

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

**Form 10-Q**

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

For the quarterly period ended June 30, 2020

OR

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

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

Commission file number 1-8974

**Honeywell International Inc.**

(Exact name of registrant as specified in its charter)

|   |   |
|---|---|
| Delaware  | 22-2640650                              |
| (State or other jurisdiction of<br>incorporation or organization) | (I.R.S. Employer<br>Identification No.) |
| 300 South Tryon Street<br>Charlotte, NC                           | 28202                                   |
| (Address of principal executive offices)                          | (Zip Code)                              |

704 627-6200

(Registrant's telephone number, including area code)

Not Applicable

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

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

| Title of each class                    | Trading<br>Symbol(s) | Name of each exchange on which registered |
|--|----------------------|---|
| Common Stock, par value \$1 per share* | HON                  | The New York Stock Exchange               |
| 1.300% Senior Notes due 2023           | HON 23A              | The New York Stock Exchange               |
| 0.000% Senior Notes due 2024           | HON 24A              | The New York Stock Exchange               |
| 2.250% Senior Notes due 2028           | HON 28A              | The New York Stock Exchange               |
| 0.750% Senior Notes due 2032           | HON 32               | The New York Stock Exchange               |

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

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

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

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

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large Accelerated Filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-Accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/> |

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

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

There were 701,783,165 shares of Common Stock outstanding at June 30, 2020.

# 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, including the impact of the coronavirus pandemic (COVID-19), which can affect our performance and financial results 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 this report and our 2019 Annual Report on Form 10-K.

PART I. FINANCIAL INFORMATION

The financial statements and related footnotes as of June 30, 2020 should be read in conjunction with the financial statements for the year ended December 31, 2019 contained in our 2019 Annual Report on Form 10-K.

ITEM 1. FINANCIAL STATEMENTS

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

|  | Three Months Ended June 30,                     |                 | Six Months Ended June 30, |                 |
|--|---|-----------------|---------------------------|-----------------|
|  | 2020  | 2019            | 2020                      | 2019            |
|  | (Dollars in millions, except per share amounts) |                 |                           |                 |
| Product sales  | \$ 5,743  | \$ 6,990        | \$ 12,048                 | \$ 13,703       |
| Service sales  | 1,734   | 2,253           | 3,892                     | 4,424           |
| Net sales  | <u>7,477</u>                                    | <u>9,243</u>    | <u>15,940</u>             | <u>18,127</u>   |
| Costs, expenses and other                                    |   |                 |                           |                 |
| Cost of products sold  | 4,163   | 4,848           | 8,537                     | 9,470           |
| Cost of services sold  | 1,113   | 1,246           | 2,273                     | 2,503           |
|  | <u>5,276</u>                                    | <u>6,094</u>    | <u>10,810</u>             | <u>11,973</u>   |
| Selling, general and administrative expenses                 | 1,183   | 1,387           | 2,421                     | 2,750           |
| Other (income) expense                                       | (291)   | (305)           | (608)                     | (590)           |
| Interest and other financial charges                         | 90  | 85              | 163                       | 170             |
|  | <u>6,258</u>                                    | <u>7,261</u>    | <u>12,786</u>             | <u>14,303</u>   |
| Income before taxes  | 1,219   | 1,982           | 3,154                     | 3,824           |
| Tax expense (benefit)  | 120   | 426             | 449                       | 832             |
| Net income   | <u>1,099</u>                                    | <u>1,556</u>    | <u>2,705</u>              | <u>2,992</u>    |
| Less: Net income attributable to the noncontrolling interest | 18  | 15              | 43                        | 35              |
| Net income attributable to Honeywell                         | <u>\$ 1,081</u>                                 | <u>\$ 1,541</u> | <u>\$ 2,662</u>           | <u>\$ 2,957</u> |
| Earnings per share of common stock - basic                   | <u>\$ 1.54</u>                                  | <u>\$ 2.13</u>  | <u>\$ 3.77</u>            | <u>\$ 4.07</u>  |
| Earnings per share of common stock - assuming dilution       | <u>\$ 1.53</u>                                  | <u>\$ 2.10</u>  | <u>\$ 3.74</u>            | <u>\$ 4.02</u>  |

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

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

|   | Three Months Ended June 30, |          | Six Months Ended June 30, |          |
|---|-----------------------------|----------|---------------------------|----------|
|   | 2020                        | 2019     | 2020                      | 2019     |
|   | (Dollars in millions)       |          |                           |          |
| Net income  | \$ 1,099                    | \$ 1,556 | \$ 2,705                  | \$ 2,992 |
| Other comprehensive income (loss), net of tax                               |                             |          |                           |          |
| Foreign exchange translation adjustment                                     | 121                         | (191)    | (155)                     | 14       |
| Prior service (credit) cost recognized                                      | (20)                        | (20)     | (40)                      | (39)     |
| Pension and other postretirement benefits adjustments                       | (20)                        | (20)     | (40)                      | (39)     |
| Cash flow hedges recognized in other comprehensive income (loss)            | (91)                        | 10       | 104                       | 48       |
| Less: Reclassification adjustment for gains (losses) included in net income | (33)                        | 7        | 22                        | 39       |
| Changes in fair value of effective cash flow hedges                         | (58)                        | 3        | 82                        | 9        |
| Other comprehensive income (loss), net of tax                               | 43                          | (208)    | (113)                     | (16)     |
| Comprehensive income  | 1,142                       | 1,348    | 2,592                     | 2,976    |
| Less: Comprehensive income attributable to the noncontrolling interest      | 21                          | 13       | 39                        | 37       |
| Comprehensive income attributable to Honeywell                              | \$ 1,121                    | \$ 1,335 | \$ 2,553                  | \$ 2,939 |

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

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

|   | June 30, 2020         | December 31, 2019 |
|---|-----------------------|-------------------|
|   | (Dollars in millions) |                   |
| <b>ASSETS</b>   |                       |                   |
| Current assets:   |                       |                   |
| Cash and cash equivalents   | \$ 13,778             | \$ 9,067          |
| Short-term investments  | 1,349                 | 1,349             |
| Accounts receivable - net   | 6,717                 | 7,493             |
| Inventories   | 4,753                 | 4,421             |
| Other current assets  | 1,724                 | 1,973             |
| Total current assets  | 28,321                | 24,303            |
| Investments and long-term receivables   | 626                   | 588               |
| Property, plant and equipment - net   | 5,327                 | 5,325             |
| Goodwill  | 15,518                | 15,563            |
| Other intangible assets - net   | 3,551                 | 3,734             |
| Insurance recoveries for asbestos related liabilities                         | 379                   | 392               |
| Deferred income taxes   | 106                   | 86                |
| Other assets  | 9,776                 | 8,688             |
| Total assets  | \$ 63,604             | \$ 58,679         |
| <b>LIABILITIES</b>  |                       |                   |
| Current liabilities:  |                       |                   |
| Accounts payable  | \$ 5,366              | \$ 5,730          |
| Commercial paper and other short-term borrowings                              | 3,531                 | 3,516             |
| Current maturities of long-term debt  | 967                   | 1,376             |
| Accrued liabilities   | 7,477                 | 7,476             |
| Total current liabilities   | 17,341                | 18,098            |
| Long-term debt  | 17,591                | 11,110            |
| Deferred income taxes   | 1,461                 | 1,670             |
| Postretirement benefit obligations other than pensions                        | 317                   | 326               |
| Asbestos related liabilities  | 1,894                 | 1,996             |
| Other liabilities   | 6,627                 | 6,766             |
| Redeemable noncontrolling interest  | 7                     | 7                 |
| <b>SHAREOWNERS' EQUITY</b>  |                       |                   |
| Capital - common stock issued   | 958                   | 958               |
| - additional paid-in capital  | 7,104                 | 6,876             |
| Common stock held in treasury, at cost  | (25,685)              | (23,836)          |
| Accumulated other comprehensive loss  | (3,310)               | (3,197)           |
| Retained earnings   | 39,080                | 37,693            |
| Total Honeywell shareowners' equity   | 18,147                | 18,494            |
| Noncontrolling interest   | 219                   | 212               |
| Total shareowners' equity   | 18,366                | 18,706            |
| Total liabilities, redeemable noncontrolling interest and shareowners' equity | \$ 63,604             | \$ 58,679         |

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

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

|   | Six Months Ended June 30, |          |
|---|---------------------------|----------|
|   | 2020                      | 2019     |
| (Dollars in millions)   |                           |          |
| <b>Cash flows from operating activities:</b>  |                           |          |
| Net income  | \$ 2,705                  | \$ 2,992 |
| Less: Net income attributable to the noncontrolling interest  | 43                        | 35       |
| Net income attributable to Honeywell  | 2,662                     | 2,957    |
| Adjustments to reconcile net income attributable to Honeywell to net cash provided by operating activities: |                           |          |
| Depreciation  | 314                       | 335      |
| Amortization  | 179                       | 221      |
| Repositioning and other charges   | 342                       | 210      |
| Net payments for repositioning and other charges  | (309)                     | (85)     |
| Pension and other postretirement income   | (423)                     | (322)    |
| Pension and other postretirement benefit payments   | (23)                      | (45)     |
| Stock compensation expense  | 78                        | 75       |
| Deferred income taxes   | (277)                     | 44       |
| Other   | (285)                     | 5        |
| Changes in assets and liabilities, net of the effects of acquisitions and divestitures:                     |                           |          |
| Accounts receivable   | 776                       | 98       |
| Inventories   | (331)                     | (273)    |
| Other current assets  | 106                       | (239)    |
| Accounts payable  | (364)                     | (8)      |
| Accrued liabilities   | (26)                      | (161)    |
| Net cash provided by (used for) operating activities  | 2,419                     | 2,812    |
| <b>Cash flows from investing activities:</b>  |                           |          |
| Expenditures for property, plant and equipment  | (366)                     | (312)    |
| Proceeds from disposals of property, plant and equipment  | 7                         | 10       |
| Increase in investments   | (1,671)                   | (2,274)  |
| Decrease in investments   | 1,589                     | 2,163    |
| Receipts (payments) from settlements of derivative contracts  | 83                        | 70       |
| Net cash provided by (used for) investing activities  | (358)                     | (343)    |
| <b>Cash flows from financing activities:</b>  |                           |          |
| Proceeds from issuance of commercial paper and other short-term borrowings                                  | 7,165                     | 7,114    |
| Payments of commercial paper and other short-term borrowings  | (7,094)                   | (7,115)  |
| Proceeds from issuance of common stock  | 97                        | 378      |
| Proceeds from issuance of long-term debt  | 7,101                     | 29       |
| Payments of long-term debt  | (1,218)                   | (84)     |
| Repurchases of common stock   | (1,985)                   | (2,650)  |
| Cash dividends paid   | (1,285)                   | (1,203)  |
| Other   | (40)                      | (32)     |
| Net cash provided by (used for) financing activities  | 2,741                     | (3,563)  |
| Effect of foreign exchange rate changes on cash and cash equivalents  | (91)                      | 32       |
| Net increase (decrease) in cash and cash equivalents  | 4,711                     | (1,062)  |
| Cash and cash equivalents at beginning of period  | 9,067                     | 9,287    |
| Cash and cash equivalents at end of period  | \$ 13,778                 | \$ 8,225 |

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

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

|   | Three Months Ended June 30, |          |         |          | Six Months Ended June 30, |          |         |          |
|---|-----------------------------|----------|---------|----------|---------------------------|----------|---------|----------|
|   | 2020                        |          | 2019    |          | 2020                      |          | 2019    |          |
|   | Shares                      | \$       | Shares  | \$       | Shares                    | \$       | Shares  | \$       |
| (Dollars in millions, except per share amounts)       |                             |          |         |          |                           |          |         |          |
| <b>Common stock, par value</b>                        | 957.6                       | 958      | 957.6   | 958      | 957.6                     | 958      | 957.6   | 958      |
| <b>Additional paid-in capital</b>                     |                             |          |         |          |                           |          |         |          |
| Beginning balance                                     |                             | 7,047    |         | 6,652    |                           | 6,876    |         | 6,452    |
| Issued for employee savings and option plans          |                             | 23       |         | 94       |                           | 150      |         | 253      |
| Stock-based compensation expense                      |                             | 34       |         | 34       |                           | 78       |         | 75       |
| Ending balance  |                             | 7,104    |         | 6,780    |                           | 7,104    |         | 6,780    |
| <b>Treasury stock</b>                                 |                             |          |         |          |                           |          |         |          |
| Beginning balance                                     | (255.8)                     | (25,643) | (229.9) | (20,392) | (246.5)                   | (23,836) | (228.0) | (19,771) |
| Reacquired stock or repurchases of common stock       | (0.4)                       | (62)     | (11.1)  | (1,900)  | (12.1)                    | (1,985)  | (16.2)  | (2,650)  |
| Issued for employee savings and option plans          | 0.4                         | 20       | 2.9     | 136      | 2.8                       | 136      | 6.1     | 265      |
| Ending balance  | (255.8)                     | (25,685) | (238.1) | (22,156) | (255.8)                   | (25,685) | (238.1) | (22,156) |
| <b>Retained earnings</b>                              |                             |          |         |          |                           |          |         |          |
| Beginning balance                                     |                             | 38,635   |         | 34,794   |                           | 37,693   |         | 33,978   |
| Net income attributable to Honeywell                  |                             | 1,081    |         | 1,541    |                           | 2,662    |         | 2,957    |
| Dividends on common stock                             |                             | (636)    |         | (594)    |                           | (1,275)  |         | (1,194)  |
| Ending balance  |                             | 39,080   |         | 35,741   |                           | 39,080   |         | 35,741   |
| <b>Accumulated other comprehensive income (loss)</b>  |                             |          |         |          |                           |          |         |          |
| Beginning balance                                     |                             | (3,353)  |         | (3,246)  |                           | (3,197)  |         | (3,437)  |
| Foreign exchange translation adjustment               |                             | 121      |         | (191)    |                           | (155)    |         | 14       |
| Pensions and other postretirement benefit adjustments |                             | (20)     |         | (19)     |                           | (40)     |         | (39)     |
| Changes in fair value of effective cash flow hedges   |                             | (58)     |         | 3        |                           | 82       |         | 9        |
| Ending balance  |                             | (3,310)  |         | (3,453)  |                           | (3,310)  |         | (3,453)  |
| <b>Noncontrolling interest</b>                        |                             |          |         |          |                           |          |         |          |
| Beginning balance                                     |                             | 221      |         | 189      |                           | 212      |         | 178      |
| Acquisitions, divestitures, and other                 |                             | —        |         | —        |                           | (6)      |         | —        |
| Net income attributable to noncontrolling interest    |                             | 18       |         | 15       |                           | 43       |         | 35       |
| Foreign exchange translation adjustment               |                             | 3        |         | (2)      |                           | (4)      |         | 2        |
| Dividends paid  |                             | (23)     |         | (12)     |                           | (26)     |         | (25)     |
| Ending balance  |                             | 219      |         | 190      |                           | 219      |         | 190      |
| <b>Total shareowners' equity</b>                      | 701.8                       | 18,366   | 719.5   | 18,060   | 701.8                     | 18,366   | 719.5   | 18,060   |
| Cash dividends per share of common stock              |                             | \$ 0.900 |         | \$ 0.820 |                           | \$ 1.800 |         | \$ 1.640 |

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

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

**Note 1. Basis of Presentation**

In the opinion of management, the accompanying unaudited Consolidated Financial Statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of Honeywell International Inc. and its consolidated subsidiaries ("Honeywell" or "the Company") at June 30, 2020 and December 31, 2019, the cash flows for the six months ended June 30, 2020 and June 30, 2019 and the results of operations for the three and six months ended June 30, 2020 and June 30, 2019. The results of operations for the three and six months ended June 30, 2020 and cash flows for the six months ended June 30, 2020 should not necessarily be taken as indicative of the entire year.

We report our quarterly financial information using a calendar convention; the first, second and third quarters are consistently reported as ending on March 31, June 30 and September 30. It has been our practice to establish actual quarterly closing dates using a predetermined fiscal calendar, which requires our businesses to close their books on a Saturday in order to minimize the potentially disruptive effects of quarterly closing on our business processes. The effects of this practice are generally not significant to reported results for any quarter and only exist within a reporting year. In the event that differences in actual closing dates are material to year-over-year comparisons of quarterly or year-to-date results, we will provide appropriate disclosures. Our actual closing dates for the three and six months ended June 30, 2020 and June 30, 2019 were June 27, 2020 and June 29, 2019.

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

The accounting policies of the Company are set forth in Note 1 to Consolidated Financial Statements contained in the Company's 2019 Annual Report on Form 10-K. We include herein certain updates to those policies.

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

In December 2019, the FASB issued an accounting standard update to simplify the accounting for income taxes. The standard's amendments include changes in various subtopics of accounting for income taxes including, but not limited to, accounting for "hybrid" tax regimes, tax basis step-up in goodwill obtained in a transaction that is not a business combination, intraperiod tax allocation exception to incremental approach, ownership changes in investments, interim-period accounting for enacted changes in tax law, and year-to-date loss limitation in interim-period tax accounting. The guidance is effective for fiscal years beginning after December 15, 2020 with early adoption permitted, including the interim periods within those years. We are currently evaluating impacts of these amendments on our Consolidated Financial Statements, and related notes to the Financial Statements. We do not expect the adoption of this standard to have a material impact on our Consolidated Financial Statements.

In June 2016, the FASB issued an accounting standard that requires companies to utilize an impairment model (current expected credit loss, or CECL) for most financial assets measured at amortized cost and certain other financial instruments, which include, but are not limited to, trade and other receivables. This accounting standard replaced the incurred loss model with a model that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate those losses. Effective January 1, 2020, the Company adopted this standard. The adoption of this standard did not have a material impact on our Consolidated Financial Statements.



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

**Note 3. Repositioning and Other Charges**

A summary of repositioning and other charges follows:

|  | Three Months Ended June 30, |        | Six Months Ended June 30, |        |
|--|-----------------------------|--------|---------------------------|--------|
|  | 2020                        | 2019   | 2020                      | 2019   |
| Severance  | \$ 254                      | \$ 75  | \$ 320                    | \$ 106 |
| Asset impairments  | 4                           | —      | 6                         | 11     |
| Exit costs   | 15                          | 11     | 30                        | 29     |
| Reserve adjustments  | (18)                        | (2)    | (31)                      | (4)    |
| Total net repositioning charge   | 255                         | 84     | 325                       | 142    |
| Asbestos related litigation charges, net of insurance and reimbursements           | 9                           | 6      | 20                        | 17     |
| Probable and reasonably estimable environmental liabilities, net of reimbursements | 6                           | 39     | 14                        | 53     |
| Other  | 10                          | (3)    | (17)                      | (2)    |
| Total net repositioning and other charges  | \$ 280                      | \$ 126 | \$ 342                    | \$ 210 |

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

|  | Three Months Ended June 30, |        | Six Months Ended June 30, |        |
|--|-----------------------------|--------|---------------------------|--------|
|  | 2020                        | 2019   | 2020                      | 2019   |
| Cost of products and services sold           | \$ 175                      | \$ 74  | \$ 195                    | \$ 129 |
| Selling, general and administrative expenses | 105                         | 52     | 147                       | 81     |
|  | \$ 280                      | \$ 126 | \$ 342                    | \$ 210 |

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

|  | Three Months Ended June 30, |        | Six Months Ended June 30, |        |
|--|-----------------------------|--------|---------------------------|--------|
|  | 2020                        | 2019   | 2020                      | 2019   |
| Aerospace                              | \$ 107                      | \$ 4   | \$ 118                    | \$ 20  |
| Honeywell Building Technologies        | 33                          | —      | 58                        | 8      |
| Performance Materials and Technologies | 84                          | 34     | 105                       | 33     |
| Safety and Productivity Solutions      | 11                          | 43     | 17                        | 48     |
| Corporate                              | 45                          | 45     | 44                        | 101    |
|  | \$ 280                      | \$ 126 | \$ 342                    | \$ 210 |

In the three months ended June 30, 2020, we recognized gross repositioning charges totaling \$273 million including severance costs of \$254 million related to workforce reductions of 7,805 manufacturing and administrative positions across all of our segments, with a majority of the workforce reductions in Aerospace and Performance Materials and Technologies. The workforce reductions primarily related to the Company aligning its cost structure with the current and anticipated slowdown in demand for many of our products and services due to the global recession, and our ongoing productivity and functional transformation initiatives.

In the three months ended June 30, 2019, we recognized gross repositioning charges totaling \$86 million including severance costs of \$75 million related to workforce reductions of 1,266 manufacturing and administrative positions mainly in Performance Materials and Technologies and Safety and Productivity Solutions. The workforce reductions related to our productivity and ongoing functional transformation initiatives.

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

In the six months ended June 30, 2020, we recognized gross repositioning charges totaling \$356 million including severance costs of \$320 million related to workforce reductions of 9,929 manufacturing and administrative positions across our segments, with a majority of the reductions in Aerospace and Performance Materials and Technologies. The workforce reductions primarily related to the Company aligning its cost structure with the current and anticipated slowdown in demand for many of our products and services due to the global recession, and our ongoing productivity and functional transformation initiatives. Also, \$31 million of previously established reserves, primarily for severance, were returned to income mainly as a result of higher attrition than anticipated in prior severance programs resulting in lower severance payments.

In the six months ended June 30, 2019, we recognized gross repositioning charges totaling \$146 million including severance costs of \$106 million related to workforce reductions of 2,313 manufacturing and administrative positions across all segments. The workforce reductions related to our productivity and ongoing functional transformation initiatives and to site transitions in Aerospace to more cost-effective locations.

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

|                              | Severance<br>Costs | Asset<br>Impairments | Exit<br>Costs | Total         |
|------------------------------|--------------------|----------------------|---------------|---------------|
| December 31, 2019            | \$ 555             | \$ —                 | \$ 96         | \$ 651        |
| Charges                      | 320                | 6                    | 30            | 356           |
| Usage - cash                 | (135)              | —                    | (37)          | (172)         |
| Usage - noncash              | —                  | (6)                  | —             | (6)           |
| Foreign currency translation | 4                  | —                    | —             | 4             |
| Adjustments                  | (30)               | —                    | (1)           | (31)          |
| June 30, 2020                | <u>\$ 714</u>      | <u>\$ —</u>          | <u>\$ 88</u>  | <u>\$ 802</u> |

Certain repositioning projects will recognize exit costs in future periods when the actual liability is incurred. Such exit costs incurred in the six months ended June 30, 2020 and 2019 were \$19 million and \$11 million, respectively.

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

|  | Three Months Ended June 30, |                 | Six Months Ended June 30, |                 |
|--|-----------------------------|-----------------|---------------------------|-----------------|
|  | 2020                        | 2019            | 2020                      | 2019            |
| Interest income  | \$ (22)                     | \$ (63)         | \$ (66)                   | \$ (130)        |
| Pension ongoing income – non-service                     | (236)                       | (185)           | (473)                     | (369)           |
| Other postretirement income – non-service                | (14)                        | (11)            | (27)                      | (23)            |
| Equity income of affiliated companies                    | (15)                        | (11)            | (27)                      | (20)            |
| Loss (gain) on sale of non-strategic business and assets | —                           | (1)             | —                         | (1)             |
| Foreign exchange   | (3)                         | (43)            | (15)                      | (54)            |
| Other (net)  | (1)                         | 9               | —                         | 7               |
|  | <u>\$ (291)</u>             | <u>\$ (305)</u> | <u>\$ (608)</u>           | <u>\$ (590)</u> |

**Note 5. Income Taxes**

The effective tax rate was lower than the U.S. federal statutory rate of 21% and decreased during 2020 compared to 2019 primarily due to the favorable resolution of a foreign tax matter related to the previously completed spin-off transactions, tax law changes in India, and the resolution of certain U.S. tax matters.

