <u>\$ 1,780</u> |

Insurance Recoveries for Asbestos Related Liabilities

| | <u>Bendix</u> | <u>NARCO</u> | <u>Total</u> |
|--|---------------|---------------|---------------|
| December 31, 2012 | \$ 138 | \$ 569 | \$ 707 |
| Probable insurance recoveries related to estimated liability | 10 | — | 10 |
| Insurance receipts for asbestos related liabilities | (8) | (11) | (19) |
| March 31, 2013 | <u>\$ 140</u> | <u>\$ 558</u> | <u>\$ 698</u> |

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

| | March 31, 2013 | December 31, 2012 |
|---|-------------------|----------------------|
| Other current assets | \$ 44 | \$ 44 |
| Insurance recoveries for asbestos related liabilities | 654 | 663 |
| | <u>\$ 698</u> | <u>\$ 707</u> |
| Accrued liabilities | \$ 480 | \$ 480 |
| Asbestos related liabilities | 1,300 | 1,292 |
| | <u>\$ 1,780</u> | <u>\$ 1,772</u> |

NARCO Products – On January 4, 2002, NARCO filed a petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In connection with the filing of NARCO’s petition in 2002, the U.S. Bankruptcy Court for the Western District of Pennsylvania (“the Bankruptcy Court”) issued an injunction staying the prosecution of NARCO-related asbestos claims against the Company, which stay has continuously remained in place. In November 2007, the Bankruptcy Court confirmed NARCO’s Third Amended Plan of Reorganization (NARCO Plan of Reorganization). All challenges to the NARCO Plan of Reorganization were fully resolved in the third quarter of 2010. The NARCO Plan of Reorganization cannot become effective, however, until the Plan of Reorganization of certain NARCO affiliates also becomes effective. The affiliates’ Plan was confirmed by the Bankruptcy Court and affirmed by the District Court during the first quarter of 2013 and became final on April 12, 2013. The debtors are targeting April 30, 2013 as the effective date for both the NARCO and affiliates Plans. We expect that the stay enjoining litigation against NARCO and Honeywell will remain in effect until the effective date of the NARCO Plan of Reorganization.

In connection with NARCO’s bankruptcy filing, we agreed to certain obligations which will be triggered upon the effective date of the NARCO Plan of Reorganization. Honeywell will provide NARCO with \$20 million in financing and simultaneously forgive such indebtedness. We will also pay \$40 million to NARCO’s former parent company and \$16 million to certain asbestos claimants whose claims were resolved during the pendency of the NARCO bankruptcy proceedings.

When the NARCO Plan of Reorganization becomes effective, in connection with its implementation, a federally authorized 524(g) trust (“NARCO Trust”) will be established for the evaluation and resolution of all existing and future NARCO asbestos claims. When the NARCO Trust is established, both Honeywell and NARCO will be entitled to a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos related claims based on exposure to NARCO products to be made against the Trust. The NARCO Trust will review submitted claims and determine award amounts in accordance with established Trust Distribution Procedures approved by the Bankruptcy Court which set forth all criteria claimants must meet to qualify for compensation including, among other things, exposure and medical criteria that determine the award amount. In addition, Honeywell will provide input to the detailed controls design of the NARCO Trust, and has on-going audit rights to review and monitor claims processor’s adherence to the established requirements of the Trust Distribution Procedures and as a means of detecting and deterring irregularities in claims.

Once the NARCO Trust is established and operational, Honeywell will be obligated to fund NARCO asbestos claims submitted to the trust which qualify for payment under the Trust Distribution Procedures, subject to annual caps up to \$150 million in any year, provided, however, that the first \$100 million of claims processed through the NARCO Trust (the “Initial Claims Amount”) will not count against the first year annual cap and any unused portion of the Initial Claims Amount will roll over to subsequent years until fully utilized.

Once the NARCO Trust is established and operational, Honeywell will also be responsible for the following funding obligations which are not subject to the annual cap described above: a) previously approved payments due to claimants pursuant to settlement agreements reached during the pendency of the NARCO

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bankruptcy proceedings which provide that a portion of these settlements is to be paid by the NARCO Trust, which amounts are estimated at \$130 million and are expected to be paid during the first year of trust operations and, b) payments due to claimants pursuant to settlement agreements reached during the pendency of the NARCO bankruptcy proceedings that provide for the right to submit claims to the NARCO Trust subject to qualification under the terms of the settlement agreements and Trust Distribution Procedures criteria, which amounts are estimated at \$150 million and are expected to be paid during the first two years of trust operations.

Our consolidated financial statements reflect an estimated liability for the amounts discussed above, unsettled claims pending as of the time NARCO filed for bankruptcy protection and for the estimated value of future NARCO asbestos claims expected to be asserted against the NARCO Trust through 2018. In light of the uncertainties inherent in making long-term projections and in connection with the initial operation of a 524(g) trust, as well as the stay of all NARCO asbestos claims since January 2002, we do not believe that we have a reasonable basis for estimating NARCO asbestos claims beyond 2018. In the absence of actual trust experience on which to base the estimate, Honeywell projected the probable value, including trust claim handling costs, of asbestos related future liabilities based on Company specific and general asbestos claims filing rates, expected rates of disease and anticipated claim values. Specifically, the valuation methodology included an analysis of the population likely to have been exposed to asbestos containing products, epidemiological studies estimating the number of people likely to develop asbestos related diseases, NARCO asbestos claims filing history, general asbestos claims filing rates in the tort system and in certain operating asbestos trusts, and the claims experience in those forums, the pending inventory of NARCO asbestos claims, disease criteria and payment values contained in the Trust Distribution Procedures and an estimated approval rate of claims submitted to the NARCO Trust. This methodology used to estimate the liability for future claims has been commonly accepted by numerous bankruptcy courts addressing 524(g) trusts and resulted in a range of estimated liability for future claims of \$743 to \$961 million. We believe that no amount within this range is a better estimate than any other amount and accordingly, we have recorded the minimum amount in the range.

Our insurance receivable corresponding to the estimated liability for pending and future NARCO asbestos claims reflects coverage which reimburses Honeywell for portions of NARCO-related indemnity and defense costs and is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. At March 31, 2013, a significant portion of this coverage is with insurance companies with whom we have agreements to pay full policy limits. We conduct analyses to determine the amount of insurance that we estimate is probable of recovery in relation to payment of current and estimated future claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. We made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings with our insurers, our knowledge of any pertinent solvency issues surrounding insurers and various judicial determinations relevant to our insurance programs.

In 2006, Travelers Casualty and Insurance Company ("Travelers") filed a declaratory judgment action in the Supreme Court of New York, County of New York against Honeywell and other insurance carriers that provide coverage for NARCO asbestos claims, seeking a declaration regarding coverage obligations for NARCO asbestos claims under high excess insurance coverage issued by Travelers and the other insurance carriers. The other insurance carriers asserted cross claims against Honeywell seeking declarations regarding their coverage obligations for NARCO asbestos claims under high excess insurance coverage issued by them. Since then, the Company has entered into settlement agreements resolving all NARCO-related asbestos coverage issues with almost all of these insurance carriers, including Travelers. Honeywell believes it is entitled to the remaining coverage at issue. While Honeywell expects to prevail in this matter, an adverse outcome is not expected to have a material impact on our consolidated results of operations, financial position or operating cash flows.

Projecting future events is subject to many uncertainties that could cause the NARCO related asbestos liabilities or assets to be higher or lower than those projected and recorded. There is no assurance that the plan of reorganization will become final, that insurance recoveries will be timely or whether there will be any NARCO related asbestos claims beyond 2018. Given the inherent uncertainty in predicting future events, we review our estimates periodically, and update them based on our experience and other relevant factors. Similarly, we will reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability or other developments that may impact insurance recoveries.

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

| Claims Activity | Three Months Ended March 31, | Year Ended December 31, | |
|--|---|------------------------------------|---------------|
| | 2013 | 2012 | 2011 |
| Claims Unresolved at the beginning of period | 23,141 | 22,571 | 22,480 |
| Claims Filed during the period | 1,151 | 3,920 | 3,592 |
| Claims Resolved during the period ^(a) | (716) | (3,350) | (3,501) |
| Claims Unresolved at the end of period | <u>23,576</u> | <u>23,141</u> | <u>22,571</u> |

(a) The number of claims resolved in 2012 includes approximately 288 claims previously classified as inactive (85% non-malignant and accrued liability of approximately \$1.3 million) which were activated during 2012. The number of claims resolved in 2011 includes approximately 351 claims previously classified as inactive (82% non-malignant and accrued liability of approximately \$1.7 million) which were activated during 2011.

| Disease Distribution of Unresolved Claims | March 31, | December 31, | |
|--|------------------|---------------------|---------------|
| | 2013 | 2012 | 2011 |
| Mesothelioma and Other Cancer Claims | 5,619 | 5,367 | 4,943 |
| Nonmalignant Claims | 17,957 | 17,774 | 17,628 |
| Total Claims | <u>23,576</u> | <u>23,141</u> | <u>22,571</u> |

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

| | Year Ended December 31, | | | | |
|---------------------|--------------------------------|-------------|-------------|-------------|-------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| | (in whole dollars) | | | | |
| Malignant claims | \$ 49,000 | \$ 48,000 | \$ 54,000 | \$ 50,000 | \$ 65,000 |
| Nonmalignant claims | \$ 1,400 | \$ 1,000 | \$ 1,300 | \$ 200 | \$ 1,500 |

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

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

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

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estimate the liability for future claims is similar to that used to estimate the future NARCO related asbestos claims liability.

Our insurance receivable corresponding to the liability for settlement of pending and future Bendix asbestos claims reflects coverage which is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. Based on our ongoing analysis of the probable insurance recovery, insurance receivables are recorded in the financial statements simultaneous with the recording of the estimated liability for the underlying asbestos claims. This determination is based on our analysis of the underlying insurance policies, our historical experience with our insurers, our ongoing review of the solvency of our insurers, our interpretation of judicial determinations relevant to our insurance programs, and our consideration of the impacts of any settlements reached with our insurers. Insurance receivables are also recorded when structured insurance settlements provide for future fixed payment streams that are not contingent upon future claims or other events. Such amounts are recorded at the net present value of the fixed payment stream.