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

**Note 6. Earnings Per Share**

|  | Three Months Ended June 30, |              | Six Months Ended June 30, |              |
|--|-----------------------------|--------------|---------------------------|--------------|
|  | 2020                        | 2019         | 2020                      | 2019         |
| <b>Basic</b>                               |                             |              |                           |              |
| Net income attributable to Honeywell       | \$ 1,081                    | \$ 1,541     | \$ 2,662                  | \$ 2,957     |
| Weighted average shares outstanding        | 702.3                       | 723.2        | 705.9                     | 726.4        |
| Earnings per share of common stock         | \$ 1.54                     | \$ 2.13      | \$ 3.77                   | \$ 4.07      |
| <br>                                       |                             |              |                           |              |
|  | Three Months Ended June 30, |              | Six Months Ended June 30, |              |
|  | 2020                        | 2019         | 2020                      | 2019         |
| <b>Assuming Dilution</b>                   |                             |              |                           |              |
| Net income attributable to Honeywell       | \$ 1,081                    | \$ 1,541     | \$ 2,662                  | \$ 2,957     |
| <b>Average Shares</b>                      |                             |              |                           |              |
| Weighted average shares outstanding        | 702.3                       | 723.2        | 705.9                     | 726.4        |
| Dilutive securities issuable - stock plans | 5.8                         | 9.8          | 6.7                       | 9.5          |
| Total weighted average shares outstanding  | <u>708.1</u>                | <u>733.0</u> | <u>712.6</u>              | <u>735.9</u> |
| Earnings per share of common stock         | \$ 1.53                     | \$ 2.10      | \$ 3.74                   | \$ 4.02      |

The diluted earnings per share calculations exclude the effect of stock options when the options' assumed proceeds exceed the average market price of the common shares during the period. For the three and six months ended June 30, 2020, the weighted average number of stock options excluded from the computations were 7.8 million and 6.1 million. For the three and six months ended June 30, 2019, the weighted average number of stock options excluded from the computations were 3.0 million and 3.0 million. These stock options were outstanding at the end of each of the respective periods.

As of June 30, 2020 and 2019, total shares outstanding were 701.8 million and 719.5 million and as of June 30, 2020 and 2019, total shares issued were 957.6 million.

**Honeywell International Inc.**  
**Notes to Consolidated Financial Statements**  
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**Note 7. Revenue Recognition and Contracts with Customers**

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

|  | Three Months Ended June 30, |                 | Six Months Ended June 30, |                  |
|--|-----------------------------|-----------------|---------------------------|------------------|
|  | 2020                        | 2019            | 2020                      | 2019             |
| <b><u>Aerospace</u></b>                              |                             |                 |                           |                  |
| Commercial Aviation Original Equipment               | \$ 449                      | \$ 734          | \$ 1,121                  | \$ 1,493         |
| Commercial Aviation Aftermarket                      | 653                         | 1,421           | 2,033                     | 2,782            |
| Defense and Space                                    | 1,441                       | 1,353           | 2,750                     | 2,574            |
|  | <u>2,543</u>                | <u>3,508</u>    | <u>5,904</u>              | <u>6,849</u>     |
| <b><u>Honeywell Building Technologies</u></b>        |                             |                 |                           |                  |
| Products   | 664                         | 843             | \$ 1,412                  | \$ 1,653         |
| Building Solutions                                   | 513                         | 607             | 1,046                     | 1,186            |
|  | <u>1,177</u>                | <u>1,450</u>    | <u>2,458</u>              | <u>2,839</u>     |
| <b><u>Performance Materials and Technologies</u></b> |                             |                 |                           |                  |
| UOP  | 517                         | 703             | 1,111                     | 1,313            |
| Process Solutions                                    | 1,093                       | 1,289           | 2,244                     | 2,535            |
| Specialty Products                                   | 272                         | 265             | 525                       | 534              |
| Fluorine Products                                    | 336                         | 478             | 735                       | 925              |
|  | <u>2,218</u>                | <u>2,735</u>    | <u>4,615</u>              | <u>5,307</u>     |
| <b><u>Safety and Productivity Solutions</u></b>      |                             |                 |                           |                  |
| Safety and Retail                                    | 511                         | 557             | 1,013                     | 1,095            |
| Productivity Products                                | 227                         | 267             | 478                       | 538              |
| Warehouse and Workflow Solutions                     | 595                         | 501             | 1,089                     | 1,060            |
| Sensing & Internet-of-Things (IoT)                   | 206                         | 225             | 383                       | 439              |
|  | <u>1,539</u>                | <u>1,550</u>    | <u>2,963</u>              | <u>3,132</u>     |
| Net sales  | <u>\$ 7,477</u>             | <u>\$ 9,243</u> | <u>\$ 15,940</u>          | <u>\$ 18,127</u> |

**Aerospace** – A global supplier of products, software and services for aircrafts that it sells to original equipment manufacturers (OEM) and other customers in a variety of end markets including: air transport, regional, business and general aviation aircraft, airlines, aircraft operators and defense and space contractors. Aerospace products and services include auxiliary power units, propulsion engines, environmental control systems, integrated avionics, wireless connectivity services, electric power systems, engine controls, flight safety, communications, navigation hardware, data and software applications, radar and surveillance systems, aircraft lighting, management and technical services, advanced systems and instruments, satellite and space components, aircraft wheels and brakes, repair and overhaul services and thermal systems. Aerospace also provides spare parts, repair, overhaul and maintenance services (principally to aircraft operators) for the aftermarket. Honeywell Forge solutions are designed to identify and resolve problems faster, making fleet management and flight operations more efficient.

**Honeywell Building Technologies** – A global provider of products, software, solutions and technologies that enable building owners and occupants to ensure their facilities are safe, energy efficient, sustainable and productive. Honeywell Building Technologies products and services include advanced software applications for building control and optimization; sensors, switches, control systems and instruments for energy management; access control; video surveillance; fire products; remote patient monitoring systems; and installation, maintenance and upgrades of systems. Honeywell Forge solutions are designed to digitally manage buildings to use space intelligently, cut operating expenses and reduce maintenance.

**Honeywell International Inc.**  
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**Performance Materials and Technologies** – A global provider in developing and manufacturing high-quality performance chemicals and materials, process technologies and automation solutions, including Honeywell Forge connected solutions. The segment comprises Process Solutions, UOP and Advanced Materials. Process Solutions provides automation control, instrumentation, advanced software and related services for the oil and gas, refining, pulp and paper, industrial power generation, chemicals and petrochemicals, biofuels, life sciences, and metals, minerals and mining industries. Through its smart energy products, Process Solutions enables utilities and distribution companies to deploy advanced capabilities to improve operations, reliability and environmental sustainability. UOP provides process technology, products, including catalysts and adsorbents, equipment, and consulting services that enable customers to efficiently produce gasoline, diesel, jet fuel, petrochemicals and renewable fuels for the petroleum refining, gas processing, petrochemical, and other industries. Advanced Materials manufactures a wide variety of high-performance products, including materials used to manufacture end products such as bullet-resistant armor, nylon, computer chips and pharmaceutical packaging, and provides reduced and low global-warming-potential (GWP) materials based on hydrofluoro-olefin technology. In the industrial environment, Honeywell Forge solutions enable integration and connectivity to provide a holistic view of operations and turn data into clear actions to maximize productivity and efficiency. Honeywell Forge's cybersecurity capabilities help identify risks and act on cyber-related incidents, together enabling improved operations and protecting processes, people and assets.

**Safety and Productivity Solutions** – A global provider of products and software that improve productivity, workplace safety and asset performance to customers around the globe. Safety products include personal protection equipment, apparel, gear, and footwear designed for work, play and outdoor activities; gas detection technology; and cloud-based notification and emergency messaging. Productivity Solutions products and services include mobile devices and software for computing, data collection and thermal printing; supply chain and warehouse automation equipment, software and solutions; custom-engineered sensors, switches and controls for sensing and productivity solutions; and software-based data and asset management productivity solutions. Honeywell Forge solutions digitally automate processes to improve efficiency while reducing downtime and safety costs.

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

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

|                                     | Three Months Ended June 30, |       | Six Months Ended June 30, |       |
|-------------------------------------|-----------------------------|-------|---------------------------|-------|
|                                     | 2020                        | 2019  | 2020                      | 2019  |
| Products, transferred point in time | 61 %                        | 61 %  | 61 %                      | 61 %  |
| Products, transferred over time     | 16                          | 14    | 15                        | 15    |
| Net product sales                   | 77                          | 75    | 76                        | 76    |
| Services, transferred point in time | 7                           | 8     | 8                         | 8     |
| Services, transferred over time     | 16                          | 17    | 16                        | 16    |
| Net service sales                   | 23                          | 25    | 24                        | 24    |
| Net sales                           | 100 %                       | 100 % | 100 %                     | 100 % |

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

**Contract Balances**

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

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

The following table summarizes the Company's contract assets and liabilities balances:

|  | 2020       | 2019       |
|--|------------|------------|
| Contract assets - January 1                          | \$ 1,602   | \$ 1,548   |
| Contract assets - June 30                            | 1,760      | 1,777      |
| Change in contract assets - increase (decrease)      | \$ 158     | \$ 229     |
| Contract liabilities - January 1                     | \$ (3,501) | \$ (3,378) |
| Contract liabilities - June 30                       | (3,574)    | (3,237)    |
| Change in contract liabilities - decrease (increase) | \$ (73)    | \$ 141     |
| Net change   | \$ 85      | \$ 370     |

The net change for the six months ended June 30, 2020 and June 30, 2019 was primarily driven by the recognition of revenue as performance obligations were satisfied prior to billing exceeding receipt of advance payments from customers.

For the three and six months ended June 30, 2020, we recognized revenue of \$315 million and \$1,203 million that was previously included in the beginning balance of contract liabilities. For the three and six months ended June 30, 2019, we recognized revenue of \$260 million and \$980 million that was previously included in the beginning balance of contract liabilities.

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

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## Performance Obligations

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

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

The following table outlines the Company's remaining performance obligations disaggregated by segment:

|  | June 30, 2020    |
|--|------------------|
| Aerospace                              | \$ 10,198        |
| Honeywell Building Technologies        | 5,421            |
| Performance Materials and Technologies | 6,565            |
| Safety and Productivity Solutions      | 3,535            |
|  | <u>\$ 25,719</u> |

Performance obligations recognized as of June 30, 2020 will be satisfied over the course of future periods. Our disclosure of the timing for satisfying the performance obligation is based on the requirements of contracts with customers. However, from time to time, these contracts may be subject to modifications, impacting the timing of satisfying the performance obligations. Performance obligations expected to be satisfied within one year and greater than one year are 56% and 44%, respectively.

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

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

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**(Dollars in millions, except per share amounts)**

**Note 8. Accounts Receivable - Net**

|  | June 30, 2020   | December 31, 2019 |
|--|-----------------|-------------------|
| Trade                                  | \$ 6,894        | \$ 7,639          |
| Less - Allowance for doubtful accounts | (177)           | (146)             |
|  | <u>\$ 6,717</u> | <u>\$ 7,493</u>   |

Trade receivables include \$1,721 million and \$1,586 million of unbilled balances under long-term contracts as of June 30, 2020 and December 31, 2019. These amounts are billed in accordance with the terms of the customer contracts to which they relate.

**Note 9. Inventories**

|                              | June 30, 2020   | December 31, 2019 |
|------------------------------|-----------------|-------------------|
| Raw materials                | \$ 1,113        | \$ 1,056          |
| Work in process              | 836             | 817               |
| Finished products            | 2,839           | 2,593             |
|                              | 4,788           | 4,466             |
| Reduction to LIFO cost basis | (35)            | (45)              |
|                              | <u>\$ 4,753</u> | <u>\$ 4,421</u>   |



**Honeywell International Inc.**  
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**Note 10. Leases**

The Company's operating and finance lease portfolio is described in Note 14, *Leases* of the Notes to the Consolidated Financial Statements in our 2019 Annual Report on Form 10-K.

Supplemental cash flow information related to leases was as follows:

|  | <b>Six Months Ended June 30,</b> |             |
|--|----------------------------------|-------------|
|  | <b>2020</b>                      | <b>2019</b> |
| <b>Net right-of-use assets obtained in exchange for lease obligations:</b> |                                  |             |
| Operating leases   | 100                              | 26          |
| Finance leases   | 17                               | 8           |

Supplemental balance sheet information related to leases was as follows:

|  | <b>June 30, 2020</b> | <b>December 31, 2019</b> |
|--|----------------------|--------------------------|
| <b>Operating leases</b>                    |                      |                          |
| Other assets                               | \$ 714               | \$ 673                   |
| Accrued liabilities                        | 168                  | 171                      |
| Other liabilities                          | 592                  | 534                      |
| <b>Total operating lease liabilities</b>   | <b>\$ 760</b>        | <b>\$ 705</b>            |
| <b>Financing leases</b>                    |                      |                          |
| Property, plant and equipment              | \$ 358               | \$ 361                   |
| Accumulated depreciation                   | (158)                | (152)                    |
| <b>Property, plant and equipment - net</b> | <b>\$ 200</b>        | <b>\$ 209</b>            |
| Current maturities of long-term debt       | 61                   | 59                       |
| Long-term debt                             | 144                  | 156                      |
| <b>Total financing lease liabilities</b>   | <b>\$ 205</b>        | <b>\$ 215</b>            |

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

**Note 11. Long-term Debt and Credit Agreements**

|  | June 30, 2020    | December 31, 2019 |
|--|------------------|-------------------|
| 0.65% Euro notes due 2020  | —                | 1,123             |
| 4.25% notes due 2021   | 800              | 800               |
| 1.85% notes due 2021   | 1,500            | 1,500             |
| 2.15% notes due 2022   | 600              | 600               |
| Floating rate notes due 2022   | 600              | 600               |
| Term Loan due 2022   | 3,000            | —                 |
| 1.30% Euro notes due 2023  | 1,401            | 1,404             |
| 3.35% notes due 2023   | 300              | 300               |
| 0.00% Euro notes due 2024  | 560              | —                 |
| 2.30% notes due 2024   | 750              | 750               |
| 1.35% notes due 2025   | 1,250            | —                 |
| 2.50% notes due 2026   | 1,500            | 1,500             |
| 2.25% Euro notes due 2028  | 841              | 842               |
| 2.70% notes due 2029   | 750              | 750               |
| 1.95% notes due 2030   | 1,000            | —                 |
| 0.75% Euro notes due 2032  | 560              | —                 |
| 5.70% notes due 2036   | 441              | 441               |
| 5.70% notes due 2037   | 462              | 462               |
| 5.375% notes due 2041  | 417              | 417               |
| 3.812% notes due 2047  | 445              | 445               |
| 2.80% notes due 2050   | 750              | —                 |
| Industrial development bond obligations, floating rate maturing at various dates through 2037                              | 22               | 22                |
| 6.625% debentures due 2028   | 201              | 201               |
| 9.065% debentures due 2033   | 51               | 51                |
| Other (including capitalized leases and debt issuance costs), 8.0% weighted average maturing at various dates through 2025 | 357              | 278               |
|  | <u>18,558</u>    | <u>12,486</u>     |
| Less: current portion  | (967)            | (1,376)           |
|  | <u>\$ 17,591</u> | <u>\$ 11,110</u>  |

On May 18, 2020, the Company issued \$1.25 billion 1.35% Senior Notes due 2025, \$1.0 billion 1.95% Senior Notes due 2030, and \$750 million 2.80% Senior Notes due 2050 (collectively, the "2020 Notes") to replace \$3.0 billion of undrawn commitments under the \$6.0 billion delayed draw term loan facility, referenced below. The 2020 Notes are senior unsecured and unsubordinated obligations of Honeywell and rank equally with all of Honeywell's existing and future senior unsecured debt and senior to all of Honeywell's subordinated debt. The offering resulted in gross proceeds of \$3.0 billion, offset by \$27 million in discount and closing costs related to the offering.

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On March 26, 2020, the Company entered into a Delayed Draw Term Loan Agreement (the "Term Loan Agreement") with a syndicate of banks. The Term Loan Agreement provided for a two-year, delayed draw term loan facility in the aggregate principal amount of \$6.0 billion. Effective May 22, 2020, the Company permanently reduced the undrawn commitments under the Term Loan Agreement by an aggregate amount of \$3.0 billion. On June 24, 2020, the Company fully drew on the remaining \$3.0 billion of commitments under the Term Loan Agreement at a variable interest rate equal to the one-month LIBOR plus the applicable margin of 1.25%. The draw resulted in gross proceeds of \$3.0 billion offset by \$7 million in closing costs related to the borrowing. The amount borrowed under the Term Loan Agreement may not be reborrowed and is required to be repaid no later than March 26, 2022, unless the Term Loan Agreement is terminated earlier pursuant to its terms. Commitments under the Term Loan Agreement can be increased pursuant to the terms of the Term Loan Agreement by an aggregate amount not to exceed \$2.0 billion. As of June 30, 2020, there were \$3.0 billion of borrowings outstanding under the Term Loan Agreement, and there were no undrawn commitments remaining under the Term Loan Agreement.

On March 10, 2020, the Company issued €500 million 0.00% Senior Notes due 2024 and €500 million 0.75% Senior Notes due 2032 (collectively, the "2020 Euro Notes"). The 2020 Euro Notes are senior unsecured and unsubordinated obligations of Honeywell and rank equally with all of Honeywell's existing and future senior unsecured debt and senior to all of Honeywell's subordinated debt. The offering resulted in gross proceeds of \$1,136 million, offset by \$9 million in discount and closing costs related to the offering.

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

On February 21, 2020, the Company paid its 0.65% Euro notes due 2020.

On April 10, 2020, the Company entered into a \$1.5 billion 364-Day Credit Agreement (the "364-Day Credit Agreement") with a syndicate of banks. This 364-Day Credit Agreement is maintained for general corporate purposes. The 364-Day Credit Agreement replaces the previously reported 364-day credit agreement dated as of April 26, 2019, which was terminated on April 10, 2020. As of June 30, 2020, there are no outstanding borrowings under the 364-Day Credit Agreement.

**Note 12. Financial Instruments and Fair Value Measures**

Our credit, market, foreign currency and interest rate risk management policies are described in Note 15, *Financial Instruments and Fair Value Measures* of Notes to Consolidated Financial Statements in our 2019 Annual Report on Form 10-K.

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

|                                     | June 30, 2020 | December 31, 2019 |
|-------------------------------------|---------------|-------------------|
| <b>Assets:</b>                      |               |                   |
| Foreign currency exchange contracts | \$ 457        | \$ 291            |
| Available for sale investments      | 1,514         | 1,523             |
| Interest rate swap agreements       | 244           | 38                |
| Cross currency swap agreements      | 52            | 51                |
| <b>Liabilities:</b>                 |               |                   |
| Foreign currency exchange contracts | \$ 50         | \$ 21             |
| Interest rate swap agreements       | —             | 13                |

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

The carrying value of cash and cash equivalents, trade accounts and notes receivables, payables, commercial paper (of which \$669 million and \$3,513 million was Euro denominated as of June 30, 2020 and December 31, 2019) and short-term borrowings contained in the Consolidated Balance Sheet approximates fair value.

The following table sets forth the Company's financial assets and liabilities that were not carried at fair value:

|   | June 30, 2020  |            | December 31, 2019 |            |
|---|----------------|------------|-------------------|------------|
|   | Carrying Value | Fair Value | Carrying Value    | Fair Value |
| <b>Assets</b>                                 |                |            |                   |            |
| Long-term receivables                         | \$ 148         | \$ 145     | \$ 129            | \$ 127     |
| <b>Liabilities</b>                            |                |            |                   |            |
| Long-term debt and related current maturities | \$ 18,558      | \$ 19,837  | \$ 12,486         | \$ 13,578  |

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

| Line in the Consolidated Balance Sheet of Hedged Item | Carrying Amount of the Hedged Item |                   | Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Item |                   |
|---|------------------------------------|-------------------|---|-------------------|
|   | June 30, 2020                      | December 31, 2019 | June 30, 2020   | December 31, 2019 |
|   | Long-term debt                     | \$ 4,194          | \$ 3,975  | \$ 244            |

The Company determined the fair value of the long-term receivables by utilizing transactions in the listed markets for identical or similar assets. 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.

Interest rate swap agreements are designated as hedge relationships with gains or losses on the derivative recognized in Interest and other financial charges offsetting the gains and losses on the underlying debt being hedged. For the three and six months ended June 30, 2020, we recognized \$14 million and \$219 million of gains in earnings on interest rate swap agreements. For the three and six months ended June 30, 2019, we recognized \$37 million and \$63 million of gains in earnings on interest rate swap agreements. Gains and losses are fully offset by losses and gains on the underlying debt being hedged.

The Company economically hedges its 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 and six months ended June 30, 2020, we recognized \$217 million of expense and \$67 million of income in Other (income) expense. For the three and six months ended June 30, 2019, we recognized \$96 million and \$49 million of income in Other (income) expense. As of June 30, 2020, cash collateral received that has not been offset against our derivatives of \$420 million was recorded in Accrued liabilities and Other assets.

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

|  | Three Months Ended June 30, 2020 |                          |          |                           |   |
|--|----------------------------------|--------------------------|----------|---------------------------|---|
|  | Revenue                          | Cost of<br>Products Sold | SG&A     | Other (Income)<br>Expense | Interest and<br>Other<br>Financial<br>Charges |
|  | \$ 7,477                         | \$ 4,163                 | \$ 1,183 | \$ (291)                  | \$ 90   |
| <b>Gain or (loss) on cash flow hedges:</b>   |                                  |                          |          |                           |   |
| Foreign Currency Exchange Contracts:   |                                  |                          |          |                           |   |
| Amount reclassified from accumulated other comprehensive income into income                      | (1)                              | 3                        | (3)      | (42)                      | —   |
| Amount excluded from effectiveness testing recognized in earnings using an amortization approach | —                                | 4                        | —        | 9                         | —   |
| <b>Gain or (loss) on fair value hedges:</b>  |                                  |                          |          |                           |   |
| Interest Rate Swap Agreements:   |                                  |                          |          |                           |   |
| Hedged items   | —                                | —                        | —        | —                         | (14)  |
| Derivatives designated as hedges   | —                                | —                        | —        | —                         | 14  |
|  |                                  |                          |          |                           |   |
|  | Three Months Ended June 30, 2019 |                          |          |                           |   |
|  | Revenue                          | Cost of<br>Products Sold | SG&A     | Other (Income)<br>Expense | Interest and<br>Other<br>Financial<br>Charges |
|  | \$ 9,243                         | \$ 4,848                 | \$ 1,387 | \$ (305)                  | \$ 85   |
| <b>Gain or (loss) on cash flow hedges:</b>   |                                  |                          |          |                           |   |
| Foreign Currency Exchange Contracts:   |                                  |                          |          |                           |   |
| Amount reclassified from accumulated other comprehensive income into income                      | 1                                | 8                        | 1        | —                         | —   |
| Amount excluded from effectiveness testing recognized in earnings using an amortization approach | —                                | 6                        | —        | 9                         | —   |
| <b>Gain or (loss) on fair value hedges:</b>  |                                  |                          |          |                           |   |
| Interest Rate Swap Agreements:   |                                  |                          |          |                           |   |
| Hedged items   | —                                | —                        | —        | —                         | (37)  |
| Derivatives designated as hedges   | —                                | —                        | —        | —                         | 37  |

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|  | Six Months Ended June 30, 2020 |                          |          |                              |   |
|--|--------------------------------|--------------------------|----------|------------------------------|---|
|  | Revenue                        | Cost of<br>Products Sold | SG&A     | Other<br>(Income)<br>Expense | Interest and<br>Other<br>Financial<br>Charges |
|  | \$ 15,940                      | \$ 8,537                 | \$ 2,421 | (608)                        | \$ 163  |
| <b>Gain or (loss) on cash flow hedges:</b>   |                                |                          |          |                              |   |
| Foreign currency exchange contracts:   |                                |                          |          |                              |   |
| Amount reclassified from accumulated other comprehensive income into income                      | (1)                            | 30                       | (3)      | (2)                          | —   |
| Amount excluded from effectiveness testing recognized in earnings using an amortization approach | —                              | 8                        | —        | 17                           | —   |
| <b>Gain or (loss) on fair value hedges:</b>  |                                |                          |          |                              |   |
| Interest rate swap agreements:   |                                |                          |          |                              |   |
| Hedged items   | —                              | —                        | —        | —                            | (219)   |
| Derivatives designated as hedges   | —                              | —                        | —        | —                            | 219   |
|  |                                |                          |          |                              |   |
|  | Six Months Ended June 30, 2019 |                          |          |                              |   |
|  | Revenue                        | Cost of<br>Products Sold | SG&A     | Other (Income)<br>Expense    | Interest and<br>Other<br>Financial<br>Charges |
|  | \$ 18,127                      | \$ 9,470                 | \$ 2,750 | \$ (590)                     | \$ 170  |
| <b>Gain or (loss) on cash flow hedges:</b>   |                                |                          |          |                              |   |
| Foreign currency exchange contracts:   |                                |                          |          |                              |   |
| Amount reclassified from accumulated other comprehensive income into income                      | 1                              | 24                       | 1        | 24                           | —   |
| Amount excluded from effectiveness testing recognized in earnings using an amortization approach | —                              | 11                       | —        | 18                           | —   |
| <b>Gain or (loss) on fair value hedges:</b>  |                                |                          |          |                              |   |
| Interest rate swap agreements:   |                                |                          |          |                              |   |
| Hedged items   | —                              | —                        | —        | —                            | (63)  |
| Derivatives designated as hedges   | —                              | —                        | —        | —                            | 63  |

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

| Derivatives Net Investment Hedging Relationships | Three Months Ended June 30, |         | Six Months Ended June 30, |       |
|--|-----------------------------|---------|---------------------------|-------|
|  | 2020                        | 2019    | 2020                      | 2019  |
| Euro-denominated long-term debt                  | \$ (62)                     | \$ (43) | \$ 62                     | \$ 26 |
| Euro-denominated commercial paper                | (15)                        | (44)    | 55                        | 27    |
| Cross currency swap                              | 7                           | (8)     | (19)                      | 5     |
| Foreign currency exchange contracts              | (102)                       | (2)     | (18)                      | 5     |

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**Note 13. Accumulated Other Comprehensive Income (Loss)**

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

|  | Foreign<br>Exchange<br>Translation<br>Adjustment | Pension<br>and Other<br>Postretirement<br>Benefits<br>Adjustments | Changes in<br>Fair Value<br>of Cash Flow<br>Hedges | Total             |
|--|--|---|--|-------------------|
| Balance at December 31, 2019                                     | \$ (2,566)                                       | \$ (675)  | \$ 44  | \$ (3,197)        |
| Other comprehensive income (loss) before reclassifications       | (148)  | —   | 104  | (44)              |
| Amounts reclassified from accumulated other comprehensive income | (7)  | (40)  | (22)   | (69)              |
| Net current period other comprehensive income (loss)             | (155)  | (40)  | 82   | (113)             |
| Balance at June 30, 2020   | <u>\$ (2,721)</u>                                | <u>\$ (715)</u>   | <u>\$ 126</u>                                      | <u>\$ (3,310)</u> |

|  | Foreign<br>Exchange<br>Translation<br>Adjustment | Pension<br>and Other<br>Postretirement<br>Benefits<br>Adjustments | Changes in<br>Fair Value<br>of Cash Flow<br>Hedges | Total             |
|--|--|---|--|-------------------|
| Balance at December 31, 2018                                     | \$ (2,709)                                       | \$ (761)  | \$ 33  | \$ (3,437)        |
| Other comprehensive income (loss) before reclassifications       | 21   | —   | 48   | 69                |
| Amounts reclassified from accumulated other comprehensive income | (7)  | (39)  | (39)   | (85)              |
| Net current period other comprehensive income (loss)             | 14   | (39)  | 9  | (16)              |
| Balance at June 30, 2019   | <u>\$ (2,695)</u>                                | <u>\$ (800)</u>   | <u>\$ 42</u>                                       | <u>\$ (3,453)</u> |

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**Note 14. Segment Financial Data**

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

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

|  | Three Months Ended June 30, |          | Six Months Ended June 30, |           |
|--|-----------------------------|----------|---------------------------|-----------|
|  | 2020                        | 2019     | 2020                      | 2019      |
| <b>Net sales</b>                               |                             |          |                           |           |
| Aerospace                                      |                             |          |                           |           |
| Products                                       | \$ 1,633                    | \$ 2,174 | \$ 3,712                  | \$ 4,249  |
| Services                                       | 910                         | 1,334    | 2,192                     | 2,600     |
| Total  | 2,543                       | 3,508    | 5,904                     | 6,849     |
| Honeywell Building Technologies                |                             |          |                           |           |
| Products                                       | 865                         | 1,119    | 1,835                     | 2,192     |
| Services                                       | 312                         | 331      | 623                       | 647       |
| Total  | 1,177                       | 1,450    | 2,458                     | 2,839     |
| Performance Materials and Technologies         |                             |          |                           |           |
| Products                                       | 1,793                       | 2,238    | 3,707                     | 4,308     |
| Services                                       | 425                         | 497      | 908                       | 999       |
| Total  | 2,218                       | 2,735    | 4,615                     | 5,307     |
| Safety and Productivity Solutions              |                             |          |                           |           |
| Products                                       | 1,452                       | 1,459    | 2,794                     | 2,954     |
| Services                                       | 87                          | 91       | 169                       | 178       |
| Total  | 1,539                       | 1,550    | 2,963                     | 3,132     |
|  | \$ 7,477                    | \$ 9,243 | \$ 15,940                 | \$ 18,127 |
| <b>Segment profit</b>                          |                             |          |                           |           |
| Aerospace                                      | \$ 528                      | \$ 907   | \$ 1,465                  | \$ 1,745  |
| Honeywell Building Technologies                | 250                         | 300      | 512                       | 571       |
| Performance Materials and Technologies         | 419                         | 644      | 931                       | 1,208     |
| Safety and Productivity Solutions              | 213                         | 191      | 391                       | 403       |
| Corporate                                      | (25)                        | (72)     | (66)                      | (148)     |
| Total segment profit                           | 1,385                       | 1,970    | 3,233                     | 3,779     |
| Interest and other financial charges           | (90)                        | (85)     | (163)                     | (170)     |
| Stock compensation expense <sup>(a)</sup>      | (34)                        | (34)     | (78)                      | (75)      |
| Pension ongoing income <sup>(b)</sup>          | 198                         | 148      | 396                       | 299       |
| Other postretirement income <sup>(b)</sup>     | 14                          | 11       | 27                        | 23        |
| Repositioning and other charges <sup>(c)</sup> | (280)                       | (126)    | (342)                     | (210)     |
| Other <sup>(d)</sup>                           | 26                          | 98       | 81                        | 178       |
| Income before taxes                            | \$ 1,219                    | \$ 1,982 | \$ 3,154                  | \$ 3,824  |

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

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



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

**Note 15. Pension Benefits**

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

|  | U.S. Plans                  |                 |                           |                 |
|--|-----------------------------|-----------------|---------------------------|-----------------|
|  | Three Months Ended June 30, |                 | Six Months Ended June 30, |                 |
|  | 2020                        | 2019            | 2020                      | 2019            |
| Service cost                           | \$ 24                       | \$ 21           | \$ 49                     | \$ 42           |
| Interest cost                          | 115                         | 154             | 230                       | 307             |
| Expected return on plan assets         | (283)                       | (279)           | (567)                     | (558)           |
| Amortization of prior service (credit) | (10)                        | (11)            | (21)                      | (22)            |
|  | <u>\$ (154)</u>             | <u>\$ (115)</u> | <u>\$ (309)</u>           | <u>\$ (231)</u> |

  

|  | Non-U.S. Plans              |                |                           |                |
|--|-----------------------------|----------------|---------------------------|----------------|
|  | Three Months Ended June 30, |                | Six Months Ended June 30, |                |
|  | 2020                        | 2019           | 2020                      | 2019           |
| Service cost                           | \$ 5                        | \$ 6           | \$ 11                     | \$ 12          |
| Interest cost                          | 26                          | 36             | 52                        | 72             |
| Expected return on plan assets         | (81)                        | (83)           | (165)                     | (167)          |
| Amortization of prior service (credit) | —                           | —              | —                         | —              |
|  | <u>\$ (50)</u>              | <u>\$ (41)</u> | <u>\$ (102)</u>           | <u>\$ (83)</u> |

During the three months ended June 30, 2020, the Company did not purchase any Honeywell shares from the Honeywell U.S. Pension Plan Master Trust. During the six months ended June 30, 2020, the Company repurchased \$100 million of outstanding Honeywell shares from the Honeywell U.S. Pension Plan Master Trust. During the three and six months ended June 30, 2019, the Company repurchased \$100 million and \$200 million of outstanding Honeywell shares from the Honeywell U.S. Pension Plan Master Trust.

**Note 16. Commitments and Contingencies**

**Environmental Matters**

Our environmental matters are described in Note 20 *Commitments and Contingencies* of Notes to Consolidated Financial Statements in our 2019 Annual Report on Form 10-K.

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

|   |               |
|---|---------------|
| December 31, 2019   | \$ 709        |
| Accruals for environmental matters deemed probable and reasonably estimable | 83            |
| Environmental liability payments  | (79)          |
| Other   | (4)           |
| June 30, 2020   | <u>\$ 709</u> |

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Environmental liabilities are included in the following balance sheet accounts:

|                     | June 30, 2020 | December 31, 2019 |
|---------------------|---------------|-------------------|
| Accrued liabilities | \$ 222        | \$ 222            |
| Other liabilities   | 487           | 487               |
|                     | <u>\$ 709</u> | <u>\$ 709</u>     |

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

In conjunction with the Resideo Technologies, Inc. ("Resideo") spin-off, the Company entered into an indemnification and reimbursement agreement with a Resideo subsidiary, pursuant to which Resideo's subsidiary has an ongoing obligation to make cash payments to Honeywell in amounts equal to 90 percent of Honeywell's annual net spending for environmental matters at certain sites as defined in the agreement. The amount payable to Honeywell in any given year is subject to a cap of \$140 million, and the obligation will continue until the earlier of December 31, 2043, or December 31 of the third consecutive year during which the annual payment obligation is less than \$25 million.

Reimbursements associated with this agreement are collected from Resideo quarterly and were \$35 million in the six months ended June 30, 2020. On April 21, 2020, the Company and Resideo agreed to amend certain agreements, including the indemnification and reimbursement agreement, to among other things extend the payment due dates to July 30, 2020 for both the reimbursement amount of \$35 million (originally due on April 30, 2020) and the royalty payments of approximately \$7 million (originally due on May 30, 2020 under the Trademark License Agreement). As the Company incurs costs for environmental matters deemed probable and reasonably estimable related to the sites covered by the indemnification and reimbursement agreement, a corresponding receivable from Resideo for 90 percent of such costs is also recorded. This receivable amount recorded in the six months ended June 30, 2020 was \$69 million. As of June 30, 2020, Other Current Assets and Other Assets includes \$140 million and \$479 million representing the short-term and long-term portion of the receivable amount due from Resideo under the indemnification and reimbursement agreement.

**Asbestos Matters**

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

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

**Asbestos-Related Liabilities**

|   | Bendix          | NARCO         | Total           |
|---|-----------------|---------------|-----------------|
| December 31, 2019                         | \$ 1,499        | \$ 858        | \$ 2,357        |
| Accrual for update to estimated liability | 31              | 10            | 41              |
| Asbestos related liability payments       | (100)           | (42)          | (142)           |
| June 30, 2020                             | <u>\$ 1,430</u> | <u>\$ 826</u> | <u>\$ 2,256</u> |

**Insurance Recoveries for Asbestos-Related Liabilities**

|   | Bendix        | NARCO         | Total         |
|---|---------------|---------------|---------------|
| December 31, 2019                                   | \$ 153        | \$ 281        | \$ 434        |
| Insurance receipts for asbestos-related liabilities | (6)           | (7)           | (13)          |
| Insurance receivables settlements                   | —             | —             | —             |
| June 30, 2020                                       | <u>\$ 147</u> | <u>\$ 274</u> | <u>\$ 421</u> |

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

|   | June 30, 2020   | December 31, 2019 |
|---|-----------------|-------------------|
| Other current assets                                  | \$ 42           | \$ 42             |
| Insurance recoveries for asbestos-related liabilities | 379             | 392               |
|   | <u>\$ 421</u>   | <u>\$ 434</u>     |
| Accrued liabilities                                   | \$ 362          | \$ 361            |
| Asbestos-related liabilities                          | 1,894           | 1,996             |
|   | <u>\$ 2,256</u> | <u>\$ 2,357</u>   |

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

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

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

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

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

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

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

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

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

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

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

Honeywell continues to maintain the 2006 NARCO Trust Liability Estimate (the \$743 million accrual less payments made by Honeywell to the NARCO Trust for Annual Contribution Claims since the beginning of the fourth quarter of 2019), as there has not been sufficiently reliable claims data history to enable the Company to update that liability.

As of December 31, 2019, all cash dividends paid to the NARCO Trust by HWI had been used to pay Annual Contribution Claims. In the six months ended June 30, 2020, Honeywell funded \$35 million to the NARCO Trust for the payment of Annual Contribution Claims.

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**(Unaudited)**  
**(Dollars in millions, except per share amounts)**

As of June 30, 2020, the Company's total NARCO asbestos liability of \$826 million reflects Pre-bankruptcy NARCO Liability of \$147 million and NARCO Trust Liability of \$679 million (the \$743 million accrual for the 2006 NARCO Trust Liability Estimate was reduced by \$64 million of payments by Honeywell to the NARCO Trust for Annual Contribution Claims since HWI cash dividend funding was fully exhausted in the fourth quarter of 2019 and there have been no further dividends from HWI). Through June 30, 2020, Pre-bankruptcy NARCO Liability has been reduced by approximately \$2 billion since first established in 2002, largely related to settlement payments. The remaining Pre-bankruptcy NARCO Liability principally represents estimated amounts owed pursuant to settlement agreements reached during the pendency of the NARCO bankruptcy proceedings that provide for the right to submit claims to the NARCO Trust subject to qualification under the terms of the settlement agreements and Trust Distribution Procedures. The other NARCO bankruptcy related obligations were paid in 2013 and no further liability is recorded.

Honeywell continues to evaluate the appropriateness of the 2006 NARCO Trust Liability Estimate. Despite becoming effective in 2013, the NARCO Trust has experienced delays in becoming fully operational. Violations of the Trust Distribution Procedures and the resulting disputes and challenges, a standstill pending dispute resolution, and limited claims payments, have all contributed to the lack of sufficient normalized data based on actual claims processing experience in the Trust since it became operational. As a result, we have not been able to further update the NARCO Trust Liability aside from deducting Honeywell payments to the NARCO Trust for Annual Contribution Claims. The 2006 NARCO Trust Liability Estimate continues to be appropriate because of the unresolved pending claims in the Trust, some portion of which will result in payouts in the future, and because new claims continue to be filed with the NARCO Trust. When sufficiently reliable claims data exists, we will update our estimate of the NARCO Trust Liability and it is possible that a material change may need to be recognized.

Our insurance receivable of \$274 million as of June 30, 2020, corresponding to the estimated liability for asserted and unasserted NARCO asbestos claims, reflects coverage which reimburses Honeywell for portions of NARCO-related indemnity and defense costs and is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. We conduct analyses to estimate the probable amount of insurance that is recoverable for asbestos claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. We made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings and our knowledge of any pertinent solvency issues surrounding insurers.

**Bendix Products**—Bendix manufactured automotive brake linings that contained chrysotile asbestos in an encapsulated form. Claimants consist largely of individuals who allege exposure to asbestos from brakes from either performing or being in the vicinity of individuals who performed brake replacements. The following tables present information regarding Bendix-related asbestos claims activity:

|  | Six Months Ended<br>June 30, | Years Ended<br>December 31, |         |
|--|------------------------------|-----------------------------|---------|
|  | 2020                         | 2019                        | 2018    |
| <b>Claims Activity</b>                           |                              |                             |         |
| Claims unresolved at the beginning of period     | 6,480                        | 6,209                       | 6,280   |
| Claims filed                                     | 1,013                        | 2,659                       | 2,430   |
| Claims resolved                                  | (1,195)                      | (2,388)                     | (2,501) |
| Claims unresolved at the end of period           | 6,298                        | 6,480                       | 6,209   |
| <b>Disease Distribution of Unresolved Claims</b> |                              |                             |         |
|  | June 30,                     | December 31,                |         |
|  | 2020                         | 2019                        | 2018    |
| Mesothelioma and other cancer claims             | 3,278                        | 3,399                       | 2,949   |
| Nonmalignant claims                              | 3,020                        | 3,081                       | 3,260   |
| Total claims                                     | 6,298                        | 6,480                       | 6,209   |

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

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

|                     | Years Ended December 31, |           |           |           |           |
|---------------------|--------------------------|-----------|-----------|-----------|-----------|
|                     | 2019                     | 2018      | 2017      | 2016      | 2015      |
|                     | (in whole dollars)       |           |           |           |           |
| Malignant claims    | \$ 50,200                | \$ 55,300 | \$ 56,000 | \$ 44,000 | \$ 44,000 |
| Nonmalignant claims | \$ 3,900                 | \$ 4,700  | \$ 2,800  | \$ 4,485  | \$ 100    |

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

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

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

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

In conjunction with the Garrett Motion, Inc. ("Garrett") spin-off, the Company entered into an indemnification and reimbursement agreement with a Garrett subsidiary, pursuant to which Garrett's subsidiary will have an obligation to make cash payments to Honeywell in amounts equal to (i) 90% of Honeywell's asbestos-related liability payments primarily related to the Bendix business in the United States, as well as certain environmental-related liability payments and accounts payable and non-United States asbestos-related liability payments, including the legal costs of defending and resolving such liabilities, less (ii) 90% of Honeywell's net insurance receipts and, as may be applicable, certain other recoveries associated with such liabilities. The amount payable to Honeywell in respect of such liabilities arising in any given year is subject to a cap of approximately Euro 150 million (equivalent to \$175 million at the time the indemnification and reimbursement agreement was entered into). The obligation will continue until the earlier of December 31, 2048, or December 31 of the third consecutive year during which the annual obligation is less than the Euro equivalent, at the fixed exchange rate at the time the indemnification and reimbursement agreement was entered into, of \$25 million.

As the Company incurs costs for matters covered by the indemnification and reimbursement agreement, a corresponding receivable from Garrett is recorded for 90 percent of those costs as determined by the terms of the agreement.

In Garrett's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2020, Garrett disclosed certain conditions and events which it indicated raise substantial doubt as to Garrett's ability to continue as a going concern.

**Honeywell International Inc.**  
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**(Dollars in millions, except per share amounts)**

On June 12, 2020, the Company and Garrett entered into an amendment of the indemnification and reimbursement agreement in connection with Garrett's amendment of its 2018 credit agreement. These amendments provide Garrett with temporary financial covenant relief with respect to the total leverage and interest coverage ratios, for a period that could extend to as late as June 30, 2022. Garrett's payments to the Company under the indemnification and reimbursement agreement are deferred to the extent Garrett is (or to the extent such payments would cause Garrett to be) out of compliance with the original financial covenants and resume to the extent Garrett is in compliance with such original financial covenants. Any deferred amounts will be paid to the extent Garrett is in compliance with such original financial covenants and has available capacity to make such payments pursuant to the terms of the indemnification and reimbursement agreement and its current credit agreement. The Company and Garrett also concurrently entered into the litigation status agreement discussed below.

The receivable amount recorded in connection with the indemnification and reimbursement agreement in the six months ended June 30, 2020 was \$26 million. Amounts associated with the indemnification and reimbursement agreement are collected from Garrett quarterly, and as a consequence of the extension referenced below, such amounts were \$36 million in the six months ended June 30, 2020.

As of June 30, 2020, Other Current Assets and Other Assets includes \$2 million and \$1,068 million representing the short-term and long-term portion of the receivable amount due from Garrett under the indemnification and reimbursement agreement.

We continue to closely monitor changes in Garrett's financial condition using available information, including the amendment to its 2018 credit agreement, to estimate future cash flows and assess collectability of outstanding receivables under the indemnification and reimbursement agreement. We believe the receivable due from Garrett as of June 30, 2020 is collectable.

On December 2, 2019, Garrett Motion Inc. and Garrett ASASCO Inc. filed a Summons with Notice and commenced a lawsuit in the Commercial Division of the Supreme Court of the State of New York, County of New York, seeking to invalidate the indemnification and reimbursement agreement between Garrett and Honeywell. Garrett seeks damages and a declaratory judgment based on various claims set forth in the Summons with Notice. On January 15, 2020, Garrett filed its complaint in the action, which asserted the same claims, and on March 5, 2020, we filed a Motion to Dismiss. On June 12, 2020, Honeywell and Garrett entered into a litigation status agreement pursuant to which (i) the parties agreed to make good faith efforts to limit near-term litigation spend on this matter, and (ii) the Company agreed to extend both the \$2 million payment owed by Garrett to the Company on May 1, 2020 under the indemnification and reimbursement agreement and the \$18 million payment owed by Garrett to the Company on April 1, 2020 under the tax matters agreement that the parties executed in connection with the spin-off until December 31, 2020 (which amounts, as previously disclosed, had been deferred to May 31, 2020). On July 17, 2020, the Company received a notice from Garrett asserting that Honeywell has caused material breaches of the tax matters agreement and that the tax matters agreement is unenforceable. We strongly believe that Garrett's allegations have no merit, nor are they material to Honeywell. We believe we have fully complied with our obligations under the indemnification and reimbursement agreement and the tax matters agreement and that both agreements are enforceable.

On October 31, 2018, David Kanefsky, a Honeywell shareholder, filed a putative class action complaint in the U.S. District Court for the District of New Jersey alleging violations of the Securities Exchange Act of 1934 and Rule 10b-5 related to the prior accounting for Bendix asbestos claims. An Amended Complaint was filed on December 30, 2019, and on February 7, 2020, we filed a Motion to Dismiss. On May 18, 2020, the court denied our Motion to Dismiss. We believe the claims have no merit.

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

**Other Matters**

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

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

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

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

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

In the March 2018 opinion, the District Court also held that Honeywell is obligated under the MCBAs to pay the "full premium" for retiree healthcare rather than the capped amount. Based on this ruling, Honeywell would be required to pay monetary damages to retirees for any past years in which Honeywell paid less than the "full premium" of their healthcare coverage. Such damages would be limited, depending on the retiree group, to a two to three-year period ending when the 2017 MCBA expired, and Honeywell would have no ongoing obligation to continue funding healthcare coverage for subsequent periods. Honeywell appealed the District Court's ruling on this "full premium" damages issue.

On April 3, 2020, the Sixth Circuit Court of Appeals issued an opinion ruling for Honeywell in all respects. The Court of Appeals affirmed the District Court's ruling that the MCBAs do not promise retirees vested, lifetime benefits that survive expiration of the MCBAs. In addition, the Court of Appeals reversed the District Court's ruling that Honeywell was obligated under the MCBAs to pay the "full premium" for retiree healthcare, rather than the capped amount. As a result of these rulings, Honeywell is not required to pay any monetary damages to the Plaintiffs.

Plaintiffs sought rehearing *en banc* from the Sixth Circuit Court of Appeals, which petition was denied. Plaintiffs last avenue of appeal is a petition for certiorari with the Supreme Court of the United States, but it is unknown at this time whether they will do so. If plaintiffs choose to make that filing, Honeywell does not believe they will be successful.



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

***In re Resideo Technologies, Inc. Securities Litigation***—On January 7, 2020, The Gabelli Asset Fund and certain related parties filed a putative class action complaint against Resideo and Honeywell in the U.S. District Court for the District of Minnesota alleging violations of the Securities Exchange Act of 1934 and Rule 10b-5 related to Resideo's spinoff from Honeywell in October 2018. On January 27, 2020, this putative class action was consolidated with certain previously-filed actions asserting claims relating to substantially the same matters into a single class action under the title *In re Resideo Technologies, Inc. Securities Litigation*. We believe the allegations against Honeywell regarding the Resideo spinoff have no merit. On April 10, 2020, the plaintiffs filed an Amended Consolidated Class Action Complaint and did not name Honeywell. Accordingly, Honeywell is no longer party to this matter. However, it is possible that Honeywell could be named as a defendant in the future.

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

**ITEM 2.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS****(Dollars in millions, except per share amounts)**

The following Management Discussion and Analysis is intended to help the reader understand the results of operations and financial condition of Honeywell International Inc. and its consolidated subsidiaries ("Honeywell" or "the Company") for the three months (quarter) and six months ended June 30, 2020. The financial information as of June 30, 2020 should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2019 contained in our 2019 Annual Report on Form 10-K.

**COVID-19 UPDATE**

In December 2019, a novel strain of coronavirus ("COVID-19") was identified in Asia. Over the next several months, COVID-19 quickly spread across the world. In March 2020, the WHO declared COVID-19 a worldwide pandemic. As of June 30, 2020, the virus continues to spread, infecting more than 10 million people worldwide. No vaccine is currently available.

Governments took unprecedented actions to contain the spread of COVID-19, temporarily shutting down non-essential businesses, issuing stay at home or "shelter in place" orders and asking citizens to avoid all non-essential travel. In certain situations, governments closed borders and issued mandatory quarantines. Companies were asked, in many cases were required, to allow non-essential employees to work remotely. Consumer spending declined, global travel demand declined significantly, and the world entered a global recession.

These events impacted our business operations in multiple ways. In the first quarter of 2020, we quickly responded to the changing environment. In January 2020, we implemented policies in select countries within Asia to restrict travel and require employees to work from home for all roles that allow for remote work. In March 2020, we expanded this work from home policy to include our employees worldwide. We actively monitored the changing government rules and regulations for each of our locations worldwide.