On a cumulative historical basis, Honeywell has recorded insurance receivables equal to approximately 38 percent of the value of the underlying asbestos claims recorded. However, because there are gaps in our coverage due to insurance company insolvencies, certain uninsured periods, and insurance settlements, this rate is expected to decline for any future Bendix related asbestos liabilities that may be recorded. Future recoverability rates may also be impacted by numerous other factors, such as future insurance settlements, insolvencies and judicial determinations relevant to our coverage program, which are difficult to predict. Assuming continued defense and indemnity spending at current levels, we estimate that the cumulative recoverability rate could decline over the next five years to approximately 31 percent.

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

Other Matters

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

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

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court's dismissal to the United States Court of Appeals for the Third Circuit. The Third Circuit denied the appeal. Honeywell has now answered the UAW's complaint in Michigan and has asserted counterclaims for fraudulent inducement, negligent misrepresentation and breach of implied warranty. The parties stipulated to the certification of a class of all potentially affected retirees, surviving spouses, and eligible dependents. The UAW filed a motion to dismiss these counterclaims. The court dismissed Honeywell's fraudulent inducement and negligent misrepresentation claims, but let stand the claim for breach of implied warranty. Honeywell is confident that the CAPS will be upheld and that its liability for healthcare coverage premiums with respect to the putative class will be limited as negotiated and expressly set forth in the applicable MCBAs. In the event of an adverse ruling, however, Honeywell's other postretirement benefits for pre-2003 retirees would increase by approximately \$175 million, reflecting the estimated value of these CAPS.

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

Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying consolidated balance sheet of Honeywell International Inc. and its subsidiaries as of March 31, 2013 and the related consolidated statements of operations and comprehensive income for the three-month periods ended March 31, 2013 and 2012 and the consolidated statement of cash flows for the three-month periods ended March 31, 2013 and 2012. These interim financial statements are the responsibility of the Company's management.

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

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

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of operations, of comprehensive income, of shareowners' equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 15, 2013, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2012, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/S/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
April 19, 2013

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

ITEM 2.

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

The following MD&A is intended to help the reader understand the results of operations and financial condition of Honeywell International Inc. ("Honeywell" or the "Company") for the three months ended March 31, 2013. The financial information as of March 31, 2013 should be read in conjunction with the financial statements for the year ended December 31, 2012 contained in our Form 10-K filed on February 15, 2013.

A. Results of Operations – three months ended March 31, 2013 compared with the three months ended March 31, 2012

Net Sales

| | Three Months Ended March 31, | |
|-------------------------------------|---------------------------------|----------|
| | 2013 | 2012 |
| Net sales | \$ 9,328 | \$ 9,307 |
| % change compared with prior period | — | |

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

| | Three Months |
|---------------------------|--------------|
| Volume | (2)% |
| Price | 1% |
| Acquisitions/Divestitures | 1% |
| | — |
| | ===== |

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

Cost of Products and Services Sold

| | Three Months Ended March 31, | |
|-------------------------------------|---------------------------------|----------|
| | 2013 | 2012 |
| Cost of products and services sold | \$ 6,783 | \$ 6,880 |
| % change compared with prior period | (1)% | |
| Gross Margin percentage | 27.3% | 26.1% |

Cost of products and services sold decreased by \$97 million or 1 percent in the quarter ended March 31, 2013 compared with the quarter ended March 31, 2012 principally due to a decrease in direct and indirect material costs of approximately \$80 million (driven substantially by lower volume and increased productivity) and a decrease in pension expense of approximately \$25 million.

Gross margin percentage increased by 1.2 percentage points in the quarter ended March 31, 2013 compared with the quarter ended March 31, 2012 primarily due to higher segment gross margin in our Automation and Control Solutions and Performance Materials and Technologies segments (approximately 0.6 percentage point impact collectively), decrease in pension expense (approximately 0.3 percentage point impact) and lower repositioning and other charges allocated to cost of products and services sold (approximately 0.1 percentage point impact).

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

Selling, General and Administrative Expenses

| | Three Months Ended | |
|---|--------------------|----------|
| | March 31, | |
| | 2013 | 2012 |
| Selling, general and administrative expense | \$ 1,229 | \$ 1,231 |
| Percent of sales | 13.2% | 13.2% |

Selling, general and administrative expenses as a percentage of sales was flat in the quarter ended March 31, 2013 compared to the quarter ended March 31, 2012 driven by disciplined cost management offset by merit increases and acquisitions.

Other (Income) Expense

| | Three Months Ended | |
|--|--------------------|----------------|
| | March 31, | |
| | 2013 | 2012 |
| Equity (income)/loss of affiliated companies | \$ (9) | \$ (10) |
| Interest income | (17) | (14) |
| Foreign exchange | 2 | 10 |
| Other, net | (4) | (1) |
| | <u>\$ (28)</u> | <u>\$ (15)</u> |

Other income of \$28 million increased by \$13 million during the quarter ended March 31, 2013 compared to the quarter ended March 31, 2012.

Interest and Other Financial Charges

| | Three Months Ended | |
|--------------------------------------|--------------------|-------|
| | March 31, | |
| | 2013 | 2012 |
| Interest and other financial charges | \$ 84 | \$ 89 |
| % change compared with prior period | (6)% | |

Interest and other financial charges decreased by \$5 million in the quarter ended March 31, 2013 compared with the quarter ended March 31, 2012 primarily due to lower borrowing costs.