We developed a "return to workplace" program. We prepared procedures for the eventual return of our employees to office sites and trained our local site leaders. We initiated a phased program to return our employees to the workplace. As of June 30, 2020, outside of India, most of our employees in Asia have returned to the workplace. We also returned workers to select office sites within Europe. In most countries in the world, including the U.S., most of our non-manufacturing employees continue to work from home (for all roles that allow for remote work).

The global recession resulted in a slow-down in demand for many of the products and services that we offer. The impact on each of our businesses is outlined below:

- Aerospace – The decline in global travel negatively impacted many of our customers, resulting in lower demand for our products from original equipment manufacturers (OEMs) and negatively impacted demand for our aftermarket businesses. As a result, this segment's sales and profits declined in the three months ended June 30, 2020, compared to the three months ended March 31, 2020.
- Performance Materials and Technologies – Many of our customers operate in the oil and gas industry. The decline in global travel, coupled with excessive oil and gas supply, negatively impacted many of our customers and resulted in lower demand for our products. As a result, this segment's sales and profits declined in the three months ended June 30, 2020, compared to the three months ended March 31, 2020.
- Honeywell Building Technologies – Our customers own or manage buildings in a variety of industries including commercial real estate, hospitality, government, healthcare, banking and education. The global recession impacted many of these industries, resulting in a reduction of discretionary spending. As a result, this segment experienced lower demand for our products, and segment sales and profits declined in the three months ended June 30, 2020, compared to the three months ended March 31, 2020.
- Safety and Productivity Solutions – The global pandemic created significant demand for our respiratory personal protective equipment ("PPE") driving increases in sales and profits in the three months ended June 30, 2020, compared to the three months ended March 31, 2020.

As a result of the slowdown in demand for our products, we implemented several cost reduction programs across each of our businesses. We canceled our 2020 merit increases and reduced executive and Board of Director compensation. We initiated reduced work schedules across the company and implemented permanent census reductions.

We also took several steps to secure additional liquidity. In March 2020, we entered into a Delayed Draw Term Loan Agreement, which provided \$6 billion of available liquidity. In May 2020, we completed a public Senior Notes offering, which provided \$3 billion of available liquidity and we permanently reduced the available proceeds under the Delayed Draw Term Loan Agreement by \$3 billion. In June 2020, we fully drew on the remaining \$3 billion of proceeds under the Delayed Draw Term Loan Agreement. As of June 30, 2020, we held \$15.1 billion of available cash and short-term investments.

We continue to monitor and respond to the changing conditions created by the pandemic.

### **Employee Health, Safety, and Economic Wellness**

We continue to monitor the COVID-19 situation and its impacts globally. We are prioritizing the health and safety of our employees. Out of an abundance of caution for the health of our employees and to support local government initiatives to stem the spread of the virus, we implemented several precautions at various sites around the world at all times in compliance with local government requirements and Centers for Disease Control and Prevention ("CDC") guidelines. These include, but are not limited to:

- Limiting visitor site access to business-essential purposes;
- Introducing screening checks at certain sites where permissible or mandated;
- Enabling employees to work from home wherever and whenever required or appropriate;
- Continuously updating travel guidance, according to latest developments; and
- Complying with all local health authority guidance or regulations and our own protocols, including requesting employees to comply with self-quarantine requirements whenever advisable.

We have taken a number of measures to support our employees during these difficult times. We extended medical benefits globally to cover out-of-pocket costs associated with testing for coronavirus, and for those on our U.S. company medical plans, we are also covering treatment costs. In Mexico, we introduced a medical benefit for employees at lower compensation levels to ensure access to private medical treatment. In the U.S., we changed our sick leave plan for non-exempt employees to make more sick time available earlier in the year if it is needed. We established a \$10 million company-funded relief fund targeting employees worldwide at lower compensation levels, especially those on reduced work hours who didn't receive high levels of income replacement from unemployment or other government assistance.

To date, Honeywell has made substantial mask donations to frontline workers across multiple regions. Honeywell funded a \$2 million Small Business Innovation Fund in Charlotte to help storefront businesses with 50 or fewer employees make investments in new technologies and business models to adjust to the realities of operating in the COVID-19 environment; businesses owned by women, minorities and veterans will be prioritized. In addition, Honeywell funded the provision of about 4 million meals and a month's supply of hygiene kits to more than 12,500 families in India suffering hardships due to the crisis.

### **Our Commitment to Public Health**

We produce critical worker safety gear such as face masks, gloves, goggles, safety suits, and protective footwear. We play an essential role in the health and well-being of people and economies, and our customers and communities are depending on us more than ever to deliver for them. We are committed to supporting the safety of our employees, customers and fellow citizens around the world.

We are investing in new production facilities and continue to expand existing facilities to increase production of essential PPE products. We will bring these products to market as quickly as possible. We are committed to healthcare professionals, first responders, distributors and other stakeholders in an effort to ensure our PPE products are being placed quickly and cost-effectively in the hands of those most in need.

We announced our new capacity in the U.S. to make N95 masks, with production lines added in Rhode Island and Arizona that will collectively produce 20 million masks each month to support health, safety, and response workers globally. In addition, we are expanding our non-U.S. capacity with a new mask manufacturing line in the U.K that is expected to produce 4.5 million masks each month. Separately, we are collaborating with Mubadala Investment Company's subsidiary, Strata Manufacturing, in the UAE to produce 30 million masks annually.

We have communicated the following principles to our authorized distributor network:

- Our expectation that, at a minimum, all of our partners will comply with all applicable laws prohibiting price gouging and apply appropriate diligence to the greatest extent possible to understand how our products are being purchased so that they are placed quickly and cost-effectively in the hands of those most in need - including first responders and medical professionals.
- While we do not control the prices that third parties set, we expect our partners to fairly price PPE used in the COVID-19 response effort.
- If we find that one of our partners is not upholding the letter or spirit of these principles, we reserve the right not to fulfill that partner's orders and terminate our relationship with that party.

We are also investing in developing and bringing to market a wide array of new COVID-related products, including but not limited to Healthy Buildings solutions, remote operations offerings, automation technologies to help speed vaccine development, an ultraviolet cleaning system for airlines, and innovative dual-layer face covers and safety packs.

### **Plant Productivity and Safety**

In situations where our businesses were deemed essential, we worked with local officials to determine how to safely operate our manufacturing facilities. We successfully operated these manufacturing facilities with minimal disruption in our productivity. In the second quarter of 2020, we repurposed certain manufacturing facilities to produce personal protective equipment that was in short supply around the world. As of June 30, 2020, more than 95% of our manufacturing sites continued to operate at near capacity levels.

We continue to provide essential services and produce essential goods around the world. We employ standards such as screening checks, use of masks, face coverings and other safety equipment and social distancing practices along production lines in many of our production facilities at all times in compliance with local government requirements and CDC guidelines. We take appropriate actions including disinfecting and quarantine procedures when a suspected COVID-19 case is identified.

### **Customers and Suppliers**

Current global economic conditions due to COVID-19 have adversely affected and may continue to adversely affect our customers' or suppliers' ability to operate or obtain financing, particularly in our airline, oil & gas, and automotive end markets. Customer or supplier bankruptcies, delays in their ability to obtain financing, or the unavailability of financing could adversely affect our cash flow or results of operations. We continue to actively monitor both supplier and customer financial health and take measures to manage our supply chain disruptions and limit our exposure.

See Item Part II, 1A. Risk Factors for discussion of risks associated to the COVID-19 pandemic.

**A. Results of Operations – three and six months ended June 30, 2020 compared with the three and six months ended June 30, 2019**

**Net Sales**

|                                     | Three Months Ended June 30, |          | Six Months Ended June 30, |           |
|-------------------------------------|-----------------------------|----------|---------------------------|-----------|
|                                     | 2020                        | 2019     | 2020                      | 2019      |
| Net sales                           | \$ 7,477                    | \$ 9,243 | \$ 15,940                 | \$ 18,127 |
| % change compared with prior period | (19)%                       |          | (12)%                     |           |

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

|                              | Three Months | Year to Date |
|------------------------------|--------------|--------------|
| Volume                       | (20)%        | (12)%        |
| Price                        | 2 %          | 1 %          |
| Foreign Currency Translation | (1)%         | (1)%         |
|                              | (19)%        | (12)%        |

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

The unfavorable volume impact in the quarter and six months is driven by lower sales in certain products across our businesses due to the global recession attributable to COVID-19 and volatility in the oil and gas industry, partially offset by the strength in respiratory PPE products, warehouse automation projects, and defense and space business. The unfavorable impact of foreign currency translation in the quarter and six months is driven by the strengthening of the U.S. Dollar against the currencies of the majority of our international markets, primarily the Euro, Chinese Renminbi, British Pound, Australian Dollar and Canadian Dollar.

**Cost of Products and Services Sold**

|                                     | Three Months Ended June 30, |          | Six Months Ended June 30, |           |
|-------------------------------------|-----------------------------|----------|---------------------------|-----------|
|                                     | 2020                        | 2019     | 2020                      | 2019      |
| Cost of products and services sold  | \$ 5,276                    | \$ 6,094 | \$ 10,810                 | \$ 11,973 |
| % change compared with prior period | (13)%                       |          | (10)%                     |           |
| Gross margin percentage             | 29.4 %                      | 34.1 %   | 32.2 %                    | 33.9 %    |

Cost of products and services sold decreased in the quarter primarily due to lower direct and indirect material costs of approximately \$620 million and \$80 million and lower labor costs of approximately \$230 million (both driven by lower sales volumes and other cost actions to improve productivity), partially offset by higher repositioning and other charges of approximately \$100 million.

Cost of products and services sold decreased in the six months primarily due to lower direct and indirect material costs of approximately \$950 million and \$120 million and lower labor costs of approximately \$160 million (both driven by lower sales volumes and other cost actions to improve productivity), partially offset by higher repositioning and other charges of approximately \$70 million.

Gross margin percentage decreased in the quarter and six months primarily due to lower sales volumes across each of our businesses.

## Selling, General and Administrative Expenses

|   | Three Months Ended June 30, |          | Six Months Ended June 30, |          |
|---|-----------------------------|----------|---------------------------|----------|
|   | 2020                        | 2019     | 2020                      | 2019     |
| Selling, general and administrative expense | \$ 1,183                    | \$ 1,387 | \$ 2,421                  | \$ 2,750 |
| % of sales                                  | 15.8 %                      | 15.0 %   | 15.2 %                    | 15.2 %   |

Selling, general and administrative expenses decreased \$204 million in the quarter primarily due to productivity and lower sales volume, partially offset by higher repositioning and other charges.

Selling, general and administrative expenses decreased \$329 million in the six months primarily due to productivity and lower sales volume, partially offset by higher repositioning and other charges.

## Other (Income) Expense

|                        | Three Months Ended June 30, |          | Six Months Ended June 30, |          |
|------------------------|-----------------------------|----------|---------------------------|----------|
|                        | 2020                        | 2019     | 2020                      | 2019     |
| Other (income) expense | \$ (291)                    | \$ (305) | \$ (608)                  | \$ (590) |

Other income decreased for the quarter primarily due lower interest income and lower foreign exchange income, partially offset by higher pension income.

Other income increased for the six months primarily due to higher pension income, partially offset by lower interest income and lower foreign exchange income.

## Tax Expense (Benefit)

|                       | Three Months Ended June 30, |        | Six Months Ended June 30, |        |
|-----------------------|-----------------------------|--------|---------------------------|--------|
|                       | 2020                        | 2019   | 2020                      | 2019   |
| Tax expense (benefit) | \$ 120                      | \$ 426 | \$ 449                    | \$ 832 |
| Effective tax rate    | 9.8 %                       | 21.5 % | 14.2 %                    | 21.8 % |

The effective tax rate decreased for the quarter ended June 30, 2020 compared to the quarter ended June 30, 2019 primarily from the favorable resolution of a foreign tax matter related to the spin-off transactions. The effective tax rate decreased for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily from the favorable resolution of a foreign tax matter related to the spin-off transactions, tax law changes in India, and the resolution of certain U.S. tax matters.

The effective tax rate for the three months ended June 30, 2020 was lower than the U.S. federal statutory rate of 21% primarily from foreign earnings taxed at lower foreign tax rates and the favorable resolution of a foreign tax matter related to the spin-off transactions, partially offset by incremental tax reserves and state taxes. The effective tax rate for the six months ended June 30, 2020 was lower than the U.S. federal statutory rate of 21% primarily from foreign earnings taxed at lower foreign tax rates, the favorable resolution of a foreign tax matter related to the spin-off transactions, tax law changes in India and the resolution of certain U.S. tax matters partially offset by incremental tax reserves and state taxes.

The effective tax rate for the quarter and six months ended June 30, 2019 was higher than the U.S. federal statutory rate of 21% primarily from incremental tax reserves and state taxes, partially offset by foreign earnings taxed at lower foreign tax rates.

**Net Income Attributable to Honeywell**

|  | Three Months Ended June 30, |          | Six Months Ended June 30, |          |
|--|-----------------------------|----------|---------------------------|----------|
|  | 2020                        | 2019     | 2020                      | 2019     |
| Net income attributable to Honeywell                   | \$ 1,081                    | \$ 1,541 | \$ 2,662                  | \$ 2,957 |
| Earnings per share of common stock – assuming dilution | \$ 1.53                     | \$ 2.10  | \$ 3.74                   | \$ 4.02  |

Earnings per share of common stock – assuming dilution decreased in the quarter and six months primarily driven by lower segment profit and higher repositioning and other charges, partially offset by lower income tax expense and higher pension income.

## Review of Business Segments

|   | Three Months Ended June 30, |          |          | Six Months Ended June 30, |           |          |
|---|-----------------------------|----------|----------|---------------------------|-----------|----------|
|   | 2020                        | 2019     | % Change | 2020                      | 2019      | % Change |
| <b>Aerospace sales</b>                              |                             |          |          |                           |           |          |
| Commercial Aviation Original Equipment              | \$ 449                      | \$ 734   | (39) %   | \$ 1,121                  | \$ 1,493  | (25) %   |
| Commercial Aviation Aftermarket                     | 653                         | 1,421    | (54) %   | 2,033                     | 2,782     | (27) %   |
| Defense and Space                                   | 1,441                       | 1,353    | 7 %      | 2,750                     | 2,574     | 7 %      |
| Total Aerospace sales                               | 2,543                       | 3,508    |          | 5,904                     | 6,849     |          |
| <b>Honeywell Building Technologies sales</b>        |                             |          |          |                           |           |          |
| Buildings   | 1,177                       | 1,450    | (19) %   | 2,458                     | 2,839     | (13) %   |
| Total Honeywell Building Technologies sales         | 1,177                       | 1,450    |          | 2,458                     | 2,839     |          |
| <b>Performance Materials and Technologies sales</b> |                             |          |          |                           |           |          |
| UOP   | 517                         | 703      | (26) %   | 1,111                     | 1,313     | (15) %   |
| Process Solutions                                   | 1,093                       | 1,289    | (15) %   | 2,244                     | 2,535     | (11) %   |
| Advanced Materials                                  | 608                         | 743      | (18) %   | 1,260                     | 1,459     | (14) %   |
| Total Performance Materials and Technologies sales  | 2,218                       | 2,735    |          | 4,615                     | 5,307     |          |
| <b>Safety and Productivity Solutions sales</b>      |                             |          |          |                           |           |          |
| Safety  | 511                         | 557      | (8) %    | 1,013                     | 1,095     | (7) %    |
| Productivity Solutions                              | 1,028                       | 993      | 4 %      | 1,950                     | 2,037     | (4) %    |
| Total Safety and Productivity Solutions sales       | 1,539                       | 1,550    |          | 2,963                     | 3,132     |          |
| Net sales   | \$ 7,477                    | \$ 9,243 |          | \$ 15,940                 | \$ 18,127 |          |



## Aerospace

|  | Three Months Ended<br>June 30, |          |             | Six Months Ended<br>June 30, |          |             |
|--|--------------------------------|----------|-------------|------------------------------|----------|-------------|
|  | 2020                           | 2019     | %<br>Change | 2020                         | 2019     | %<br>Change |
| Net sales  | \$ 2,543                       | \$ 3,508 | (28)%       | \$ 5,904                     | \$ 6,849 | (14)%       |
| Cost of products and services sold                     | 1,795                          | 2,337    |             | 3,994                        | 4,569    |             |
| Selling, general and administrative and other expenses | 220                            | 264      |             | 445                          | 535      |             |
| Segment profit   | \$ 528                         | \$ 907   | (42)%       | \$ 1,465                     | \$ 1,745 | (16)%       |

  

| Factors Contributing to Year-Over-Year Change | 2020 vs. 2019                  |                   |                              |                   |
|---|--------------------------------|-------------------|------------------------------|-------------------|
|   | Three Months Ended<br>June 30, |                   | Six Months Ended<br>June 30, |                   |
|   | Sales                          | Segment<br>Profit | Sales                        | Segment<br>Profit |
| Organic                                       | (27)%                          | (42)%             | (13)%                        | (16)%             |
| Foreign currency translation                  | — %                            | — %               | — %                          | — %               |
| Acquisitions, divestitures and other, net     | (1)%                           | — %               | (1)%                         | — %               |
| Total % change                                | (28)%                          | (42)%             | (14)%                        | (16)%             |

Aerospace sales decreased for the quarter and six months ended June 30, 2020 due primarily to lower sales volumes as the decline in global travel negatively impacted many of our customers, resulting in lower demand for our products from OEMs and reduced demand for our aftermarket services.

- Commercial Aviation Original Equipment sales decreased 39% (decreased 39% organic) in the quarter and decreased 25% (decreased 25% organic) in the six months primarily due to lower demand from airport transport and regional and business aviation OEMs.
- Commercial Aviation Aftermarket sales decreased 54% (decreased 54% organic) in the quarter and decreased 27% (decreased 27% organic) in the six months primarily due to lower demand in air transport and regional and business aviation.
- Defense and Space sales increased 7% (increased 7% organic) in the quarter and six months driven by growth in U.S. and international defense.

Aerospace segment profit decreased in the quarter and six months primarily driven by lower sales volume and lower sales of higher margin products. Cost of products and services sold decreased in the quarter and six months due to lower volumes.

## Honeywell Building Technologies

|  | Three Months Ended<br>June 30, |          |          | Six Months Ended<br>June 30, |          |          |
|--|--------------------------------|----------|----------|------------------------------|----------|----------|
|  | 2020                           | 2019     | % Change | 2020                         | 2019     | % Change |
| Net sales  | \$ 1,177                       | \$ 1,450 | (19)%    | \$ 2,458                     | \$ 2,839 | (13)%    |
| Cost of products and services sold                     | 699                            | 876      |          | 1,453                        | 1,722    |          |
| Selling, general and administrative and other expenses | 228                            | 274      |          | 493                          | 546      |          |
| Segment profit   | \$ 250                         | \$ 300   | (17)%    | \$ 512                       | \$ 571   | (10)%    |

| Factors Contributing to Year-Over-Year Change | 2020 vs. 2019                  |                |                              |                |
|---|--------------------------------|----------------|------------------------------|----------------|
|   | Three Months Ended<br>June 30, |                | Six Months Ended<br>June 30, |                |
|   | Sales                          | Segment Profit | Sales                        | Segment Profit |
| Organic                                       | (17)%                          | (15)%          | (12)%                        | (8)%           |
| Foreign currency translation                  | (2)%                           | (2)%           | (1)%                         | (2)%           |
| Acquisitions, divestitures and other, net     | — %                            | — %            | — %                          | — %            |
| Total % change                                | (19)%                          | (17)%          | (13)%                        | (10)%          |

Honeywell Building Technologies sales decreased in the quarter and six months ended June 30, 2020 due to lower organic sales and the unfavorable impact of foreign currency translation. Our customers own or manage buildings in a variety of industries including commercial real estate, hospitality, airports and other government buildings, healthcare and education. The global recession impacted many of these industries, resulting in a reduction of discretionary spending and demand for our products and services.

- Sales in Building Technologies decreased 19% (decreased 17% organic) in the quarter and decreased 13% (decreased 12% organic) in the six months primarily due to lower sales volumes in both Products and Building Solutions and the unfavorable impact of foreign currency translation, partially offset by favorable pricing.

Honeywell Building Technologies segment profit decreased in the quarter primarily due to lower sales volumes, partially offset by other productivity actions and favorable pricing. Segment profit decreased in the six months primarily due to lower sales volumes, inflation and the unfavorable impact of foreign currency translation, partially offset by other productivity actions and favorable pricing. Cost of products and services sold decreased in the quarter and six months due to lower sales volumes and the favorable impact of foreign currency translation.

## Performance Materials and Technologies

|  | Three Months Ended<br>June 30, |          |             | Six Months Ended<br>June 30, |          |             |
|--|--------------------------------|----------|-------------|------------------------------|----------|-------------|
|  | 2020                           | 2019     | %<br>Change | 2020                         | 2019     | %<br>Change |
| Net sales  | \$ 2,218                       | \$ 2,735 | (19)%       | \$ 4,615                     | \$ 5,307 | (13)%       |
| Cost of products and services sold                     | 1,490                          | 1,731    |             | 3,049                        | 3,379    |             |
| Selling, general and administrative and other expenses | 309                            | 360      |             | 635                          | 720      |             |
| Segment profit   | \$ 419                         | \$ 644   | (35)%       | \$ 931                       | \$ 1,208 | (23)%       |

  

| Factors Contributing to Year-Over-Year Change | 2020 vs. 2019                  |                   |                           |                   |
|---|--------------------------------|-------------------|---------------------------|-------------------|
|   | Three Months Ended June<br>30, |                   | Six Months Ended June 30, |                   |
|   | Sales                          | Segment<br>Profit | Sales                     | Segment<br>Profit |
| Organic                                       | (17)%                          | (34)%             | (12)%                     | (22)%             |
| Foreign currency translation                  | (2)%                           | (1)%              | (1)%                      | (1)%              |
| Acquisitions, divestitures, and other, net    | —%                             | —%                | —%                        | —%                |
| Total % change                                | (19)%                          | (35)%             | (13)%                     | (23)%             |

Performance Materials and Technologies sales decreased for the quarter and six months ended June 30, 2020 primarily due to lower sales volumes and the unfavorable impact of foreign currency translation. Many of our customers operate in the oil and gas industry. The decline in global travel, coupled with excessive oil and gas supply, negatively impacted many of our customers resulting in lower demand for our products and services.

- UOP sales decreased 26% (decreased 25% organic) in the quarter primarily due to deferrals in catalyst shipments, decreases in licensing driven by project delays, and the unfavorable impact of foreign currency translation. UOP sales decreased 15% (decreased 14% organic) in the six months driven primarily by decreases in catalyst volumes and licensing.
- Process Solutions sales decreased 15% (decreased 13% organic) in the quarter primarily driven by decreases in products businesses, migration services and automation projects volumes and the unfavorable impact of foreign currency translation. Process Solutions sales decreased 11% (decreased 9% organic) in the six months driven primarily by decreases in products businesses, automation projects and migration services volumes and the unfavorable impact of foreign currency translation.
- Advanced Materials sales decreased 18% (decreased 18% organic) in the quarter and decreased 14% (decreased 13% organic) in the six months driven primarily by decreased volumes in fluorine products due to lower demand in automotive refrigerants.

Performance Materials and Technologies segment profit decreased in the quarter and six months due to operating leverage on lower sales volumes, partially offset by other productivity actions. Cost of products and services sold decreased in the quarter and six months primarily due to lower sales volumes.

## Safety and Productivity Solutions

|  | Three Months Ended<br>June 30, |                   |             | Six Months Ended<br>June 30, |                   |             |
|--|--------------------------------|-------------------|-------------|------------------------------|-------------------|-------------|
|  | 2020                           | 2019              | %<br>Change | 2020                         | 2019              | %<br>Change |
| Net sales  | \$ 1,539                       | \$ 1,550          | (1) %       | \$ 2,963                     | \$ 3,132          | (5) %       |
| Cost of products and services sold                     | 1,079                          | 1,065             |             | 2,051                        | 2,144             |             |
| Selling, general and administrative and other expenses | 247                            | 294               |             | 521                          | 585               |             |
| Segment profit   | \$ 213                         | \$ 191            | 12 %        | \$ 391                       | \$ 403            | (3) %       |
| <b>2020 vs. 2019</b>                                   |                                |                   |             |                              |                   |             |
|  | Three Months Ended<br>June 30, |                   |             | Six Months Ended<br>June 30, |                   |             |
| <b>Factors Contributing to Year-Over-Year Change</b>   | Sales                          | Segment<br>Profit |             | Sales                        | Segment<br>Profit |             |
| Organic  | 1 %                            | 16 %              |             | (4) %                        | — %               |             |
| Foreign currency translation                           | (2) %                          | (3) %             |             | (1) %                        | (3) %             |             |
| Acquisitions, divestitures, and other, net             | — %                            | (1) %             |             | — %                          | — %               |             |
| Total % change   | (1) %                          | 12 %              |             | (5) %                        | (3) %             |             |

Safety and Productivity Solutions sales decreased in the quarter ended June 30, 2020 due to the unfavorable impact of foreign currency translation, partially offset by organic growth. The global pandemic created significant demand for our respiratory personal protective equipment and additional demand for on-line shopping services, providing continued support for our warehouse automation services. Sales decreased in the six months ended June 30, 2020 due to lower organic sales and the unfavorable impact of foreign currency translation.

- Sales in Safety decreased 8% (decreased 7% organic) in the quarter and decreased 7% (decreased 6% organic) in the six months, primarily due to lower organic sales and the unfavorable impact of foreign currency translation. Safety experienced a significant increase in order volume for respiratory personal protective equipment in the quarter due to the global pandemic, partially offset by lower demand for gas sensing and detection equipment.
- Sales in Productivity Solutions increased 4% (increased 5% organic) in the quarter due to organic sales growth in our Warehouse and Workflow Solutions business, partially offset by lower demand in Productivity Products and the unfavorable impact of foreign currency translation. Sales decreased 4% (decreased 3% organic) in the six months primarily due to lower sales in Productivity Products and Sensing and IoT and the unfavorable impact of foreign currency translation.

Safety and Productivity Solutions segment profit increased in the quarter primarily due to improved productivity and favorable pricing, partially offset by higher sales of lower margin products and the unfavorable impact of foreign currency translation. Segment profit decreased in the six months primarily due to lower organic sales and the unfavorable impact of foreign currency translation, partially offset by productivity, net of inflation, and favorable pricing. Cost of products and services sold increased in the quarter due to higher organic sales volume, partially offset by the favorable impact of foreign currency translation. Cost of products and services sold decreased in the six months primarily due to lower organic sales volume and the favorable impact of foreign currency translation.

## Repositioning and Other Charges

Cash spending related to our repositioning actions was \$172 million in the six months ended June 30, 2020 and was funded through operating cash flows.

## B. Liquidity and Capital Resources

We continue to manage our businesses to maximize operating cash flows as the primary source of liquidity. In addition to our available cash and operating cash flows, we maintain additional sources of liquidity, including committed credit lines, short-term debt from the commercial paper market, long-term borrowings, access to the public debt and equity markets and the ability to access non-U.S. cash as a result of U.S. Tax Reform. We use cash generated through operations to invest in our existing core businesses, acquisitions, share repurchases and dividends.

### Cash Flow Summary

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows, are summarized as follows:

|  | Six Months Ended June 30, |            |
|--|---------------------------|------------|
|  | 2020                      | 2019       |
| Cash provided by (used for):                         |                           |            |
| Operating activities                                 | \$ 2,419                  | \$ 2,812   |
| Investing activities                                 | (358)                     | (343)      |
| Financing activities                                 | 2,741                     | (3,563)    |
| Effect of exchange rate changes on cash              | (91)                      | 32         |
| Net increase (decrease) in cash and cash equivalents | \$ 4,711                  | \$ (1,062) |

Cash provided by operating activities decreased by \$393 million primarily due to lower net income of \$295 million and an unfavorable impact from changes in other assets and liabilities of \$362 million, partially offset by a favorable impact from working capital of \$264 million.

Cash used for investing activities increased by \$15 million primarily due to a \$54 million increase in capital expenditures, partially offset by a net decrease in investments of \$29 million and an increase in cash received from the settlement of derivative contracts of \$13 million.

Cash provided by financing activities increased by \$6,304 million primarily due to an increase in proceeds from the issuance of long-term debt of \$7,072 million and decrease in share repurchases of \$665 million, partially offset by an increase in payments of long-term debt of \$1,134 million.

### Liquidity

Each of our businesses is focused on increasing operating cash flows through revenue growth, margin expansion and improved working capital turnover. We believe that cash balances and operating cash flow will continue to be our principal source of liquidity. In addition to the available cash and operating cash flows, additional sources of liquidity include committed credit lines, short-term debt from the commercial paper markets, long-term borrowings, and access to the public debt and equity markets. To date, the Company has not experienced any limitations in our ability to access these sources of liquidity. Also, considering the current economic environment in which each of our businesses operate, our business strategies and our productivity initiatives, we believe that our cash balances and operating cash flows will remain our principal source of liquidity.

We monitor the third-party depository institutions that hold our cash and cash equivalents. Our emphasis is primarily safety of principal and secondarily maximizing yield of those funds. We diversify our cash and cash equivalents among counterparties to minimize exposure to any one of these entities. As of June 30, 2020, we held \$15.1 billion of cash and cash equivalents and short-term investments.

A source of liquidity is our ability to access the commercial paper market. Commercial paper notes are sold at a discount or premium and have a maturity of not more than 365 days from date of issuance. Borrowings under the commercial paper program are available for general corporate purposes as well as for financing acquisitions. As of June 30, 2020, we had \$3.5 billion of commercial paper notes outstanding.

We have also entered into the following loan and credit agreements:

- A Delayed Draw Term Loan Agreement (the "Term Loan Agreement") with a syndicate of banks, dated March 26, 2020. As of June 30, 2020, there were \$3 billion of borrowings outstanding under the Term Loan Agreement, and there were no undrawn commitments remaining under the Term Loan Agreement. Commitments under the Term Loan Agreement can be increased pursuant to the terms of the Term Loan Agreement by an aggregate amount not to exceed \$2.0 billion.
- A \$1.5 billion 364-Day Credit Agreement (the "364-Day Credit Agreement") with a syndicate of banks, dated April 10, 2020. This 364-Day Credit Agreement is maintained for general corporate purposes. The 364-Day Credit Agreement replaces the previously reported 364-day credit agreement dated as of April 26, 2019, which was terminated on April 10, 2020. As of June 30, 2020, there were no outstanding borrowings under our 364-Day Credit Agreement.
- A \$4.0 billion Five Year Credit Agreement (the "5-Year Credit Agreement") with a syndicate of banks, dated April 26, 2019. This 5-Year Credit Agreement is maintained for general corporate purposes. Commitments under the 5-Year Credit Agreement can be increased pursuant to the terms of the 5-Year Credit Agreement to an aggregate amount not to exceed \$4.5 billion. As of June 30, 2020, there were no outstanding borrowings under our 5-Year Credit Agreement.

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 six months ended June 30, 2020, the Company repurchased \$1,985 million of outstanding shares. In April 2019, the Board of Directors authorized the repurchase of up to a total of \$10 billion of Honeywell common stock, which included amounts remaining under, and replaced, the previously approved share repurchase program. As of June 30, 2020, \$5.0 billion remained available for additional share repurchases. Honeywell presently expects to repurchase outstanding shares from time to time to offset the dilutive impact over the long-term of employee stock-based compensation plans, including future option exercises, restricted unit vesting and matching contributions under our savings plans. Additionally, we will seek to reduce share count via share repurchases as and when attractive opportunities arise. The amount and timing of future repurchases may vary depending on market conditions and the level of operating, financing and other investing activities.

Based on past performance and current expectations, we believe that our operating cash flows will be sufficient to meet our future operating cash needs. Our available cash, committed credit lines and access to the public debt and equity markets, provide additional sources of short-term and long-term liquidity to fund current operations, debt maturities, and future investment opportunities. See Item Part II, 1A Risk Factors for discussion of risks related to the COVID-19 pandemic.

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

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

## C. Other Matters

### Litigation

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

### Critical Accounting Policies

The financial information as of June 30, 2020 should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2019 contained in our 2019 Annual Report on Form 10-K.

For a discussion of the Company's critical accounting policies, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K.

### Recent Accounting Pronouncements

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

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

For a discussion of the Company's quantitative and qualitative disclosures about market risks, see Item 7A. Quantitative and Qualitative Disclosures About Market Risks, in our 2019 Annual Report on Form 10-K. As of June 30, 2020, there has been no material change in this information.

### Item 4. Controls and Procedures

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

We have not experienced any material impact to our internal control over financial reporting during the COVID-19 pandemic. Most of our employees worked remotely during the period in which we prepared these financial statements due to the impact of COVID-19. We enhanced our oversight and monitoring during the close and reporting process, including investments in expanded VPN capabilities and higher scrutiny and monitoring of cybersecurity threats. Other than enhancing our oversight and monitoring processes, we did not alter or compromise our disclosure controls and procedures. We are continually monitoring and assessing the need to modify or enhance our disclosure controls to ensure disclosure controls and procedures continue to be effective.

## Part II. Other Information

### Item 1. Legal Proceedings

#### General Legal Matters

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

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

None.

### Item 1A. Risk Factors

Other than as noted below, there have been no material changes to the disclosure presented in our 2019 Annual Report on Form 10-K under Item 1A. Risk Factors. For a further discussion of our Risk Factors, refer to the "Risk Factors" discussion contained in our 2019 Annual Report on Form 10-K.

***The global COVID-19 coronavirus pandemic and related impacts have adversely affected and may continue to adversely affect our business, financial condition, results of operations, liquidity, and cash flow.***

The global spread of the coronavirus (COVID-19) has created significant volatility, uncertainty and economic disruption that have negatively impacted our business, operations and financial results. The extent to which the COVID-19 pandemic will continue to impact our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration, scope and severity of the pandemic; governmental, business and individual decisions and actions; the impact of the pandemic on economic activity; and the extent to which we or our employees, customers, suppliers, service providers or other business partners may be prevented from conducting normal business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. These factors could, among other things, continue to disrupt (i) the purchasing, contracting and payment behaviors of our customers and their end-users; (ii) our operations, including our manufacturing activities, the shipment of our products, and the performance of our suppliers and service providers; and (iii) our liquidity and cash flow.

Risks arising from the COVID-19 pandemic that have impacted and that may continue to impact our business, financial condition, results of operations and prospects include, among other things:

- **Customer Risk.** Existing and potential customers and their end-users have taken and may continue to take actions to reduce or suspend operations, reduce or delay spending, cancel contracts, or cut costs in a manner that reduces demand for our products and services. In particular, lower demand for air travel may continue to cause our customers to delay or suspend spending in connection with the manufacturing, repair, overhaul or servicing of aircraft, and there may be long-term deterioration in demand for air travel that could impact our business beyond the current COVID-19 health crisis. Customers may also continue to attempt to renegotiate contracts and obtain concessions, face financial constraints on their ability to make payments to us on a timely basis or at all, or discontinue their business operations, and we may be required to discount the pricing of our products. In addition, unfavorable customer site conditions, such as closure of or access restrictions to customer facilities, and disruptions to our customers' third-party logistics, warehousing, inventory management and distribution services may continue to limit our ability to sell products, meet billing milestones or provide services.
- **Operations Risk.** The closure of our facilities, restrictions inhibiting our employees' ability to access those facilities, and disruptions to the ability of our suppliers or service providers to deliver goods or services to us (including as a result of supplier facility closures or access restrictions, disruptions to their supply chains, and supplier liquidity or bankruptcy risk) could disrupt our ability to provide our services and solutions and result in, among other things, terminations of customer contracts and losses of revenue. Because the COVID-19 pandemic could adversely affect our near-term and long-term revenues, earnings, liquidity and



cash flows, we have begun to take and may be required to continue taking significant cost actions, including but not limited to reducing discretionary expenses (such as non-essential travel, contractors, and consultants), reducing hiring, canceling annual merit increases; reducing executive and board of director pay, reducing work schedules across the enterprise, shortening or staggering work schedules to match production with demand, and reducing staffing levels as well as increasing supplier-based productivity and enhancing spending-limit controls. However, our costs may not decrease at the same pace as revenue declines as many of our costs are less variable in nature, and we may not be able to or may not chose to significantly reduce them in an effort to remain focused on long-term outlook and growth opportunities. Remote work and increased frequency of cybersecurity attacks, including phishing and malware attempts that utilize COVID-19-related strategies, increase the risk of a material cybersecurity incident that could result in the loss of proprietary or personal data, render us more vulnerable to future cybersecurity attacks, disrupt our operations, or otherwise cause us reputational or financial harm.

- **Liquidity and Cash Flow Risk.** Because of the customer and operations risk described above, our business may not continue to generate sufficient cash flow from operations in the future to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may need to use existing cash balances to service our debt, and if such balances are insufficient, then we may be required to adopt one or more alternatives, such as selling assets, restructuring of existing debt, issuing new debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time.

The scope and impact of the COVID-19 pandemic is changing rapidly, additional impacts may arise, and resumption of normal business operations may be delayed or constrained by lingering effects on our suppliers, third-party service providers, and/or customers. A sustained or prolonged COVID-19 pandemic would exacerbate the negative impacts described above and below as well as other risks disclosed in our 2019 Annual Report on Form 10-K under Item 1A. Risk Factors.

***Concentrations of credit, counterparty and market risk may adversely affect our results of operations and financial condition.***

We maintain long-term contract relationships with many of our customers, suppliers and other counterparties. While we monitor the financial health of these counterparties, we are exposed to credit and market risks of such counterparties, including those concentrated in the same or similar industries and geographic regions. Changes in economic conditions could also lead to concerns about the creditworthiness of counterparties in the same or similar industry or geography, impacting our ability to renew our long-term contract arrangements or collect amounts due under these arrangements. Among other factors, changes in economic conditions could also result in the credit deterioration or insolvency of a significant counterparty. For example, in Note 1 to its Consolidated Interim Financial Statements and elsewhere in its Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on May 11, 2020, Garrett Motion Inc. (“Garrett”) disclosed certain conditions and events which it indicated raise substantial doubt as to Garrett’s ability to continue as a going concern. Should any of these occur, it could adversely impact Garrett’s ability to perform under the indemnification and reimbursement agreement between Honeywell and a Garrett subsidiary. See Note 16 Commitments and Contingencies of Notes to Consolidated Financial Statements for a discussion of the indemnification and reimbursement agreement.

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

Honeywell purchased 455,825 shares of its common stock, par value \$1 per share, in the quarter ended June 30, 2020. On April 29, 2019, the Board of Directors authorized the repurchase of up to a total of \$10 billion of Honeywell common stock, which included amounts remaining under, and replaced, the previously approved share repurchase program. As of June 30, 2020, \$5.0 billion remained available for additional share repurchases. The following table summarizes Honeywell's purchase of its common stock for the quarter ended June 30, 2020:

| Period     | Issuer Purchases of Equity Securities      |  |   |   |
|------------|--|--|---|---|
|            | (a)<br>Total Number of<br>Shares Purchased | (b)<br>Average Price<br>Paid per Share | (c)<br>Total Number of<br>Shares Purchased<br>as Part of Publicly<br>Announced Plans<br>or Programs | (d)<br>Approximate<br>Dollar Value of<br>Shares that May<br>Yet be Purchased<br>Under Plans or<br>Programs (Dollars<br>in millions) |
| April 2020 | 455,825                                    | \$ 136.08                              | 455,825   | \$ 5,004  |
| May 2020   | —  | \$ —                                   | —   | \$ 5,004  |
| June 2020  | —  | \$ —                                   | —   | \$ 5,004  |

Item 4. Mine Safety Disclosures

One of our wholly-owned subsidiaries has a placer claim for and operates a chabazite ore surface mine in Arizona. Information concerning mine safety and other regulatory matters associated with this mine is required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K and is included in Exhibit 95 to this quarterly report.

Item 5. Other Information

As previously disclosed, on June 5, 2020, Mark R. James, Senior Vice President, Human Resources and Communications of the Company, communicated his intention to retire from the Company. On July 20, 2020, in consideration for Mr. James' agreement to (1) provide transition services following his retirement through January 31, 2021 (the "Transition Services Period"), and (2) extend the time period of his existing non-solicitation and non-compete covenants from two years to three years, the Company and Mr. James entered into a Retirement Agreement that provides Mr. James with the following benefits notwithstanding his voluntary retirement: (i) the outstanding restricted stock units previously awarded to Mr. James that are unvested at the time of his retirement shall remain outstanding and continue to vest as scheduled pursuant to their existing terms and conditions, including the satisfaction of any applicable Company performance requirements, (ii) all outstanding stock options that are unvested at the time of his retirement shall continue to vest as scheduled and shall remain exercisable for three (3) years from the vesting date of each tranche of such options, (iii) Mr. James shall be entitled to vest in the performance stock units ("PSUs") granted to him for the 2019–2021 PSU performance cycle, and (iv) notwithstanding any agreement that Mr. James may have executed to the contrary, Mr. James shall not be obligated to repay any relocation expenses incurred by the Company in connection with his relocation from New Jersey to North Carolina. The foregoing description of Mr. James' Retirement Agreement is not intended to be complete and is qualified in its entirety by reference to the Retirement Agreement, a copy of which is filed herewith.

In the quarter ended June 30, 2020, the Company entered into amendments to the respective indemnification and reimbursement agreements with Garrett and Resideo, copies of which are filed herewith as Exhibit 10.6 and Exhibit 10.7 hereto. See Note 16 *Commitments and Contingencies* of Notes to Consolidated Financial Statements for further discussion of such amendments.

**EXHIBIT INDEX**

| Exhibit No. | Description   |
|-------------|---|
| 10.1*       | <a href="#">Amendment to 2016 Stock Plan for Non-Employee Directors (filed herewith)</a>  |
| 10.2*       | <a href="#">2016 Stock Plan for Non-Employee Directors of Honeywell International Inc. – Form of Stock Option Award Agreement (filed herewith)</a>  |
| 10.3*       | <a href="#">2016 Stock Plan for Non-Employee Directors of Honeywell International Inc. – Form of Restricted Unit Agreement (filed herewith)</a>   |
| 10.4*       | <a href="#">Retirement Agreement dated July 20, 2020 between Honeywell and Mark R. James (filed herewith)</a>   |
| 10.5        | <a href="#">364-Day Credit Agreement, dated as of April 10, 2020, among Honeywell International Inc., the banks, financial institutions, and other institutional lenders parties thereto, Citibank, N.A., as administrative agent, and JPMorgan Chase Bank, N.A., as syndication agent (incorporated by reference to Exhibit 10.1 to Honeywell's Form 8-K filed April 10, 2020)</a>   |
| 10.6        | <a href="#">First Amendment, dated April 21, 2020, to Indemnification and Reimbursement Agreement dated October 14, 2018 among Honeywell and Resideo Intermediate Holding Inc. (filed herewith)</a>   |
| 10.7        | <a href="#">First Amendment, dated June 12, 2020, to Indemnification and Reimbursement Agreement dated September 12, 2018 among Honeywell, Honeywell Holdings International Inc. and Garrett ASASCO Inc. (filed herewith)</a>   |
| 31.1        | <a href="#">Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>   |
| 31.2        | <a href="#">Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>   |
| 32.1        | <a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith) Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>  |
| 32.2        | <a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>  |
| 95          | <a href="#">Mine Safety Disclosures</a>   |
| 101.INS     | The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter and six months ended June 30, 2020, formatted in Inline XBRL: (i) Consolidated Statements of Cash Flows, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Balance Sheets, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags. |
| 101.SCH     | Inline XBRL Taxonomy Extension Schema (filed herewith)  |
| 101.CAL     | Inline XBRL Taxonomy Extension Calculation Linkbase (filed herewith)  |
| 101.DEF     | Inline XBRL Taxonomy Extension Definition Linkbase (filed herewith)   |
| 101.LAB     | Inline XBRL Taxonomy Extension Label Linkbase (filed herewith)  |
| 101.PRE     | Inline XBRL Taxonomy Extension Presentation Linkbase (filed herewith)   |
| 104         | Cover page from the Company's Quarterly Report on Form 10-Q for the quarter and six months ended June 30, 2020, formatted in Inline XBRL (and contained in Exhibit 101)   |

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

## SIGNATURES

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

Honeywell International Inc.

Date: July 24, 2020

By: /s/ Robert D. Mailloux

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

**AMENDMENT  
TO THE  
2016 STOCK PLAN FOR NON-EMPLOYEE DIRECTORS  
OF HONEYWELL INTERNATIONAL INC.**

Pursuant to the authority granted to proper officers of Honeywell International Inc. (the “Company”) by the Board of Directors on June 5, 2020, the 2016 Stock Plan for Non-Employee Directors of Honeywell International Inc. is hereby amended effective June 5, 2020 by replacing Schedule A in its entirety with the attached new Schedule A.

**HONEYWELL INTERNATIONAL INC.**

/s/ Mark James

Mark James

Senior Vice President – Human Resources, Security & Communications

Dated: July 17, 2020

## “SCHEDULE A

### BOARD POLICY FOR NON-EMPLOYEE DIRECTOR EQUITY AWARDS

*Initial Restricted Stock Unit Grant for New Directors on and after September 27, 2019.* Each Eligible Director first elected or appointed to the Board on or after September 27, 2019 shall receive an initial prorated equity grant based on their first date as an Eligible Director in the period beginning on the immediately preceding Annual Meeting of Shareowners (“Annual Meeting”) date and ending on the next following Annual Meeting date, and the prorated annual grant value for Stock Options and Restricted Stock Units for the immediately preceding Annual Meeting (*i.e.*, based on \$100,000 annual value between the 2019 and 2020 Annual Meetings, and \$115,000 annual value after the 2020 Annual Meeting). The number of Shares subject to this grant shall be determined by dividing the value described in the preceding sentence by the Fair Market Value as of the grant date and rounding up to the nearest whole Share.

The Restricted Stock Units shall vest on the earliest of (i) the April 15<sup>th</sup> immediately preceding the Participant’s first anniversary of the grant date, (ii) the termination of service due to the Participant’s death or disability, or (iii) the occurrence of a Change in Control. Except as otherwise provided in an Award Agreement, no Award shall vest unless the Participant is a director of the Company on the vesting date.

*Annual Grants of Stock Options and Restricted Stock Units.* Effective January 1, 2020 and subject to any limitations set forth in the Plan, each Eligible Director who continues in office following the Annual Meeting of Shareowners (“Annual Meeting”) shall receive equity grants with a total target value of \$115,000. \$50,000 of the annual grant value shall be granted in Stock Options and the remaining \$65,000 of the annual grant value shall be granted in Restricted Stock Units, with the number of Shares subject to each grant determined by dividing the value by the Fair Market Value as of the date of the Annual Meeting of Shareowners and rounding up to the nearest whole Share.

A grant of Stock Options shall have an Exercise Price equal to the Fair Market Value as of the date of grant and shall vest in cumulative installments of 25% on each of the April 15<sup>th</sup> immediately preceding the first, second, third, and fourth anniversaries of the grant date, or, if earlier, on the earliest of (i) the termination of service due to the Participant’s death or disability, (ii) the Participant’s retirement from the Board at or after mandatory retirement age (currently age 75), (iii) the occurrence of a Change in Control, (iv) the voluntary termination of service on or after the Participant’s tenth anniversary as a Board member in good standing (as determined in the sole and absolute discretion of the Committee).

A grant of Restricted Stock Units shall vest on the earliest of (i) the April 15<sup>th</sup> immediately preceding the Participant’s first anniversary of the grant date, (ii) the termination of service due to the Participant’s death or disability, (iii) the occurrence of a Change in Control, or (iv) the voluntary termination of service on or after the Participant’s tenth anniversary as a Board member in good standing (as determined in the sole and absolute discretion of the Committee).

Except as otherwise provided in an Award Agreement, no Award shall vest unless the Participant is a director of the Company on the vesting date.

*Future Changes to Schedule A.* Notwithstanding any provision of the Plan to the contrary or the foregoing provisions of this Board Policy, in no event shall the Board amend this Board Policy to increase the total target value of the annual grants to Eligible Directors above \$300,000, without the approval of the Company’s shareowners.”

**2016 STOCK PLAN  
FOR NON-EMPLOYEE DIRECTORS  
OF HONEYWELL INTERNATIONAL INC.**

**STOCK OPTION AWARD AGREEMENT**

STOCK OPTION AWARD AGREEMENT made in Charlotte, North Carolina, as of **[GRANT DATE]** ("Grant Date"), between Honeywell International Inc. (the "Company") and **[DIRECTOR NAME]** ("Director").

1. **Grant of Option.** The Company has granted you an Option to purchase **[NUMBER]** Shares of Common Stock, subject to the provisions of this Agreement and the 2016 Stock Plan for Non-Employee Directors of Honeywell International Inc. This Option is a nonqualified Option for federal income tax purposes.

The Stock Option Plan Details for this grant can be found on the Morgan Stanley StockPlan Connect website at [www.stockplanconnect.com](http://www.stockplanconnect.com). The Company reserves the right to change or correct any information contained on the Morgan Stanley StockPlan Connect website to reflect the terms of the Award actually made by the Company on the Grant Date or the Plan.