Tax Expense

| | Three Months Ended | |
|--------------------|--------------------|--------|
| | March 31, | |
| | 2013 | 2012 |
| Tax expense | \$ 291 | \$ 297 |
| Effective tax rate | 23.1% | 26.5% |

The effective tax rate decreased by 3.4 percent in the quarter ended March 31, 2013 compared with the quarter ended March 31, 2012 primarily due to retroactive law changes in the U.S. partially offset by retroactive law changes in Germany and increased tax expense for reserves in various jurisdictions.

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

The effective tax rate for the period ending in 2012 was lower than the statutory rate of 35 percent due, in part, to foreign earnings taxed at lower rates and benefits from manufacturing incentives.

Net Income Attributable to Honeywell

| | Three Months Ended | |
|--|--------------------|---------|
| | March 31, | |
| | 2013 | 2012 |
| Net income attributable to Honeywell | \$ 966 | \$ 823 |
| Earnings per share of common stock – assuming dilution | \$ 1.21 | \$ 1.04 |

Earnings per share of common stock – assuming dilution increased by \$ 0.17 per share in the quarter ended March 31, 2013 compared with the quarter ended March 31, 2012 primarily due to increased segment profit in our Aerospace, Automation and Control Solutions and Performance Materials and Technologies segments and lower pension expense.

Review of Business Segments

| | Three Months Ended | |
|--|--------------------|-----------------|
| | March 31, | |
| | 2013 | 2012 |
| Net Sales | | |
| Aerospace | | |
| Product | \$ 1,706 | \$ 1,705 |
| Service | 1,205 | 1,245 |
| Total | 2,911 | 2,950 |
| Automation and Control Solutions | | |
| Product | 3,239 | 3,251 |
| Service | 547 | 537 |
| Total | 3,786 | 3,788 |
| Performance Materials and Technologies | | |
| Product | 1,615 | 1,467 |
| Service | 102 | 148 |
| Total | 1,717 | 1,615 |
| Transportation Systems | | |
| Product | 914 | 954 |
| Service | — | — |
| Total | 914 | 954 |
| | <u>\$ 9,328</u> | <u>\$ 9,307</u> |
| Segment Profit | | |
| Aerospace | \$ 551 | \$ 534 |
| Automation and Control Solutions | 523 | 491 |
| Performance Materials and Technologies | 374 | 319 |
| Transportation Systems | 111 | 120 |
| Corporate | (51) | (49) |
| Total Segment Profit | 1,508 | 1,415 |
| Other income (expense) ^(a) | 19 | 5 |
| Interest and other financial charges | (84) | (89) |
| Stock compensation expense ^(b) | (54) | (51) |
| Pension ongoing income (expense) ^(b) | 21 | (13) |
| Other postretirement income (expense) ^(b) | (22) | (23) |
| Repositioning and other charges ^(b) | (128) | (122) |
| Income before taxes | <u>\$ 1,260</u> | <u>\$ 1,122</u> |

(a) Equity income (loss) of affiliated companies is included in Segment Profit.

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

| | Three Months Ended March 31, | | % |
|---|------------------------------------|-----------------|-------|
| | 2013 | 2012 | |
| Aerospace Sales | | | |
| Commercial: | | | |
| Original equipment | | | |
| Air transport and regional | \$ 451 | \$ 415 | 9% |
| Business and general aviation | 229 | 256 | (11)% |
| Aftermarket | | | |
| Air transport and regional | 700 | 728 | (4)% |
| Business and general aviation | 339 | 347 | (2)% |
| Defense and Space | 1,192 | 1,204 | (1)% |
| Total Aerospace Sales | <u>2,911</u> | <u>2,950</u> | |
| Automation and Control Solutions Sales | | | |
| Energy Safety & Security | 2,003 | 1,972 | 2% |
| Process Solutions | 707 | 722 | (2)% |
| Building Solutions & Distribution | 1,076 | 1,094 | (2)% |
| Total Automation and Control Solutions Sales | <u>3,786</u> | <u>3,788</u> | |
| Performance Materials and Technologies Sales | | | |
| UOP | 775 | 579 | 34% |
| Advanced Materials | 942 | 1,036 | (9)% |
| Total Performance Materials and Technologies Sales | <u>1,717</u> | <u>1,615</u> | |
| Transportation Systems Sales | | | |
| Transportation Systems | 914 | 954 | (4)% |
| Total Transportation Systems Sales | <u>914</u> | <u>954</u> | |
| Net Sales | <u>\$ 9,328</u> | <u>\$ 9,307</u> | |

Aerospace

| | Three Months Ended | | |
|--|--------------------|----------|----------|
| | March 31, | | |
| | 2013 | 2012 | % Change |
| Net sales | \$ 2,911 | \$ 2,950 | (1)% |
| Cost of products and services sold | 2,180 | 2,207 | |
| Selling, general and administrative expenses | 126 | 156 | |
| Other | 54 | 53 | |
| Segment profit | \$ 551 | \$ 534 | 3% |

| Factors Contributing to Year-Over-Year Change | 2013 vs. 2012 | |
|---|--------------------|----------------|
| | Three Months Ended | |
| | March 31, | |
| | Sales | Segment Profit |
| Organic growth/ Operational segment profit | (1)% | 2% |
| Other | — | 1% |
| Total % Change | (1)% | 3% |