2. **Exercise Price.** The purchase price of the Shares covered by the Option will be **[\$EXERCISE PRICE]** per Share.
3. **Vesting.** Subject to the earlier vesting of the Option as provided below upon your voluntary termination from the Company's Board of Directors on or after your 10<sup>th</sup> anniversary as a Board member in good standing, death or Disability, or a Change in Control, the Option will become exercisable as follows: **to the extent of 25% of the Shares specified in paragraph 1 of this Agreement on each of [April 15<sup>th</sup> immediately preceding the 1<sup>st</sup> anniversary of Grant Date], [April 15<sup>th</sup> immediately preceding the 2<sup>nd</sup> anniversary of Grant Date], [April 15<sup>th</sup> immediately preceding the 3<sup>rd</sup> anniversary of Grant Date], [April 15<sup>th</sup> immediately preceding the 4<sup>th</sup> anniversary of Grant Date].**
4. **Term of Option.** The Option must be exercised prior to the close of the New York Stock Exchange ("NYSE") on the day before the tenth anniversary of the Grant Date (the "Expiration Date"), subject to earlier termination or cancellation as provided below. If the NYSE is not open for business on the Expiration Date, the Option will expire at the close of the NYSE on the business day immediately preceding the Expiration Date.
5. **Payment of Exercise Price.** You may pay the Exercise Price by cash, certified check, bank draft, wire transfer, postal or express money order, or any other alternative method specified in the Plan and expressly approved by the Committee. Notwithstanding the foregoing, you may not tender any form of payment that the Committee determines, in its sole and absolute discretion, could violate any law or regulation.
6. **Exercise of Option.** Subject to the terms and conditions of this Agreement, the Option may be exercised by providing notice to the Company by contacting the Director - Executive Compensation, or the Corporate Secretary. If the Option is exercised after your death, the Company will deliver Shares only after the Committee has determined that the person exercising the Option is the duly appointed executor or administrator of your estate or the person to whom the Option has been transferred by your will or by the applicable laws of descent and distribution.

**7. Termination, Retirement, Disability or Death.** The Option will vest and remain exercisable as follows:

| <b>Event</b>   | <b>Vesting</b>                                    | <b>Exercise</b>   |
|--|---|---|
| Termination of service due to death  | Immediate vesting as of death.                    | Expires on original expiration date.  |
| Termination of service due to Disability   | Immediate vesting as of incurrence of Disability. | Expires on original expiration date.  |
| Retirement at or after age 75  | Immediate vesting as of retirement.               | Expires on original expiration date.  |
| Voluntary termination of director service (other than due to death, Disability, or retirement at or after age 75) on or after the 10 <sup>th</sup> anniversary as a Board member in good standing <sup>1</sup>                                 | Immediate vesting as of termination.              | Expires earlier of (i) original expiration date, or (ii) 3 years after termination. If you die or incur a Disability prior to end of this 3-year period, expires earlier of (i) original expiration date, or (ii) later of 3 years after termination or 1 year after death or Disability  |
| Voluntary termination of director service (other than due to death, Disability or retirement at or after age 75) before the 10 <sup>th</sup> anniversary as a Board member, or at any time as a Board member not in good standing <sup>2</sup> | Unvested Option forfeited as of termination.      | Expires earlier of (i) original expiration date, or (ii) 3 months after termination. If you die or incur a Disability prior to end of this 3-month period, expires earlier of (i) original expiration date, or (ii) 1 year after death or Disability.                                     |
| Involuntary termination of director service other than for death, Disability, or retirement at or after age 75   | Unvested Option forfeited as of termination.      | Expires earlier of (i) original expiration date, or (ii) 3 years after termination. If you die or incur a Disability prior to end of this 3-year period, expires earlier of (i) original expiration date, or (ii) later of 3 years after termination or 1 year after death or Disability. |

<sup>1</sup> Determined in the sole and absolute discretion of the Committee.

<sup>2</sup> Determined in the sole and absolute discretion of the Committee.



8. **Change in Control.** In the event of a Change in Control, any portion of the Option that has not vested as of the date of Change in Control will immediately become exercisable in full. If your service as a director of the Company terminates for any reason following a Change in Control, that termination will be treated as a retirement from the Board of Directors at or after age 75 for purposes of Section 7 above.
9. **Withholdings.** The Company will have the right, prior to the issuance or delivery of any Shares in connection with the exercise of the Option, to withhold or demand from you the amount necessary to satisfy applicable tax requirements, as determined by the Committee.
10. **Transfer of Option.** You may not transfer the Option or any interest in the Option except by will or the laws of descent and distribution or except as permitted by the Committee and as specified in the Plan.
11. **Adjustments.** Any adjustments to the Option will be governed by Section 9 of the Plan.
12. **Restrictions on Exercise.** Exercise of the Option is subject to the conditions that, to the extent required at the time of exercise, (a) the Shares covered by the Option will be duly listed, upon official notice of issuance, upon the NYSE, and (b) a Registration Statement under the Securities Act of 1933 with respect to the Shares will be effective. The Company will not be required to deliver any Common Stock until all applicable federal and state laws and regulations have been complied with and all legal matters in connection with the issuance and delivery of the Shares have been approved by counsel of the Company.
13. **Disposition of Securities.** By accepting the Award, you acknowledge that you have read and understand the Company's policy, and are aware of and understand your obligations under U.S. federal securities laws in respect of trading in the Company's securities. You agree not to sell Shares (including by using the Company's "cashless exercise" program for the Option, or any successor program) at any time when you possess material nonpublic information with respect to the Company or when doing so would otherwise result in a violation of securities law. The Company will have the right to recover, or receive reimbursement for, any compensation or profit realized on the exercise of the Option or by the disposition of Shares received upon exercise of the Option to the extent that the Company has a right of recovery or reimbursement under applicable securities laws.
14. **Plan Terms Govern.** The exercise of the Option, the disposition of any Shares received upon exercise of the Option, and the treatment of any gain on the disposition of these Shares are subject to the terms of the Plan and any rules that the Board of Directors and the Committee may prescribe. The Plan document, as may be amended from time to time, is incorporated into this Agreement. Capitalized terms used in this Agreement have the meaning set forth in the Plan, unless otherwise stated in this Agreement. In the event of any conflict between the terms of the Plan and the terms of this Agreement, the Plan will control unless otherwise stated in this Agreement. By accepting the Award, you acknowledge receipt of the Plan and the prospectus, as in effect on the date of this Agreement.
15. **Personal Data.**
  - a. By entering into this Agreement, and as a condition of the grant of the Option, you expressly consent to the collection, use, and transfer of personal data as described in this Section to the full extent permitted by and in full compliance with applicable law.
  - b. You understand that the Company holds, by means of an automated data file, certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares or directorships held, details of all options or other entitlement to shares awarded,

anceled, exercised, vested, unvested, or outstanding in your favor, for the purpose of managing and administering the Plan ("Data").

- c. You further understand that part or all of your Data may be also held by the Company's Affiliates, pursuant to a transfer made in the past with your consent, in respect of any previous grant of options or awards, which was made for the same purposes of managing and administering of previous award/incentive plans, or for other purposes.
  - d. You further understand that the Company and its Affiliates will transfer Data among themselves as necessary for the purposes of implementation, administration, and management of your participation in the Plan, and that the Company or its Affiliates may transfer data among themselves, and/or each, in turn, further transfer Data to any third parties assisting the Company in the implementation, administration, and management of the Plan ("Data Recipients").
  - e. You understand that the Company or its Affiliates, as well as the Data Recipients, are or may be located in your country of residence or elsewhere, such as the United States. You authorize the Company or its Affiliates, as well as the Data Recipients, to receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Plan, including any transfer of such Data, as may be required for the administration of the Plan and/or the subsequent holding of Shares on your behalf, to a broker or third party with whom the Shares may be deposited.
  - f. You understand that you may show your opposition to the processing and transfer of your Data, and, may at any time, review the Data, request that any necessary amendments be made to it, or withdraw your consent herein in writing by contacting the Company. You further understand that withdrawing consent may affect your ability to participate in the Plan.
16. **Discretionary Nature and Acceptance of Award.** By accepting this Award, you agree to be bound by the terms of this Agreement and acknowledge that:
- a. The Company is granting your Option, and this Agreement is not derived from any preexisting labor relationship between you and the Company, but rather from a mercantile relationship.
  - b. The Company may administer the Plan from outside your country of residence and United States law will govern all Options granted under the Plan.
  - c. Benefits and rights provided under the Plan do not constitute regular or periodic payments.
17. **Limitations.** Nothing in this Agreement or the Plan gives you any right to continue as a member of the Board of Directors of the Company or will prejudice the rights of the Board of Directors or shareowners of the Company with respect to your nomination and election. Payment of Shares is not secured by a trust, insurance contract or other funding medium, and you do not have any interest in any fund or specific asset of the Company by reason of the Option. You have no rights as a shareowner of the Company pursuant to the Option until Shares are actually delivered you.
18. **Incorporation of Other Agreements.** This Agreement and the Plan constitute the entire understanding between you and the Company regarding the Option. This Agreement supersedes any prior agreements, commitments or negotiations concerning the Option.

19. **Severability.** The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the other provisions of the Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.
20. **Governing Law.** The Plan, this Agreement, and all determinations made and actions taken under the Plan or this Agreement shall be governed by the internal substantive laws, and not the choice of law rules, of the State of Delaware and construed accordingly, to the extent not superseded by applicable federal law.
21. **Acknowledgements and Acceptance.** By accepting this Agreement, you agree to the following: (i) you have carefully read, fully understand and agree to all of the terms and conditions described in this Agreement, the Plan, the Plan's prospectus and all accompanying documentation; and (ii) you understand and agree that this Agreement and the Plan constitute the entire understanding between you and the Company regarding the Option, and that any prior agreements, commitments or negotiations concerning the Option are replaced and superseded.

To retain this Award, you must accept it on the Morgan Stanley StockPlan Connect website.

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**Director Name**

**2016 STOCK PLAN FOR NON-EMPLOYEE DIRECTORS  
OF HONEYWELL INTERNATIONAL INC.**

**RESTRICTED UNIT AGREEMENT**

RESTRICTED UNIT AGREEMENT made in Charlotte, North Carolina, as of **[GRANT DATE]** (“Grant Date”), between Honeywell International Inc. (the “Company”) and **[DIRECTOR NAME]** (“Director”).

1. **Grant of Award.** The Company has granted you **[NUMBER]** Restricted Units, subject to the provisions of this Agreement and the 2016 Stock Plan For Non-Employee Directors of Honeywell International Inc. (the “Plan”). The Company will hold the Restricted Units and Additional Restricted Units (as defined in Section 2) in a bookkeeping account on your behalf until they become payable or are forfeited or cancelled.

The Restricted Stock Unit Plan Details for this grant can be found on the Morgan Stanley StockPlan Connect website at [www.stockplanconnect.com](http://www.stockplanconnect.com). The Company reserves the right to change or correct any information contained on the Morgan Stanley StockPlan Connect website to reflect the terms of the grant actually made by the Company on the Grant Date or the Plan.

2. **Dividend Equivalents.** Except as otherwise determined by the Corporate Governance and Responsibility Committee (the “Committee”), in its sole discretion, you will earn Dividend Equivalents in an amount equal to the value of any cash or stock dividends paid by the Company upon one Share of Common Stock for each unvested Restricted Unit or Additional Restricted Unit (as defined below) credited to your bookkeeping account on a dividend payment date. In the case of cash dividends, the Company shall credit to your bookkeeping account, on each dividend payment date, an additional number of Restricted Units (“Additional Restricted Units”) equal to (a) divided by (b), where (a) equals the total number of unvested Restricted Units and Additional Restricted Units, if any, subject to this Agreement on such date multiplied by the dollar amount of the cash dividend paid per Share of Common Stock on such date, and (b) equals the Fair Market Value of a Share on such date. If a dividend is paid to holders of Common Stock in Shares, the Company shall credit to you, on each dividend payment date, Additional Restricted Units equal to the total number of unvested Restricted Units and Additional Restricted Units subject to this Agreement on such date multiplied by the Share dividend paid per Share of Common Stock on such date. Additional Restricted Units are subject to the same restrictions, including but not limited to vesting, transferability and payment restrictions, that apply to the Restricted Units to which they relate.
3. **Payment Amount.** Each Restricted Unit and Additional Restricted Unit represents one (1) Share of Common Stock.

4. **Vesting.** Except in the event of the termination of your directorship due to death or Disability, the occurrence of a Change in Control, or your voluntary termination on or after ten years as a Board member in good standing (as determined in the sole and absolute discretion of the Committee), the Restricted Units and Additional Restricted Units will vest as follows: **[VESTING PROVISIONS CONSISTENT WITH THE PLAN]**.
5. **Form and Timing of Payment.** Vested Restricted Units will be redeemed solely for Shares. Except as otherwise determined by the Committee, in its sole discretion, vested Additional Restricted Units will be redeemed solely for Shares. [Subject to a deferral election made pursuant to Section 11,] payment of vested Restricted Units and Additional Restricted Units will be made as soon as practicable following the applicable vesting date but in no event later than two and one-half (2-1/2) months following the end of the calendar year in which the vesting date occurs. As determined by the Company in its sole discretion prior to the vesting date, any fractional Shares may be paid in cash or rounded up or down to the nearest whole Share.
6. **Termination of Directorship.** If you voluntarily terminate from director service on or after ten years as a Board member in good standing (as determined in the sole and absolute discretion of the Committee), the Vested Restricted Units and Additional Restricted Units under this Agreement will vest as of your termination date. If you terminate from director service for any reason other your death, Disability, or voluntarily on or after ten years as a Board member in good standing (as determined in the sole and absolute discretion of the Committee), any Restricted Units and Additional Restricted Units that have not vested as of the date of the termination of your directorship will immediately be forfeited, and your rights with respect to these Restricted Units and Additional Restricted Units will end.
7. **Death or Disability.** If you cease to be a director of the Company because of your death or Disability, any vesting restrictions on Restricted Units and Additional Restricted Units will lapse, and payment will be made in accordance with Section 5. If you are deceased, the Company will make a payment to your estate only after the Committee has determined that the payee is the duly appointed executor or administrator of your estate.
8. **Change in Control.** In the event of a Change in Control, Restricted Units and Additional Restricted Units that have not vested or terminated as of the date of Change in Control will immediately vest.

9. **Withholdings.** The Company shall have the power and the right to deduct or withhold, or require you to remit, prior to any issuance or delivery of Shares on Restricted Units or Additional Restricted Units, an amount sufficient to satisfy taxes imposed under the laws of any country, state, province, city or other jurisdiction, including but not limited to income taxes, capital gain taxes, transfer taxes, and social security contributions, and National Insurance Contributions, that are required by law to be withheld as determined by the Company.
10. **Transfer of Award.** You may not transfer the Restricted Units, Additional Restricted Units or any interest in such Units except by will or the laws of descent and distribution or except as otherwise permitted by Section 11 of the Plan. Any other attempt to dispose of your interest will be null and void.
11. [FOLLOWING INCLUDED AT COMPANY'S DISCRETION: **Deferral of Payment.** If you would like to defer payment on the Restricted Units and related Additional Restricted Units, you may do so in writing on the deferral form provided with this grant setting forth your desired payment schedule. The deferral will not be permitted if, within the determination of the Company, such deferral would result in a violation of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder. If the deferral is not permitted, then payment will be made as provided in Section 5. All Additional Restricted Units will be subject to the same deferral restrictions as the Restricted Units to which they relate. Except as otherwise determined by the Company, Dividend Equivalents credited on deferred Restricted Units and deferred Additional Restricted Units will be paid in cash as soon as practicable following the date such Dividend Equivalents are credited but in no event later than 2-1/2 months following the end of the year in which the Dividend Equivalents vest.]
12. **Restrictions on Payment of Shares.** Payment of Shares for your Restricted Units and Additional Restricted Units is subject to the conditions that, to the extent required at the time of exercise, (i) the Shares underlying the Restricted Units and Additional Restricted Units will be duly listed, upon official notice of redemption, upon the New York Stock Exchange, and (ii) a Registration Statement under the Securities Act of 1933 with respect to the Shares will be effective. The Company will not be required to deliver any Common Stock until all applicable federal and state laws and regulations have been complied with and all legal matters in connection with the issuance and delivery of the Shares have been approved by counsel for the Company.
13. **Adjustments.** Any adjustments to the Restricted Units and Additional Restricted Units will be governed by Section 9 of the Plan.

14. **Disposition of Securities.** By accepting the Award, you acknowledge that you have read and understand the Company's policy, and are aware of and understand your obligations under applicable securities laws in respect of trading in the Company's securities. The Company will have the right to recover, or receive reimbursement for, any compensation or profit you realize on the disposition of Shares received for Restricted Units or Additional Restricted Units to the extent that the Company has a right of recovery or reimbursement under applicable securities laws.
15. **Plan Terms Govern.** The vesting and redemption of Restricted Units or Additional Restricted Units, the disposition of any Shares received for Restricted Units or Additional Restricted Units, the treatment of gain on the disposition of these Shares, and the treatment of Dividend Equivalents are subject to the provisions of the Plan and any rules that the Committee may prescribe. The Plan document, as may be amended from time to time, is incorporated into this Agreement. Capitalized terms used in this Agreement have the meaning set forth in the Plan, unless otherwise stated in this Agreement. In the event of any conflict between the terms of the Plan and the terms of this Agreement, the Plan will control. By accepting the Award, you acknowledge that the Plan and the Plan prospectus, as in effect on the date of this Agreement, have been made available to you for your review.
16. **Personal Data.**
- a. By entering into this Agreement, and as a condition of the grant of the Restricted Units, you expressly consent to the collection, use, and transfer of personal data as described in this Section to the full extent permitted by and in full compliance with applicable law.
  - b. You understand that the Company holds, by means of an automated data file, certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares or directorships held, details of all restricted units or other entitlement to shares awarded, canceled, exercised, vested, unvested, or outstanding in your favor, for the purpose of managing and administering the Plan ("Data").
  - c. You further understand that part or all of your Data may be also held by the Company's Affiliates, pursuant to a transfer made in the past with your consent, in respect of any previous grant of restricted units or awards, which was made for the same purposes of managing and administering of previous award/incentive plans, or for other purposes.

- d. You further understand that the Company and its Affiliates will transfer Data among themselves as necessary for the purposes of implementation, administration, and management of your participation in the Plan, and that the Company or its Affiliates may transfer data among themselves, and/or each, in turn, further transfer Data to any third parties assisting the Company in the implementation, administration, and management of the Plan (“Data Recipients”).
- e. You understand that the Company or its Affiliates, as well as the Data Recipients, are or may be located in your country of residence or elsewhere, such as the United States. You authorize the Company or its Affiliates, as well as the Data Recipients, to receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Plan, including any transfer of such Data, as may be required for the administration of the Plan and/or the subsequent holding of Shares on your behalf, to a broker or third party with whom the Shares may be deposited.
- f. You understand that you may show your opposition to the processing and transfer of your Data, and, may at any time, review the Data, request that any necessary amendments be made to it, or withdraw your consent herein in writing by contacting the Company. You further understand that withdrawing consent may affect your ability to participate in the Plan.

**17. Discretionary Nature and Acceptance of Award.** By accepting this Award, you agree to be bound by the terms of this Agreement and acknowledge that:

- a. The Company is granting your Restricted Units and Additional Restricted Units, and this Agreement is not derived from any preexisting labor relationship between you and the Company, but rather from a mercantile relationship.
- b. The Company may administer the Plan from outside your country of residence and United States law will govern all Restricted Units and Additional Restricted Units granted under the Plan.
- c. Benefits and rights provided under the Plan do not constitute regular or periodic payments.

**18. Limitations.** Payment of your Restricted Units and Additional Restricted Units is not secured by a trust, insurance contract or other funding medium, and you do not have any interest in any fund or specific asset of the Company by reason of this Award or the account established on your behalf. You have no rights as a shareowner of the Company pursuant to the Restricted Units or Additional Restricted Units until Shares are actually delivered to you.



19. **Incorporation of Other Agreements.** This Agreement and the Plan constitute the entire understanding between you and the Company regarding the Restricted Units. This Agreement supersedes any prior agreements, commitments or negotiations concerning the Restricted Units and the Additional Restricted Units.
20. **Severability.** The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the other provisions of the Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.
21. **Governing Law.** The Plan, this Agreement, and all determinations made and actions taken under the Plan or this Agreement shall be governed by the internal substantive laws, and not the choice of law rules, of the State of Delaware and construed accordingly, to the extent not superseded by applicable federal law.
22. **Agreement Changes.** The Company reserves the right to change the terms of this Agreement and the Plan without your consent to the extent necessary or desirable to comply with the requirements of Code section 409A, the Treasury regulations and other guidance thereunder.
23. **Acknowledgements and Acceptance.** By accepting this Agreement, you agree to the following: (i) you have carefully read, fully understand and agree to all of the terms and conditions described in this Agreement, the Plan, the Plan's prospectus and all accompanying documentation; and (ii) you understand and agree that this Agreement and the Plan constitute the entire understanding between you and the Company regarding the Restricted Units, and that any prior agreements, commitments or negotiations concerning the Restricted Units are replaced and superseded.

To retain this Award, you must accept it on the Morgan Stanley StockPlan Connect website.

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**Director Name**

**RETIREMENT AGREEMENT**

**AGREEMENT** by and between Mark R. James (hereinafter referred to as "Retiree"), and Honeywell International Inc., a corporation organized under the laws of the state of Delaware (hereinafter referred to as "Honeywell" or the "Company").

**WITNESSETH:**

**WHEREAS**, Retiree has been an executive officer of the Company for approximately 12-1/2 years; and

**WHEREAS**, the Retiree has announced his decision to step down from his role as the Company's Senior Vice President, Human Resources, Security and Communications, effective at the close of business on July 31, 2020 ("Retirement Date"); and

**WHEREAS**, the Retiree is willing to provide assistance to the Company in transitioning his role and responsibilities to his designated successor; and

**WHEREAS**, the Retiree is willing to provide additional transition services to the Company for six (6) months following his retirement; and

**WHEREAS**, the Company is desirous of rewarding the Retiree for his long and distinguished service, as well as the aforementioned transition services, by allowing him to continue to vest in certain previously granted long term incentive ("LTI") awards; and

**WHEREAS**, the Company is desirous of securing greater protections under its existing restrictive covenants with the Retiree;

**NOW THEREFORE**, in consideration of the mutual covenants contained herein, it is agreed as follows:

**1. TRANSITION SERVICES PERIOD**

From the Retirement Date through January 31, 2021 (the "Transition Services Period"), Retiree shall make himself reasonably available to the Company's Chief Executive Officer and his designees to assist with any matters that may arise incident to the smooth and successful transition of his responsibilities to his successor ("Transition Services"). No regular compensation or consulting fees will be paid to Retiree during, or with respect to, this Transition Services Period. During the Transition Services Period, Retiree shall not become employed by any other entity without the consent of the Company's Chief Executive Officer.

**2. EMPLOYMENT STATUS**

During the Transition Services Period, the Retiree is not granted, and shall not exercise, any authority to assume or create any obligation or responsibility, express or implied, on behalf of or in the name of the Company, or to bind the Company to any agreement, contract or arrangement of any nature, except as expressly provided herein. Moreover, for the duration of the Transition Services Period, Retiree shall be deemed to be and shall act strictly and exclusively as an independent contractor and shall not be considered under the provisions of this Agreement or otherwise as having an employee status with Honeywell, or as being eligible to participate in or receive any benefit under a benefit plan or program made available to employees of the Company.

### 3. RETIREMENT PACKAGE

In (i) recognition of Retiree's service to the Company, (ii) full and complete payment for all services to be rendered hereunder during the Transition Services Period, and (iii) consideration of the enhanced restrictive covenants described in this Agreement, the Management Development and Compensation Committee of the Board of Directors has approved the following treatment for certain outstanding LTI awards previously granted to the Retiree (the "Consideration"), notwithstanding any contrary provisions in the applicable Company compensation plans:

1. *Restricted Stock Units*. The Retiree will retain the right to continued vesting in any time-based and performance-based restricted stock units that otherwise would have vested after his Retirement Date, subject to any applicable Company performance conditions.
2. *Stock Options*. The Retiree will retain the right to continued vesting in any stock options that otherwise would have vested after his Retirement Date ("Post-Retirement Options"). The Retiree shall have three (3) years from the vesting date of each tranche of such Post-Retirement Options to exercise such options.
3. *Performance Stock Units ("PSUs")*. The Retiree will be entitled to vest in his PSUs that otherwise would have vested in February of 2022. The payout from such PSUs shall be made at the same time such payments are made to other Company executives, which is expected to be in March of 2022.
4. *Relocation Expense Forgiveness*. Notwithstanding any agreement the Retiree may have executed to the contrary, the Retiree shall not be obligated to repay any relocation expenses expended on his behalf (or reimbursed directly to him) by the Company incident to his relocation from New Jersey to North Carolina.