Aerospace sales by major customer end-markets were as follows:

| Customer End-Markets | Three Months Ended | | |
|--------------------------------|----------------------|------|---------------------------------|
| | March 31, | | |
| | % of Aerospace Sales | | % Increase/ (Decrease) In Sales |
| | 2013 | 2012 | |
| Commercial original equipment: | | | |
| Air transport and regional | 15% | 14% | 9% |
| Business and general aviation | 8% | 9% | (11)% |
| Commercial original equipment | 23% | 23% | 1% |
| Commercial aftermarket: | | | |
| Air transport and regional | 24% | 25% | (4)% |
| Business and general aviation | 12% | 12% | (2)% |
| Commercial aftermarket | 36% | 37% | (3)% |
| Defense and space | 41% | 40% | (1)% |
| Total | 100% | 100% | (1)% |

Aerospace sales decreased by 1 percent in the quarter ended March 31, 2013 compared with the quarter ended March 31, 2012 driven primarily by decreased volumes in our commercial aftermarket and defense and space businesses.

Details regarding the change in sales by customer end-markets are as follows:

Commercial OE sales increased by 1 percent (1 percent organic) in the quarter ended March 31, 2013 due to the following:

- Air transport and regional OE sales increased by 9 percent (9 percent organic) in the quarter ended March 31, 2013 driven primarily by higher volumes to our OE customers, consistent with higher production rates and a favorable platform mix.
- Business and general aviation OE sales decreased by 11 percent (negative 12 percent organic) in the quarter ended March 31, 2013 driven by lower sales to our OE customers reflecting higher than normal shipments in the first quarter of 2012 coupled with an unfavorable impact from the Hawker Beechcraft bankruptcy, partially offset by a favorable 2 percent impact from a reduction in payments to business and general aviation OE Manufacturers (OEM payments) to offset their pre-production costs associated with new aircraft platforms.

Commercial aftermarket sales decreased by 3 percent in the quarter ended March 31, 2013 due to the following:

- Air transport and regional aftermarket sales decreased by 4 percent in the quarter ended March 31, 2013 primarily as a result of decreased sales of spare parts reflecting higher than normal shipments in the first quarter of 2012, partially offset by increased global flying hours of approximately 2 percent.
- Business and general aviation aftermarket sales decreased by 2 percent in the quarter ended March 31, 2013 primarily due to reduced revenue associated with fewer maintenance events partially offset by a higher uptake in retrofit, modifications, and upgrades.

Defense and space sales decreased by 1 percent (negative 1 percent organic) in the quarter ended March 31, 2013 primarily due to anticipated program ramp downs in the U.S., partially offset by international aftermarket sales.

Aerospace segment profit increased by 3 percent in the quarter ended March 31, 2013 compared with quarter ended March 31, 2012 due primarily to a 2 percent increase in operational segment profit and a 1 percent favorable impact from a reduction in OEM payments, discussed above. The increase in operational segment profit is driven by the favorable impact of higher price and productivity, net of inflation (including the absence of prior year unfavorable impact of the Hawker Beechcraft bankruptcy), partially offset by lower commercial aftermarket and defense and space demand. Cost of products and services sold totaled \$2.2 billion for the quarter ended March 31, 2013, a decrease of approximately \$27 million which is primarily a result of the factors discussed above (excluding price).

Automation and Control Solutions

| | Three Months Ended | | |
|--|--------------------|----------|----------|
| | March 31, | | |
| | 2013 | 2012 | % Change |
| Net sales | \$ 3,786 | \$ 3,788 | — |
| Cost of products and services sold | 2,501 | 2,523 | |
| Selling, general and administrative expenses | 685 | 700 | |
| Other | 77 | 74 | |
| Segment profit | \$ 523 | \$ 491 | 7% |

| Factors Contributing to Year-Over-Year Change | 2013 vs. 2012 | |
|---|--------------------|----------------|
| | Three Months Ended | |
| | March, 31 | |
| | Sales | Segment Profit |
| Organic growth/ Operational segment profit | — | 7% |
| Total % Change | — | 7% |

Automation and Control Solutions (“ACS”) sales were flat in the quarter ended March 31, 2013 compared with the quarter ended March 31, 2012.

- Sales in our Energy, Safety & Security businesses increased by 2 percent (1 percent organic) in the quarter ended March 31, 2013 principally due to (i) higher sales volumes of our environmental and combustion controls products primarily the result of normal seasonality in 2013 as compared to the 2012 mild winter and improved residential HVAC market conditions; and (ii) higher sales volumes due to continued strong U.S. residential market conditions and new product introductions in the security business partially offset by decreases in sales volumes of our sensing and control products primarily the result of softness in industrial end markets.
- Sales in our Process Solutions business decreased 2 percent (negative 1 percent organic) in the quarter ended March 31, 2013 reflecting several large project completions in the prior year partially offset by service and software solutions growth.
- Sales in our Building Solutions & Distribution businesses decreased by 2 percent (negative 1 percent organic) in the quarter ended March 31, 2013 principally due to softness in the U.S. energy retrofit business partially offset by increased sales volume in our Americas Distribution business due to continued strong U.S. residential market conditions.

ACS segment profit increased by 7 percent in the quarter ended March 31, 2013 compared with the quarter ended March 31, 2012 primarily due to the positive impact from price and productivity, net of inflation. Cost of products and services sold totaled \$2.5 billion in 2013, a decrease of approximately \$22 million which is primarily due to productivity and lower sales volumes partially offset by inflation.

Performance Materials and Technologies

| | Three Months Ended | | |
|--|--------------------|----------|--------|
| | March 31, | | |
| | 2013 | 2012 | Change |
| Net sales | \$ 1,717 | \$ 1,615 | 6% |
| Cost of products and services sold | 1,206 | 1,169 | |
| Selling, general and administrative expenses | 118 | 111 | |
| Other | 19 | 16 | |
| Segment profit | \$ 374 | \$ 319 | 17% |

| Factors Contributing to Year-Over-Year Change | 2013 vs. 2012 | |
|---|--------------------|----------------|
| | Three Months Ended | |
| | March 31, | |
| | Sales | Segment Profit |
| Organic growth/ Operational segment profit | (2)% | 13% |
| Acquisitions and divestitures, net | 8% | 4% |
| Total % Change | 6% | 17% |

Performance Materials and Technologies sales increased by 6 percent in the quarter ended March 31, 2013 compared with the quarter ended March 31, 2012 due to an 8 percent growth from acquisitions partially offset by a decrease in organic sales of 2 percent.

- UOP sales increased 34 percent (10 percent organic) in the quarter ended March 31, 2013 compared to March 31, 2012 primarily driven by (i) the favorable impact from acquisitions, and (ii) higher volume of petrochemical catalysts and increased equipment revenues, reflecting continued strength in our end markets.
- Advanced Materials sales decreased by 9 percent in the quarter ended March 31, 2013 compared to March 31, 2012 primarily driven by planned plant outages in our Fluorine Products and Resins and Chemicals businesses.

Performance Materials and Technologies segment profit increased by 17 percent in the quarter ended March 31, 2013 compared with the quarter ended March 31, 2012 due to a 13 percent increase in operational segment profit and a 4 percent increase from acquisitions. The increase in operational segment profit is primarily due to higher UOP sales volume as discussed above and favorable price, net of inflation, and partially offset by continued investment to support growth. Cost of products and services sold totaled \$1.2 billion in the quarter ended March 31, 2013, an increase of \$37 million which is primarily due to acquisitions and inflation partially offset by lower sales volumes in Advanced Materials.

The Company is in the process of upgrading its Metropolis Works nuclear conversion facility, a Fluorine Products facility, as required by the U.S. Nuclear Regulatory Commission (NRC). Since the second quarter of 2012 production at the Metropolis facility has been suspended. It will recommence upon completion of certain seismic-related upgrades and final review by the NRC. The Company believes that completion of the upgrades to the facility could be completed by the end of the second quarter of 2013. The continued suspension of operations and the cost of the plant upgrades are not expected to have a material negative impact on Performance Materials and Technologies' 2013 results of operations.

Transportation Systems

| | Three Months Ended | | |
|--|--------------------|--------|--------|
| | March 31, | | |
| | 2013 | 2012 | Change |
| Net sales | \$ 914 | \$ 954 | (4)% |
| Cost of products and services sold | 751 | 784 | |
| Selling, general and administrative expenses | 39 | 35 | |
| Other | 13 | 15 | |
| Segment profit | \$ 111 | \$ 120 | (8)% |

| Factors Contributing to Year-Over-Year Change | 2013 vs. 2012 | |
|---|--------------------|----------------|
| | Three Months Ended | |
| | March 31, | |
| | Sales | Segment Profit |
| Organic growth/ Operational segment profit | (4)% | (7)% |
| Foreign exchange | — | (1)% |
| Total % Change | (4)% | (8)% |

Transportation Systems sales decreased by 4 percent in the quarter ended March 31, 2013 compared with the quarter ended March 31, 2012 driven by a decrease in organic sales. Lower sales were primarily driven by decreased light vehicle production in Europe and lower aftermarket sales partially offset by new platform launches, including higher turbo gas penetration in North America and China.

Transportation Systems segment profit decreased by 8 percent in the quarter ended March 31, 2013 compared with the quarter ended March 31, 2012. The decrease in operational segment profit is primarily due to unfavorable pricing and decreased volume, partially offset by productivity (net of the impact of ongoing projects to drive operational improvement in the Friction Materials business). Cost of products and services sold totaled \$751 million in the quarter ended March 31, 2013, a decrease of \$33 million which is primarily a result of decreased volume and increased productivity.

Repositioning and Other Charges

See Note 4 of Notes to Financial Statements for a discussion of repositioning and other charges incurred in the three months ended March 31, 2013. Our repositioning actions are expected to generate incremental pretax savings of approximately \$150 million in 2013 compared with 2012 principally from planned workforce reductions. Cash expenditures for severance and other exit costs necessary to execute these actions were \$31 million in the first three months of 2013 and were funded through operating cash flows. Cash expenditures for severance and other costs necessary to execute the remaining actions will approximate a total of \$175 million in 2013 and will be funded through operating cash flows.