### 4. CONFIDENTIALITY

Any information and knowledge divulged to Retiree or developed by Retiree during the Transition Services Period (including any reports, analyses, working papers, memoranda, notebooks, data, computer programs and discs or other materials prepared by Retiree in the course of providing the Transition Services), shall be treated by the Retiree as confidential information and shall not be disclosed to third parties or to the public without prior written approval of the Company, except to the extent otherwise required by law.

## **5. CONTINGENCIES**

In order to receive the Consideration under this Agreement, Retiree must sign and return this Agreement in the form provided no later than August 14, 2020.

By signing this Agreement, Retiree acknowledges that he (a) has carefully read this Agreement in its entirety; (b) is hereby advised by the Company, in this writing, to consult with an attorney of his choice before signing this Agreement; (c) fully understands the significance of all of the terms and conditions of this Agreement and has discussed them with an attorney of his choice, or has had a reasonable opportunity to do so; and (d) is signing this Agreement voluntarily and of his own free will and agrees to abide by all the terms and conditions contained herein.

If Retiree materially breaches any of the terms of this Agreement (including any intellectual property or noncompetition agreements to which he may be subject, and which are hereby incorporated by reference), he (a) shall forfeit all rights to future benefits under this Agreement; (b) must repay all benefits previously received pursuant to Section 3 of this Agreement upon the Company's demand; and (c) must pay reasonable attorneys' fees and all other costs incurred as a result of such breach. Provided, however, this subparagraph shall not be applicable to challenges to the validity of this Agreement under the Age Discrimination in Employment Act or Older Workers Benefit Protection Act, nor will the Company seek any damages of any sort against Retiree for having made such a challenge.

## **6. GENERAL RELEASE OF CLAIMS**

In exchange for entering into this Agreement and the Consideration set forth herein, Retiree does hereby waive and release, knowingly and willingly, Honeywell International Inc., its future parent corporations, its predecessor companies, its past, present and future divisions, subsidiaries, affiliates and related companies and their successors and assigns and all past, present and future directors, officers, employees and agents of these entities, personally and as directors, officers, employees and agents (collectively the "Honeywell Group"), from any and all claims of any nature whatsoever Retiree has arising out of his employment and/or the termination of employment with the Honeywell Group, known or unknown, including but not limited to any claims he may have under federal, state or local employment, labor, or anti-discrimination laws, statutes and case law and specifically claims arising under the federal Age Discrimination in Employment Act of 1967, the Civil Rights Acts of 1866 and 1964, the Americans with Disabilities Act of 1990, Executive Order 11246, the Employee Retirement Income Security Act of 1974 ("ERISA"), the Family and Medical Leave Act of 1993, the Rehabilitation Act of 1973, the Fair Labor Standards Act, the Labor-Management Relations Act, the Equal Pay Act of 1963, the Fair Credit Reporting Act, the Pregnancy Discrimination Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Occupational Safety and Health Act, the Worker Adjustment Retraining and Notification Act (all such statutes, as amended), the North Carolina Equal Employment Practices Act, the North Carolina Communicable Disease Law, the North Carolina Persons with Disabilities Protection Act, the North Carolina Discrimination on Basis of Sickle Cell Trait, North Carolina Smokers' Rights Law, the North Carolina Retaliatory Employment Discrimination Act, the North Carolina Law on Genetic Testing, the North Carolina Constitution, North Carolina common law and any and all other applicable state, county or local statutes, ordinances or regulations, including claims for attorneys' fees; provided, however, that this release does not apply to claims under ERISA Section 502(a)(1)(B) for benefits under Honeywell Group sponsored benefit plans covered under ERISA (other than claims for severance and severance related benefits), does not apply to claims arising out of obligations expressly undertaken in this Agreement, does not apply to claims that cannot be waived as a matter of law, and does not apply to claims arising out of any act or omission occurring after the date Retiree signs this Agreement. All claims, including contingent claims, for incentive compensation awards under any Honeywell Group plan or payroll practice, along with any claims under any state wage and hour laws, are specifically subject to this release of claims. Any rights to benefits (other than severance benefits) under Honeywell Group sponsored benefit plans are governed exclusively by the written plan documents.

Notwithstanding the foregoing, nothing in this Agreement (or any exhibit or attachment thereto) is intended to or shall be construed to prevent Retiree from (i) filing an administrative charge or otherwise communicating with or reporting possible violations of law to any federal, state or local government office, official or agency; or (ii) reporting any accounting, internal accounting control, or auditing matter to any federal regulatory agency, any federal law enforcement agency, any Member of Congress or any committee or subcommittee of Congress; and (iii) engaging in any activity protected by the Sarbanes-Oxley Act (18 U.S.C. § 1514A) or the National Labor Relations Act.

By virtue of the foregoing, Retiree agrees that he has waived any damages and other relief available to him (including, without limitation, monetary damages, equitable relief and reinstatement) with respect to any claim or cause of action released in this General Release of Claims section. Therefore, Retiree agrees that he will not accept any award or settlement from any source or proceeding (including, but not limited to, any proceeding brought by any other person or by any governmental agency) with respect to any claim or right waived in this Agreement.

## **7. NONSOLICITATION AND NONCOMPETITION COVENANTS**

Retiree acknowledges that Honeywell has invested, and will continue to invest, significant time and money to recruit and retain its employees. Therefore, recognizing that in the course of such employment Retiree has obtained valuable and confidential information about Honeywell employees, their respective talents and areas of expertise, Retiree agrees that for a period of three (3) years following his retirement from Honeywell, Retiree will not directly or indirectly, for his own account or for others, (i) solicit or recruit (or assist another in soliciting or recruiting) for employment or for the performance of services, (ii) attempt to solicit or recruit (or assist another in attempting to solicit or recruit), for employment or for the performance of services, (iii) participate in any manner in the recruitment, employment or hiring for services of any current or former Honeywell employee with whom Retiree had any contact, about whom Retiree had knowledge, who worked in the Company's human resources function at any time in the last three (3) years, or of whom Retiree became aware in his last two (2) years of Honeywell employment, unless it has been more than twelve (12) months since that individual left Honeywell. Nor will Retiree, for his own account or for others, in any way induce or encourage, or attempt to induce or encourage, such individuals to leave the employment of Honeywell or alter their relationship with Honeywell. Retiree understands that these restrictions cover all forms of communication (regardless of who initiates them), including, but not limited to, in-person discussions, telephone calls, text messages, emails, and social media posts and messages.

Retiree further acknowledges and agrees that in partial recompense for the Consideration, his Noncompetition Agreement with the Company shall be amended by substituting a three (3) year restriction on competition for the two (2) year period set forth in such Noncompetition Agreement.

## **8. NON-DISPARAGEMENT**

At no time on or after the date hereof will Retiree make any statement (or cause someone else to make any statement), or issue or cause to be issued any communication, publicly or privately (including, without limitation, to members of the media, business press, equity analysts, industry groups or organizations, Honeywell employees, contractors, clients, customers, vendors, suppliers, business partners or competitors, investors/shareholders), that would be disparaging (as defined below) to the Honeywell Group, its businesses, strategies, prospects, condition or reputation, or that of its directors, employees, officers or members; provided, however, that nothing contained in any provision of this Agreement shall preclude Retiree from communicating with his legal advisors or making any statement in good faith that is required by any applicable law or regulation or pursuant to an order of a court or other governmental body. For purposes of this Agreement, the term "disparaging" shall mean any statement or representation (whether oral or written and whether true or untrue) which, directly or by implication, tends to create a negative, adverse or derogatory impression about the subject of the statement or representation, or which is intended to create a negative, adverse or derogatory impression, or to harm the reputation of, the subject of the statement or representation. For the avoidance of doubt, Retiree agrees that he will not write or contribute to any book, article, social media post or other media publication, whether in written or electronic format, that is in any way descriptive of the Honeywell Group or his career with the Company without submitting a draft thereof for approval, at least thirty (30) days in advance, to the Company's Senior Vice President and General Counsel, whose judgment about whether such book, article, social media post or other media publication is disparaging (and therefore prohibited) shall be determinative.

## **9. CLAIMS WARRANTIES**

Retiree represents and warrants that he is not aware of any facts that would establish, tend to establish or in any way support an allegation that any member of the Honeywell Group has engaged in conduct that he believes could violate (1) any provision of federal law relating to fraud (including but not limited to the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") and/or any state or local counterpart); (2) any rule or regulation of the Securities and Exchange Commission; (3) the federal False Claims Act and/or any state or local or municipal qui tam counterpart (which prohibit the presentation by the Company or any affiliate of false claims and statements or the creation of false records or statements in order to obtain payment of federal, state, county or municipal funds, or to avoid refunds of such government funds); and (4) any other federal, state or local law.

## **10. COOPERATION AND NONDISCLOSURE**

In further exchange for the Consideration under this Agreement, Retiree agrees to cooperate fully with the Company in any matters that have given or may give rise to a legal claim against the Company, and of which Retiree is knowledgeable as a result of his employment with the Company. This requires Retiree, without limitation, to (i) make himself available upon reasonable request to provide information and assistance to the Company on such matters without additional compensation, except for out of pocket costs, (ii) maintain the confidentiality of all Company privileged information including, without limitation, attorney-client privileged communications and attorney work product, unless disclosure is expressly authorized by the Company's Law Department, and (iii) notify the Company promptly of any requests to Retiree for information from any third party (excluding government entities), related to any pending or potential legal claim or litigation involving the Company, reviewing any such request with a designated representative of the Company prior to disclosing any such information, and permitting a representative of the Company to be present during any communication of such information.

**Nothing in this Agreement prohibits Retiree from reporting possible violations of federal law or regulation to any governmental agency or entity including, but not limited to, the Department of Justice, the Securities and Exchange Commission, the Congress, and any Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Retiree does not need the prior authorization of the Law Department to make any such reports or disclosures and Retiree is not required to notify the Company that he has made such reports or disclosures.**

**11. CLAWBACK RIGHTS**

Retiree hereby acknowledges and agrees that, notwithstanding any other provision of this Agreement to the contrary, no contractual provision or legal requirement relating to recoupment or clawback by the Company of any amount in the nature of compensation shall be affected by his retirement or the payments contemplated hereby, and all such provisions and requirements shall remain in effect and enforceable in accordance with their terms after the date hereof.

**12. NO ASSIGNMENT**

Neither party shall assign any right in or obligation arising under this Agreement without the other party's written consent, and any such assignment shall be void. This Agreement shall be binding on and inure to the benefit of each party's heirs, executors, legal representatives, successors and permitted assigns.

**13. NOTICES**

Notices or communications hereunder shall be in writing, addressed as follows:

If to the Company:

Honeywell International Inc.  
115 Tabor Road  
Morris Plains, New Jersey 07950  
Attn: Kevin M. Covert  
Vice President and Deputy General Counsel

If to the Retiree:

Mark R. James  
6211 Glynmoor Lakes Drive  
Charlotte North Carolina 28277

Any such notice shall be deemed to be given as of the date it is personally delivered, the next business day after the date faxed (upon confirmation of receipt of transmission), or five days after the date mailed in the manner specified.

#### **14. 409A CONSIDERATIONS**

It is intended that this Agreement be administered in compliance with Section 409A of the Code, including, but not limited to, any future amendments to Code Section 409A, and any other Internal Revenue Service ("IRS") or other governmental rulings or interpretations issued pursuant to Section 409A (together, "Section 409A") so as not to subject Retiree to payment of interest or any additional tax under Section 409A. The parties intend for any payments under this Agreement either to satisfy the requirements of Section 409A or to be exempt from the application of Section 409A, and this Agreement shall be construed and interpreted accordingly. In furtherance thereof, if payment or provision of any amount or benefit hereunder that is subject to Section 409A at the time specified herein would subject such amount or benefit to any additional tax under Section 409A, the payment or provision of such amount or benefit shall be postponed to the earliest commencement date on which the payment or provision of such amount or benefit can be made without incurring such additional tax. In addition, to the extent that Section 409A or any IRS guidance issued under Section 409A would result in Retiree being subject to the payment of interest or any additional tax under Section 409A, the parties agree, to the extent reasonably possible, to amend this Agreement to avoid the imposition of any such interest or additional tax under Section 409A, which amendment shall minimize any negative economic effect on Retiree and be reasonably determined in good faith by the Company and Retiree. As a "specified employee" as defined in Section 409A, any amounts payable under this Agreement that would be subject to the special rule regarding payments to "specified employees" under Section 409A(a)(2)(B) of the Code shall not be paid before the expiration of a period of six (6) months following the date of the termination of Retiree's employment. In such case, Retiree shall receive all such deferred amounts retroactively in a single sum and the balance thereof as otherwise provided. In no event whatsoever shall the Company be liable for any additional tax, interest or penalties that may be imposed on Retiree by Code Section 409A or any damages for failing to comply with Section 409A; provided that, in the event that any excise tax or interest amount ("409A Amount") is imposed on Retiree as a result of any negligent act or omission by the Company, the Company shall reimburse Retiree for any such 409A Amount, grossed-up for taxes at an assumed total tax rate of forty percent (40%).

#### **15. GOVERNING LAW**

This Agreement shall be governed by, and construed in accordance with, the laws of the State of North Carolina, without reference to principles of conflict of laws. Additionally, any action to enforce the terms of this Agreement shall be commenced exclusively in the federal or state courts of the State of North Carolina. Both parties consent to the exclusive jurisdiction of the federal and state courts in the State of North Carolina and waive any claim under the doctrine of forum non conveniens.

#### **16. ENTIRE AGREEMENT**

This Agreement contains the entire agreement and understanding of the parties hereto with respect to the subject matter hereof, and merges and supersedes all prior agreements, discussions and writings with respect thereto. No modification or alteration of this Agreement shall be effective unless made in writing and signed by both the Retiree and the Company.



**17. REMEDIES**

Without prejudice to the rights and remedies otherwise available to the Company hereunder, the Company shall be entitled to equitable relief by way of injunction or otherwise if Retiree breaches or threatens to breach any of the provisions of this Agreement.

**18. SEVERABILITY**

In the event any provision of this Agreement shall not be enforceable, the remainder of this Agreement shall remain in full force and effect.

**19. NO WAIVER**

The waiver by the Company of any nonperformance or breach by Retiree of any provisions of this Agreement must be in writing and shall not be construed as waiving any such provision in the future. No delay or failure by Company in enforcing or exercising any right hereunder and no partial or single exercise thereof, shall be deemed of itself to constitute a waiver of such right or any other rights hereunder.

**HONEYWELL INTERNATIONAL INC.**

/s/ Mark R. James

**MARK R. JAMES**

By: /s/ Kevin M. Covert

**KEVIN M. COVERT**

Vice President & Deputy General Counsel

Dated: 7/20/2020

Dated: 7/20/2020

**FIRST AMENDMENT  
TO  
INDEMNIFICATION AND REIMBURSEMENT AGREEMENT**

This FIRST AMENDMENT TO INDEMNIFICATION AND REIMBURSEMENT AGREEMENT (this “**Amendment**”), dated as of April 21, 2020, by and between (i) Honeywell International Inc., a corporation organized under the Laws of the State of Delaware (“**Indemnitee**” or “**Honeywell**”), and (ii) Resideo Intermediate Holding Inc., a corporation organized under the Laws of the State of Delaware (“**Indemnitor**”), amends that certain Indemnification and Reimbursement Agreement, dated October 14, 2018, by and between (i) Honeywell and (ii) New HAPI Inc., a corporation organized under the Laws of the State of Delaware (subsequently assigned to Indemnitor) (as amended, the “**Indemnification and Reimbursement Agreement**”). Capitalized terms used herein but not otherwise defined herein shall have the meanings assigned to such terms in the Indemnification and Reimbursement Agreement or, if not defined therein, in the Current Credit Agreement (as amended by an amendment of the Current Credit Agreement, publicly filed by Resideo Technologies, Inc. on a Current Report on Form 8-K, dated November 26, 2019 (the “**First Amendment to the Credit Agreement**”)).

**WITNESSETH:**

WHEREAS, pursuant to Section 4.13 of the Indemnification and Reimbursement Agreement, the Indemnification and Reimbursement Agreement may be amended, supplemented or modified only by an instrument in writing specifically designated as an amendment signed on behalf of each Party; provided that such amendment does not result in the increase of the late payment fee set forth in Section 2.5(b) of the Indemnification and Reimbursement Agreement;

WHEREAS, the amendments to the Indemnification and Reimbursement Agreement contemplated herein do not include any such amendment of the late payment fee set forth in Section 2.5(b) of the Indemnification and Reimbursement Agreement;

WHEREAS, the Parties desire to amend the Indemnification and Reimbursement Agreement in the manner set forth herein; and

WHEREAS, Indemnitor, Homes, the Homes Borrower and certain of its Affiliates and Subsidiaries that are members of the Homes Group have entered into the First Amendment to the Credit Agreement.

NOW, THEREFORE, in accordance with Section 4.13 of the Indemnification and Reimbursement Agreement, the Parties agree as follows:

ARTICLE I

**AMENDMENTS**

1.1 Subject to the terms of this Amendment, including Section 1.3 hereof, Exhibit G of the Indemnification and Reimbursement Agreement is amended as set forth in Annex A.

1.2 Notwithstanding anything contained in the Indemnification and Reimbursement Agreement to the contrary, (a) no Quarterly Payment shall be made by Indemnitor on April 30, 2020 pursuant to the Indemnification and Reimbursement Agreement (such Quarterly Payment, the “**Deferred Payment**”), and (b) subject to the terms and conditions set forth in the Indemnification and Reimbursement Agreement, the Deferred Payment shall be paid by Indemnitor to Indemnitee no later than July 30, 2020. For the avoidance of doubt, (i) no interest or late fees shall accrue or be payable in respect of the Deferred Payment as a result of Indemnitor’s failure to make the Deferred Payment on April 30, 2020, (ii) the Deferred Payment shall be (A) deemed a Quarterly Payment for all purposes of the Indemnification and Reimbursement Agreement and otherwise, with a Quarterly Payment Date of the earlier of (x) the date on which Indemnitor elects to make such Deferred Payment and (y) July 30, 2020, and (B) in addition to any

other Quarterly Payment payable on such Quarterly Payment Date pursuant to the Indemnification and Reimbursement Agreement, and (iii) no breach of or Default under the Indemnification and Reimbursement Agreement shall arise or result from the failure to make the Deferred Payment on April 30, 2020.

1.3 Notwithstanding anything contained in this Amendment to the contrary, neither the execution of this Amendment nor anything herein contained (including in any exhibit, annex or schedule hereto) is intended to be, nor shall it be deemed to be, nor shall any Party assert it to be (or allow any Affiliate or Representative thereof to assert it to be) or use it for the purpose of (including in any litigation, arbitration, proceeding or other dispute related to the Indemnification and Reimbursement Agreement, any other contract or agreement between any of the Parties or any Affiliates thereof (collectively, the “**Other Agreements**”) or otherwise): (A) an admission or concession of any Default, breach or non-compliance under the Indemnification and Reimbursement Agreement or any Other Agreement, (B) an admission or concession as to any matters relating to the Indemnification and Reimbursement Agreement, any Other Agreement or any terms or provisions thereof, or (C) a waiver of any claims, rights, remedies, defenses, arguments, interpretations or obligations of the Parties or any of their Affiliates under or related to the Indemnification and Reimbursement Agreement or any Other Agreement; provided, that, any Party may use this Amendment to seek to enforce the terms of the Indemnification and Reimbursement Agreement (as amended herein).

1.4 Section 4.8 of the Indemnification and Reimbursement Agreement is amended and restated in its entirety to read as follows:

a. if to Indemnitor:

Resideo Intermediate Holding Inc.  
2 Corporate Center Dr #100  
Melville, NY 11747  
Attention: Jeannine J. Lane, General Counsel  
Ann Marie Geddes, Controller  
Email: Jeannine.Lane@Resideo.com  
AnnMarie.Geddes@Resideo.com

with a copy of any such notice sent to:

Willkie Farr & Gallagher LLP  
787 Seventh Avenue  
New York, NY 10019  
Attention: Russell L. Leaf  
Email: rleaf@willkie.com

b. if to Indemnitee,

Honeywell International Inc.  
300 South Tryon Street  
Charlotte, NC 28202  
Attention: Anne T. Madden, Senior Vice President and General Counsel  
Jim Colby, Vice President and Treasurer  
Email: Anne.Madden@Honeywell.com  
Jim.Colby@Honeywell.com

with a copy of any such notice sent to:

Cleary Gottlieb Steen & Hamilton LLP  
One Liberty Plaza  
New York, NY 10006  
Attention: Craig B. Brod  
Kimberly R. Spoerri  
Fax: (212) 225-3999  
Email: cbrod@cgsh.com  
kspoerri@cgsh.com

## ARTICLE II

### MISCELLANEOUS

2.1 References. Each reference in the Indemnification and Reimbursement Agreement shall, unless the context otherwise requires, mean the Indemnification and Reimbursement Agreement as amended by this Amendment.

2.2 No Other Amendments; Continuing Effect. The amendments set forth herein are limited precisely as written and will not be deemed to be an amendment to any other term or condition of the Indemnification and Reimbursement Agreement or any of the documents referred to therein or be deemed to consent to any amendment of any other term or condition of the Current Credit Agreement (as amended by the First Amendment to the Credit Agreement) or any other Principal Credit Agreement or any of the documents referred to therein. Except as expressly amended hereby and subject to the terms set forth in Section 1.3 hereof, the terms and conditions of the Indemnification and Reimbursement Agreement shall continue in full force and effect.

2.3 Representations and Warranties; No Defaults; No Waivers. The representations and warranties contained in Sections 4.2 (a), (b) and (c) of the Indemnification and Reimbursement Agreement are hereby restated by each Party and incorporated herein by reference. Indemnitor represents and warrants that as of the date hereof, after giving effect to this Amendment, no default or event of default has occurred and is continuing under any of the Indemnification and Reimbursement Agreement, the Current Credit Agreement (as amended by the First Amendment to the Credit Agreement) or any other Loan Document, or any other Indebtedness of the Indemnitor or any of its subsidiaries. This Amendment is not a waiver of, or consent to, any default or event of default now existing or hereafter arising under the Indemnification and Reimbursement Agreement (as amended by this Amendment), the Current Credit Agreement (as amended by the First Amendment to the Credit Agreement), any other Loan Document or any other Indebtedness of the Indemnitor or any of its subsidiaries.

2.4 Dispute Resolution; Governing Law; Jurisdiction; WAIVER OF JURY TRIAL; Interpretation, Etc. The provisions of Section 4.3 (“Dispute Resolution”), Section 4.4 (“Governing Law; Jurisdiction”), Section 4.5 (“Waiver of Jury Trial”), Section 4.6 (“Court-Ordered Interim Relief”) and Section 4.14 (“Interpretation”) of the Indemnification and Reimbursement Agreement are hereby incorporated herein by reference and shall apply *mutatis mutandis*.

2.5 Successors. This Amendment shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns.

2.6 Counterparts. This Amendment may be executed in two or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties.

*[The remainder of this page is intentionally left blank.]*

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the date first written above by their respective officers thereunto duly authorized.

**HONEYWELL INTERNATIONAL INC.**

By: /s/ Anne T. Madden

Name: Anne T. Madden

Title: Senior Vice President and General Counsel

**RESIDEO INTERMEDIATE HOLDING INC.**

By: /s/ Jeannine J Lane

Name: Jeannine J Lane

Title: EVP and General Counsel

## **Annex A**

Subject to the terms of the Amendment to which this Annex A is attached, including Section 1.3 thereof, the Parties hereby agree that Exhibit G, dated as of the Distribution Date (“**Exhibit G**”), shall be amended to read as follows.

**Section 1.1** Section 1.1 of Exhibit G shall be amended and restated in its entirety to read as follows:

“**Section 1.1** Defined Terms

- a. Notwithstanding anything to the contrary in this Agreement, capitalized terms used in this Exhibit G and not otherwise defined herein have the meanings specified in the Current Credit Agreement (as in effect on November 26, 2019 (the “**First Amendment Date**”).”

**Section 1.2** The first two definitions of Section 1.2 of Exhibit G shall be amended and restated in their entirety to read as follows:

““**Credit Default**” shall mean an “Event of Default” under and as defined in the Current Credit Agreement (as in effect on the First Amendment Date).