B. Liquidity and capital resources

Cash flow summary

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows for the three months ended March 31, 2013 and 2012, are summarized as follows:

| | 2013 | 2012 |
|--|-------------|------------|
| Cash provided by/(used for): | | |
| Operating activities | \$ 341 | \$ 196 |
| Investing activities | (311) | (122) |
| Financing activities | (58) | 169 |
| Effect of exchange rate changes on cash | (67) | 47 |
| Net (decrease)/increase in cash and cash equivalents | <u>(95)</u> | <u>290</u> |

Cash provided by operating activities increased by \$145 million during the three months ended March 31, 2013 compared with the three months ended March 31, 2012 primarily due to i) increased net income of \$143 million, ii) reduced cash contributions to our pension plans of \$122 million, iii) favorable impact from accrued

expenses of \$120 million (primarily due to increased customer advances) and iv) lower cash tax payments of approximately \$30 million, partially offset by i) a \$137 million unfavorable impact from working capital (driven by higher receivables primarily due to timing of sales within the quarter and decreased accounts payable primarily due to reduced inventory purchases compared to prior period) and ii) a \$135 million unfavorable impact from decreased deferred taxes (excluding the impact of cash taxes).

Cash used for investing activities increased by \$189 million during the three months ended March 31, 2013 compared with the three months ended March 31, 2012 primarily due to an increase in cash paid for acquisitions of \$121 million and an increase of approximately \$55 million in settlement payments of foreign currency exchange contracts which are economic hedges on certain non-functional currency denominated monetary assets and liabilities.

Cash used for financing activities increased by \$227 million during the three months ended March 31, 2013 compared to the three months ended March 31, 2012 primarily due to a decrease in the net proceeds from debt issuances of \$143 million and an increase in the net repurchases of common stock of \$65 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, access to the public debt and equity markets as well as the ability to sell trade accounts receivables. We continue to balance our cash and financing uses through investment in our existing core businesses, debt reduction, acquisition activity, share repurchases and dividends.

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

In the first quarter of 2013, the Company repaid \$600 million of its 4.25% notes. The repayment was funded with the issuance of commercial paper.

In December 2012, the Company entered into a definitive agreement to acquire Intermec, Inc. (Intermec) a leading provider of mobile computing, radio frequency identification solutions (RFID) and bar code, label and receipt printers for use in warehousing, supply chain, field service and manufacturing environments for \$10 per share in cash, or an aggregate purchase price of approximately \$600 million, net of cash acquired. Intermec is a U.S. public company which operates globally and had reported 2012 revenues of approximately \$790 million. The transaction is expected to close by the end of the second quarter of 2013, pending regulatory review by the United States and the European Commission. The acquisition is expected to be funded with available cash and the issuance of commercial paper. Intermec will be integrated into our Automation and Control Solutions segment.

In 2013, we are not required to make contributions to our U.S. pension plans. We plan to make contributions of cash or marketable securities of approximately \$150 million to our non-U.S. plans to satisfy regulatory funding standards. Cash contributions of \$134 million were made in the first quarter. The timing and amount of contributions to both our U.S. and non-U.S. plans may be impacted by a number of factors, including the funded status of the plans.

During the first quarter of 2013, the Company repurchased \$139 million of outstanding shares. Under the Company's previously reported \$3 billion share repurchase program, \$1.5 billion remained available as of March 31, 2013 for additional share repurchases. Honeywell presently expects to repurchase outstanding shares from time to time during 2013 to offset the dilutive impact of employee stock based compensation plans, including future option exercises, restricted unit vesting and matching contributions under our savings plans. The amount and timing of future repurchases may vary depending on market conditions and the level of operating, financing and other investing activities.

We expect the NARCO Plan of Reorganization to be effective in the second quarter of 2013. See Asbestos Matters in Note 17 to the financial statements for further discussion of expected funding obligations in 2013 related to the NARCO Trust.

C. Other Matters

Litigation

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See a discussion of environmental, asbestos and other litigation matters in Note 17 of Notes to Financial Statements.

Critical Accounting Policies

The financial information as of March 31, 2013 should be read in conjunction with the financial statements for the year ended December 31, 2012 contained in our Form 10-K filed on February 15, 2013.

For a discussion of the Company's critical accounting policies, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K filed on February 15, 2013.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risks

See our 2012 Annual Report on Form 10-K (Item 7A). As of March 31, 2013, there has been no material change in this information.

Item 4. Controls and Procedures

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

Part II. Other Information

Item 1. Legal Proceedings

General Legal Matters

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. See a discussion of environmental, asbestos and other litigation matters in Note 17 of Notes to Financial Statements.

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

In March 2013, the Company entered into a consent decree with the United States and the Commonwealth of Virginia regarding violations of the Clean Air Act and the air operating permit at the Company's manufacturing facility in Hopewell, Virginia. In the settlement, the Company agreed to pay a civil penalty of \$3 million, and undertake certain remedial actions.

In addition, the Commonwealth of Virginia has notified Honeywell of potential violations at the Hopewell facility relating to air emissions from the facility's sulfuric acid plant and certain other equipment. The Company is investigating the allegations. Although the outcome of this matter cannot be predicted with certainty, we do not believe that it will have a material adverse effect on our consolidated financial position, consolidated results of operations or operating cash flows.

Item 2. Changes in Securities and Use of Proceeds

Honeywell purchased 2,000,000 shares of its common stock, par value \$1 per share, in the quarter ending March 31, 2013. Under the Company's previously reported \$3 billion share repurchase program, \$1.5 billion remained available as of March 31, 2013 for additional share repurchases. Honeywell presently expects to repurchase outstanding shares from time to time during 2013 to offset the dilutive impact of employee stock based compensation plans, including future option exercises, restricted unit vesting and matching contributions under our savings plans. The amount and timing of future repurchases may vary depending on market conditions and the level of operating, financing and other investing activities.

The following table summarizes Honeywell's purchase of its common stock, par value \$1 per share, for the quarter ended March 31, 2013:

| Period | Issuer Purchases of Equity Securities | | | |
|---------------|--|---|---|--|
| | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Approximate Dollar Value of Shares that May Yet be Purchased Under Plans or Programs (Dollars in millions) |
| February 2013 | 2,000,000 | \$ 69.53 | 2,000,000 | \$ 1,459 |

Item 6. EXHIBITS

(a) Exhibits. See the Exhibit Index on page 46 of this Quarterly Report on Form 10-Q.

SIGNATURES

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

Honeywell International Inc.

Date: April 19, 2013

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

EXHIBIT INDEX

| Exhibit No. | Description |
|-------------|---|
| 10.1* | Amendment to Employment Agreement dated as of February 18, 2002 between Honeywell and David M. Cote (incorporated by reference to Exhibit 10.24 to Honeywell's Form 8-K filed March 4, 2002), and amended by Exhibit 10.3 to Honeywell's Form 10-Q for the quarter ended September 30, 2008 and Exhibit 10.17 to Honeywell's 10-K for the year ended December 31, 2008 (filed herewith) |
| 11 | Computation of Per Share Earnings ⁽¹⁾ |
| 12 | Computation of Ratio of Earnings to Fixed Charges (filed herewith) |
| 15 | Independent Accountants' Acknowledgment Letter as to the incorporation of their report relating to unaudited interim financial statements (filed herewith) |
| 31.1 | Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 31.2 | Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 32.1 | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 32.2 | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 101.INS | XBRL Instance Document (filed herewith) |
| 101.SCH | XBRL Taxonomy Extension Schema (filed herewith) |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase (filed herewith) |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase (filed herewith) |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase (filed herewith) |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase (filed herewith) |

* The Exhibits identified above with an asterisk (*) are management contracts or compensatory plans or arrangements.

(1) Data required is provided in Note 6 to the consolidated financial statements in this report.

February 19, 2013

Mr. David Cote
c/o Honeywell International Inc.
101 Columbia Road
Morristown, New Jersey 07962

Dear Dave:

This letter constitutes an amendment to the February 18, 2002 letter agreement between you and Honeywell International Inc., as subsequently amended (the "Letter Agreement"). You understand and agree that if the calculation of your retirement benefit from Honeywell International Inc. (including the Additional Retirement Benefit described in Section 4(e) of the Letter Agreement) includes the annual incentive amount paid to you in 2013, then solely for purposes of calculating your retirement benefit, such amount shall not exceed \$4,300,000. This letter does not modify any other provisions of the Letter Agreement, which will otherwise remain in full effect.

Your signature below signifies your agreement.

Very truly yours,

/s/ Mark James

Mark James
Senior Vice President – Human Resources and Communications
Honeywell International Inc.

Read and Accepted

/s/ David Cote

David Cote

Date: February 20, 2013

HONEYWELL INTERNATIONAL INC.
STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
Three Months Ended
March 31, 2013
(Dollars in millions)

| | |
|--|-----------------|
| Determination of Earnings: | |
| Income from continuing operations before taxes | \$ 1,260 |
| Add (Deduct): | |
| Amortization of capitalized interest | 5 |
| Fixed charges | 97 |
| Equity income, net of distributions | (9) |
| Total earnings, as defined | <u>\$ 1,353</u> |

| | |
|--------------------------------------|---------------|
| Fixed Charges: | |
| Rents ^(a) | \$ 13 |
| Interest and other financial charges | 84 |
| | <u>97</u> |
| Capitalized interest | 5 |
| Total fixed charges | <u>\$ 102</u> |

Ratio of Earnings to Fixed Charges **13.26**

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

April 19, 2013

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

Commissioners:

We are aware that our report dated April 19, 2013 on our review of interim financial information of Honeywell International Inc. (the "Company") for the three-month periods ended March 31, 2013 and 2012 and included in the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2013 is incorporated by reference in its Registration Statements on Form S-3 (No.033-55425, 333-22355, 333-101455, 333-165036, and 333-186695), Form S-8 (No. 033-51455, 033-58347, 333-57515, 333-57517, 333-57519, 333-83511, 333-49280, 333-57868, 333-105065, 333-108461, 333-136083, 333-136086, 333-146932, 333-148995, and 333-175260) and Form S-4 (No. 333-82049).

Very truly yours,

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey

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

I, David M. Cote, Chief Executive Officer, certify that:

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

Date: April 19, 2013

By: /s/ David M. Cote

David M. Cote
Chief Executive Officer

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

I, David J. Anderson, Chief Financial Officer, certify that:

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

Date: April 19, 2013

By: /s/ David J. Anderson _____

David J. Anderson
Chief Financial Officer

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

In connection with the Quarterly Report of Honeywell International Inc. (the Company) on Form 10-Q for the period ending March 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David M. Cote, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

By: /s/ David M. Cote
David M. Cote
Chief Executive Officer
April 19, 2013

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

In connection with the Quarterly Report of Honeywell International Inc. (the Company) on Form 10-Q for the period ending March 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David J. Anderson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

By: /s/ David J. Anderson
David J. Anderson
Chief Financial Officer
April 19, 2013