“**Debt-Related Guarantee**” shall have the meaning of “Guarantee” set forth in the Current Credit Agreement (as in effect on the First Amendment Date).”

**Section 1.3** Section 3.01(xx)(A)(2)(x) of Exhibit G shall be amended and restated in its entirety to read as follows:

“the Consolidated Total Leverage Ratio is no greater than 3.30 to 1.00”.

**Section 1.4** Section 3.08(b) of Exhibit G shall be amended and restated in its entirety to read as follows:

“(b) Neither Indemnitee nor the Borrower will, nor will they permit any Indemnitee Group Restricted Subsidiary to, prepay, redeem, purchase or otherwise satisfy any Indebtedness that is subordinated in right of payment to the Obligations (excluding, for the avoidance of doubt, any subordinated obligations owing to Indemnitee or any Indemnitee Group Restricted Subsidiary) except for:

- (i) regularly scheduled interest and principal payments as and when due in respect of any such Indebtedness, other than payments in respect of such Indebtedness prohibited by the subordination provisions thereof;
- (ii) refinancings of Indebtedness with the proceeds of other Indebtedness permitted under Section 3.1; and
- (iii) prepayments of subordinated obligations owed to the Borrower or any Indemnitee Group Restricted Subsidiary or any Refinancing Indebtedness with the proceeds of other subordinated Indebtedness.”

**Section 1.5** Section 3.13 of Exhibit G shall be amended and restated in its entirety to read as follows:

**Section 3.13** Consolidated Total Leverage Ratio. Indemnitee will not, and will cause its Subsidiaries not to, permit the Consolidated Total Leverage Ratio for any period of four consecutive fiscal quarters of Holdings ending on or about any date during any period set forth below, to exceed the ratio set forth below opposite such period:

| <u>Fiscal Quarter Ending</u>     | <u>Consolidated Total Leverage Ratio</u> |
|----------------------------------|--|
| December 31, 2019                | 5.25 to 1.00                             |
| March 31, 2020                   | 5.25 to 1.00                             |
| June 30, 2020                    | 5.25 to 1.00                             |
| September 30, 2020               | 5.25 to 1.00                             |
| December 31, 2020                | 4.75 to 1.00                             |
| March 31, 2021                   | 4.75 to 1.00                             |
| June 30, 2021                    | 4.75 to 1.00                             |
| September 30, 2021               | 4.75 to 1.00                             |
| December 31, 2021                | 4.25 to 1.00                             |
| March 31, 2022                   | 4.25 to 1.00                             |
| June 30, 2022                    | 4.25 to 1.00                             |
| September 30, 2022               | 4.25 to 1.00                             |
| December 31, 2022 and thereafter | 3.75 to 1.00                             |



**FIRST AMENDMENT  
TO  
INDEMNIFICATION AND REIMBURSEMENT AGREEMENT**

This FIRST AMENDMENT TO INDEMNIFICATION AND REIMBURSEMENT AGREEMENT (this “**Amendment**”), dated as of June 12, 2020, by and among (i) Honeywell Holdings International Inc. (“**Payee**”), (ii) Honeywell International Inc. (“**Honeywell**”), and (iii) Garrett ASASCO Inc. (“**Payor**”), amends that certain Indemnification and Reimbursement Agreement, dated September 12, 2018, by and among (i) Honeywell ASASCO 2 Inc. (predecessor in interest to Payee), (ii) Honeywell and (iii) Honeywell ASASCO Inc. (predecessor in interest to Payor) (as amended, the “**Indemnification and Reimbursement Agreement**”). Capitalized terms used herein but not otherwise defined herein shall have the meanings assigned to such terms in the Indemnification and Reimbursement Agreement or, if not defined therein, in the Current Credit Agreement (as amended by an amendment of the Current Credit Agreement, dated as of the date hereof (the “**First Amendment to the Credit Agreement**”)).

The Parties agree as follows:

**ARTICLE I**

**AMENDMENTS**

1.1 Effective upon the effectiveness of the First Amendment to the Credit Agreement:

- a. Exhibit L of the Indemnification and Reimbursement Agreement is amended as set forth in Annex A.
- b. Section 2.12(b) of the Indemnification and Reimbursement Agreement is amended and restated in its entirety to read as follows:
 

“(b) Without limiting the foregoing, the Parties agree that it is understood that (i) any amendment or waiver of the negative covenants of the Current Credit Agreement or the Indenture resulting in such negative covenants being less restrictive to Transportation Systems and its subsidiaries than the Current Credit Agreement or the Indenture, respectively, shall not constitute an Adverse Change, (ii) during the Relief Period, any amendment or waiver of Section 4.02(c) of the Current Credit Agreement (as amended by the First Amendment to the Credit Agreement) shall be deemed to be an Adverse Change and (iii) any amendment or waiver of the provisions of clauses (a)(ii), (a)(iii), (a)(v), (a)(xi) and (a)(xii) of Section 6.08 and Sections 6.11(a) (as it relates to this Agreement), 6.12, 6.13, 6.15, 6.17, 6.18 and 6.19 of the Current Credit Agreement or the corresponding provisions of the Indenture or any Principal Credit Agreement or other indenture, if any, that is more restrictive (or any amendment or waiver that has the effect, directly or indirectly, of making such provisions more restrictive) to Transportation Systems and its subsidiaries than the Current Credit Agreement or the Indenture, respectively, shall, in each case, without limitation, be deemed to be an “Adverse Change”. In the event of any Agreement Amendment (including any Adverse Change) permitted to be made pursuant to the terms hereunder that is more restrictive to Transportation Systems and its Subsidiaries than the Current Credit Agreement, any Principal Credit Agreement or any indenture (including the Indenture), the provisions of such Agreement Amendment shall, unless otherwise agreed in writing by Transportation Systems and Payee, also apply (or be deemed to apply automatically) to the corresponding covenant incorporated herein under Section 2.10, *mutatis mutandis*, such that Payee shall receive the same benefit of such more restrictive terms as the financing sources under the Current Credit Agreement or such Principal Credit Agreement or such indenture, as applicable.”

- c. Section 4.9 of the Indemnification and Reimbursement Agreement is amended and restated in its entirety to read as follows:  
"All notices or other communications under this Agreement shall be in writing and shall be deemed to be duly given when (a) delivered in person, (b) on the date received, if sent by a nationally recognized delivery or courier service, (c) upon the earlier of confirmed receipt or the fifth business day following the date of mailing if sent by registered or certified mail, return receipt requested, postage prepaid and addressed as follows or (d) on the date of transmission if sent by email (provided no "bounce-back" or notice of non-delivery is received) or facsimile by 5:00 p.m. New York City time on a Business Day or, otherwise, on the next succeeding Business Day, addressed as follows:

- a. if to Payor:

Garrett ASASCO Inc.  
Z.A. La Piece 16  
180 Rolle, Switzerland  
Attention: Jérôme Maironi  
Email: jerome.maironi@garrettmotion.com

with a copy of any such notice sent to:

Sullivan & Cromwell LLP  
125 Broad Street  
New York, NY 10004  
Attention: Andrew G. Dietderich  
Neal McKnight  
Email: dietdericha@sullcrom.com  
mcknightn@sullcrom.com

and

Quinn Emanuel Urquhart & Sullivan, LLP  
51 Madison Avenue  
New York, NY 10010  
Attention: Michael Carlinsky  
Jeremy Baldoni  
Email: michaelcarlinsky@quinnemanuel.com  
jeremybaldoni@quinnemanuel.com

- b. if to Payee:

Honeywell Holdings International Inc.  
300 South Tryon Street  
Charlotte, NC 28202  
Attention: James E. Colby, President and Treasurer  
Email: Jim.Colby@Honeywell.com

with a copy of any such notice sent to:

Cleary Gottlieb Steen & Hamilton LLP  
One Liberty Plaza  
New York, NY 10006  
Attention: Craig B. Brod  
                  Kimberly R. Spoerri  
Fax: (212) 225-3999  
Email: cbrod@cgsh.com  
                  kspoerri@cgsh.com

and

Kirkland & Ellis LLP  
1301 Pennsylvania Avenue NW  
Washington, DC 20004  
Attention: Craig S. Primis, P.C.  
                  Nicole L. Greenblatt, P.C.  
Email: cprimis@kirkland.com  
                  ngreenblatt@kirkland.com

c. if to Honeywell:

Honeywell International Inc.  
300 South Tryon Street  
Charlotte, NC 28202  
Attention: Anne T. Madden, Senior Vice President and General Counsel  
                  James E. Colby, Vice President and Treasurer  
Email: Anne.Madden@Honeywell.com  
                  Jim.Colby@Honeywell.com

with a copy of any such notice sent to:

Cleary Gottlieb Steen & Hamilton LLP  
One Liberty Plaza  
New York, NY 10006  
Attention: Craig B. Brod  
                  Kimberly R. Spoerri  
Fax: (212) 225-3999  
Email: cbrod@cgsh.com  
                  kspoerri@cgsh.com

and

Kirkland & Ellis LLP  
1301 Pennsylvania Avenue NW  
Washington, DC 20004  
Attention: Craig S. Primis, P.C.  
Nicole L. Greenblatt, P.C.  
Email: cprimis@kirkland.com  
ngreenblatt@kirkland.com

## ARTICLE II

### CONSENT

2.1 Effective upon the effectiveness of the First Amendment to the Credit Agreement, Payee and Honeywell hereby provide written consent (the "**Consent**") to the First Amendment to the Credit Agreement and the inclusion of the financial maintenance covenants in Section 6.19 ("Liquidity") of the Current Credit Agreement (as amended by the First Amendment to the Credit Agreement) and agree that, solely during the Relief Period (as defined in the First Amendment to the Credit Agreement dated as of the date hereof) such financial covenants set forth in such Section 6.19, shall be deemed to be a financial maintenance covenant referenced in Section 2.5(a)(ii)(x) of the Indemnification and Reimbursement Agreement for purposes of determining whether a Financial Covenant Deferral has occurred. It is agreed that the financial maintenance covenants in Sections 6.12 and 6.13 of the Current Credit Agreement (as amended by the First Amendment to the Credit Agreement) (without regard to their suspension during the Relief Period) shall also continue to be financial maintenance covenants referenced in such Section 2.5(a)(ii)(x) for purposes of determining whether a Financial Covenant Deferral has occurred. For the avoidance of doubt, the Consent does not constitute a consent to any further amendment of the Current Credit Agreement or any other Principal Credit Agreement, including any amendment to the definitions of "Relief Period" or "Covenant Relief Termination Event" or any further amendment to Section 6.12, Section 6.13 or Section 6.19 of the Current Credit Agreement (as amended by the First Amendment to the Credit Agreement) or otherwise. Payor disputes whether the Consent is required and this Amendment is without prejudice to any Party's position with respect to whether any consent is required for the First Amendment to the Credit Agreement or any future amendment to the Credit Agreement or any other future matter.

## ARTICLE III

### MISCELLANEOUS

3.1 References. Each reference in the Indemnification and Reimbursement Agreement shall, unless the context otherwise requires, mean the Indemnification and Reimbursement Agreement as amended by this Amendment.

3.2 Dispute Resolution; Governing Law; Jurisdiction; WAIVER OF JURY TRIAL; Interpretation, Etc. The provisions of Section 4.3 ("Dispute Resolution"), Section 4.4 ("Governing Law; Jurisdiction"), Section 4.5 ("Waiver of Jury Trial"), Section 4.6 ("Court-Ordered Interim Relief") and Section 4.15 ("Interpretation") of the Indemnification and Reimbursement Agreement are hereby incorporated herein by reference and shall apply *mutatis mutandis*.

3.3 Successors. This Amendment shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns.

3.4 Counterparts. This Amendment may be executed in two or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties. Delivery of an

executed counterpart of a signature page of this Amendment by telecopy, emailed pdf. or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment.

3.5 Effect of Amendment. This Amendment is without prejudice to any of the Parties' respective rights, claims, defenses or remedies in respect of the litigation initiated by Transportation Systems against Honeywell with respect to the Indemnification and Reimbursement Agreement or any other disputes they may have, except as expressly provided for in this Amendment.

*[The remainder of this page is intentionally left blank.]*

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the date first written above by their respective officers thereunto duly authorized.

HONEYWELL HOLDINGS INTERNATIONAL INC.

By: /s/ James E. Colby

Name: James E. Colby

Title: President and Treasurer

HONEYWELL INTERNATIONAL INC.

By: /s/ Anne T. Madden

Name: Anne T. Madden

Title: Senior Vice President and General Counsel

GARRETT ASASCO INC.

By: /s/ Alberto Chavez

Name: Alberto Chavez

Title: Treasurer

## **Annex A**

## **EXHIBIT L**

### ARTICLE I

As of the Distribution Date, the Parties agree to the rights and obligations set forth in the affirmative and negative covenants set forth in Article II and Article III hereof, in accordance with Section 2.10 of this Agreement.

#### SECTION 1.01. Defined Terms.

(a) Capitalized terms used in this Exhibit L and not otherwise defined herein have the meanings specified in the Current Credit Agreement (as in effect on June 12, 2020 (the “**First Amendment Effective Date**”)).

#### SECTION 1.02. Other Defined Terms. As used in this Exhibit L, the following terms have the meanings specified below:

“**Agreed Indemnity Guaranty Principles**” shall mean those principles set forth on Schedule 1.01 or as such principles may be supplemented or modified from time to time.

“**Covenant Relief Termination Event**” has the meaning specified in the Current Credit Agreement (as in effect on the First Amendment Effective Date).

“**Credit Default**” shall mean “Event of Default” under and as defined in the Current Credit Agreement (as in effect on the First Amendment Effective Date).

“**Debt-Related Guarantee**” shall have the meaning of “Guarantee” set forth in the Current Credit Agreement (as in effect on the First Amendment Effective Date).

“**Default**” shall have the meaning set forth in this Agreement.

“**Guarantee**” shall have the meaning set forth in this Agreement.

“**Indemnity Guarantee Requirement**” shall mean, at any time and, in the case of Non-U.S. Payor Group Loan Parties, subject to the Agreed Indemnity Guaranty Principles in all respects, the requirement that:

(a) the Payee shall have received from Payor, each other Payor Group Loan Party and each Payor Group Designated Subsidiary (i) a counterpart of the Guarantee to which such Person is a party duly executed and delivered on behalf of such Person or (ii) in the case of any Subsidiary that becomes a Payor Group Loan Party or a Payor Group Designated Subsidiary after the Distribution Date, (A) if such Subsidiary is a U.S. Subsidiary, a supplement to the Guarantee Agreement in substantially the form attached as Exhibit A thereto and other security documents reasonably requested by the Payee, in form and substance reasonably satisfactory to the Payee (consistent with the Guarantee in effect on the Distribution Date), duly executed and delivered on behalf of such Person and (B) if such Subsidiary is a Non-U.S. Subsidiary, subject to the Agreed Indemnity Guaranty Principles, a supplement to the Guarantee and other local law security documents reasonably requested by Payee, in form and substance reasonably satisfactory to Payee (consistent with the Guarantee in effect on the Distribution Date), duly executed and delivered on behalf of such Person; provided that any such obligation arising under this definition (including paragraph (b) below) in respect of an entity organized or incorporated in Australia shall be subject to prior completion of any and all applicable steps and procedures required pursuant to the Australian Corporations Act in respect of the provision of financial assistance (where applicable), it being understood that such steps shall be completed no later than 90 days after the obligation has arisen for any such entity organized or incorporated in Australia to comply with the relevant Indemnity Guarantee Requirement; and



(b) except as otherwise provided for in the Guarantee, each Payor Group Loan Party shall have obtained all consents and approvals required to be obtained by it in connection with the execution and delivery of the Guarantee to which it is a party, the performance of its obligations thereunder.

**“Material Adverse Effect”** shall mean a material adverse effect on (a) the business, financial condition or results of operations of Payor, the Borrowers and the Payor Group Restricted Subsidiaries, taken as a whole, (b) the ability of the Payor Group Loan Parties (taken as a whole) to perform their material obligations to Payee under this Agreement or (c) the material rights of, or remedies available to, Payee under this Agreement or the Guarantee.

**“Non-U.S. Payor Group Loan Parties”** shall mean each Non-U.S. Loan Party that is a Subsidiary of Payor.

**“Payor Group”** shall have the meaning set forth in this Agreement.

**“Payor Group Designated Subsidiary”** shall mean any Designated Subsidiary that is a Subsidiary of Payor.

**“Payor Group Loan Parties”** shall mean each Loan Party that is a Subsidiary of Payor.

**“Payor Group Non-Loan Parties”** shall mean any member of Payor Group that is not a Loan Party.

**“Payor Group Restricted Subsidiaries”** shall mean each Restricted Subsidiary that is a subsidiary of Payor.

**“Payor Restricted Group”** shall mean Payor, the Borrowers and each Payor Group Restricted Subsidiary.

**“Payor Group Unrestricted Subsidiaries”** shall mean Unrestricted Subsidiaries that are Subsidiaries of Payor.

**“Relief Period”** has the meaning specified in the Current Credit Agreement (as in effect on the First Amendment Effective Date).

## ARTICLE II Affirmative Covenants

From and including the Distribution Date and until all payment obligations under the Agreement have terminated following the Termination Date, Payor covenants and agrees, and shall (except in the case of Sections 2.01 and 2.03 hereof) cause the Borrowers (limited to the Swiss Borrower with respect to Section 5.18) to covenant and agree with the Payee that:

SECTION 2.01. Financial Statements and Other Information. In the case of Payor, Payor will furnish to Payee the following:

(a) within 90 days after the end of each fiscal year of Holdings (or such later date as Form 10-K of Holdings is required to be filed with the SEC taking into account any extension granted by the SEC, provided that Payor gives Payee notice of any such extension), Holdings’s audited consolidated balance sheet and audited consolidated statements of operations, shareholders’ equity and cash flows as of the end of and for such fiscal year, and related notes thereto, setting forth in each case in comparative form the figures for the previous fiscal year, prepared in accordance with generally accepted auditing standards and reported on by an independent public accountants of recognized national standing

(without a “going concern” or like qualification, exception or statement and without any qualification or exception as to the scope of such audit, but may contain a “going concern” or like qualification that is due to (i) an upcoming maturity date of any Indebtedness occurring within one year from the time such opinion is delivered or (ii) any potential inability to satisfy a financial maintenance covenant on a future date or in any future period) to the effect that such financial statements present fairly in all material respects the financial condition, results of operations and cash flow of Holdings and its Subsidiaries on a consolidated basis as of the end of and for such fiscal year and accompanied by a narrative report describing the financial position, results of operations and cash flow of Holdings and its consolidated Subsidiaries;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of Holdings (or such later date as Form 10-Q of Holdings is required to be filed with the SEC taking into account any extension granted by the SEC, provided that Payor gives Payee notice of any such extension), its unaudited consolidated balance sheet and unaudited consolidated statements of operations and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by a Financial Officer of Holdings as presenting fairly in all material respects the financial condition, results of operations and cash flows of Holdings and its Subsidiaries on a consolidated basis as of the end of and for such fiscal quarter and such portion of the fiscal year in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes, and accompanied by a narrative report describing the financial position, results of operations and cash flow of Holdings and its consolidated Subsidiaries;

(c) concurrently with each delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of Holdings (i) certifying as to whether a Credit Default has occurred and is continuing and, if a Credit Default has occurred and is continuing, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations (A) demonstrating compliance with the covenants contained in Sections 3.12 and 3.13 hereof (or, while the Relief Period is effective, showing the calculation of the ratios contained in such Sections), (B) in the case of financial statements delivered under clause (a) above and, solely to the extent either of the Borrowers would be required to prepay the Term Loans pursuant to Section 2.11(d) of the Current Credit Agreement, beginning with the financial statements for the fiscal year of Holdings ending December 31, 2019, of Excess Cash Flow, and (C) if the date of such delivery occurs during the Relief Period, demonstrating compliance with the covenant contained in Section 3.19(b), (iii) in the case of the delivery of financial statements under clause (a) above, stating whether the amounts directly or indirectly on-lent by the Lux Borrower (or any of its direct or indirect Subsidiaries (other than the Swiss Entities )) to the Swiss Entities (including the TLB Proceeds Loan) exceed the IFRS Equity Amount, (iv) at any time when there is any Unrestricted Subsidiary, including as an attachment with respect to each such financial statement, an Unrestricted Subsidiary Reconciliation Statement (except to the extent that the information required thereby is separately provided with the public filing of such financial statement) and (v) certifying that the representation in Section 3.19(i) of the Current Credit Agreement is true and correct in all material respects with respect to each Lux Intermediate Holdco.

(d) within 90 days after the end of each fiscal year of Holdings (or such longer period as permitted under Section 2.01(a) hereof), a detailed consolidated budget for the current fiscal year (including a projected consolidated balance sheet and consolidated statements of projected operations and cash flows as of the end of and for such fiscal year and setting forth the assumptions used for purposes of preparing such budget);

(e) during the Relief Period, within 10 Business Days after the end of each Holdings fiscal month (commencing with the calendar month of June, 2020), a certificate of a Financial Officer of Holdings setting out Liquidity on the last Business Day of such fiscal month and the average Available Unrestricted Cash for the last five Business Days of such fiscal month, and demonstrating compliance with the covenant contained in Sections 3.19(a) and 3.19(c);

(f) promptly after the same becomes publicly available, copies of all periodic and other reports, proxy statements and other materials filed by Holdings, any Borrower or any Restricted Subsidiary with the SEC or with any national securities exchange, or distributed by Holdings to the holders of its Equity Interests generally, as applicable; and

(g) promptly following any request therefor, but subject to the limitations set forth in the proviso to the last sentence of Section 2.10 hereof and Section 2.16 of the Agreement, such other information regarding the operations, business affairs, assets, liabilities (including contingent liabilities) and financial condition of Holdings, any Borrower or any Restricted Subsidiary, or compliance with the terms of the Current Credit Agreement, this Agreement, the Guarantee or any Loan Document, as Payee may reasonably request; provided that none of Payor, any Borrower or any Restricted Subsidiary will be required to provide any information (i) that constitutes non-financial trade secrets or non-financial proprietary information of the Transportation Systems Group (as defined in this Agreement) or any of their respective customers and suppliers, (ii) in respect of which disclosure to Payor (or any of its representatives) is prohibited by applicable Requirements of Law or (iii) the revelation of which would violate any confidentiality obligations owed to any third party by Holdings, any Borrower or any Restricted Subsidiary (not created in contemplation thereof); provided, further, that if any information is withheld pursuant to clause (i), (ii), or (iii) above, Payor shall promptly notify Payee of such withholding of information and the basis therefor.

Information required to be furnished pursuant to clause (a), (b), (f) or (g) of this Section shall be deemed to have been furnished if such information, or one or more annual or quarterly reports containing such information, shall have been provided to Payee or shall be available on the website of the SEC at <http://www.sec.gov>. Information required to be furnished pursuant to this Section may also be furnished by electronic communications pursuant to procedures approved by Payee.

SECTION 2.02. Notices of Material Events. Payor shall, and shall cause each Borrower and Payor Group Restricted Subsidiary to, furnish to Payee prompt written notice of the following:

- a. the occurrence of any Default or Credit Default;
- b. to the extent permitted by the Requirements of Law, the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or, to the knowledge of a Financial Officer or another executive officer of Payor, any Borrower or any Restricted Subsidiary, affecting Payor, any Borrower or any Payor Group Restricted Subsidiary, that in each case would reasonably be expected to result in a Material Adverse Effect;
- c. the occurrence of any Environmental Liability or ERISA Event that has resulted, or would reasonably be expected to result, in a Material Adverse Effect; and
- d. during the Relief Period, the occurrence of the Covenant Relief Termination Event.

Each notice delivered under this Section shall be accompanied by a written statement of a Financial Officer or other executive officer of Payor, Holdings or the Swiss Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 2.03. Information Regarding Payor Group Loan Parties. Payor will furnish to Payee prompt written notice of any change (i) in the legal name of any Payor Group Loan Party, as set forth in such Payor Group Loan Party's organizational documents, (ii) in the jurisdiction of incorporation or organization of any Payor Group Loan Party, (iii) in the form of organization of any Payor Group Loan Party or (iv) in any Payor Group Loan Party's organizational identification number, if any.

SECTION 2.04. Existence; Conduct of Business. Payor will, and will cause each of the Payor Group Restricted Subsidiaries to, do or cause to be done all things necessary to maintain, preserve, protect, enforce, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges, franchises and IP Rights in each case to the extent necessary for the conduct of its business; provided that the foregoing shall not prohibit (i) any merger, consolidation, liquidation or dissolution permitted under Section 3.03 or (ii) Payor, each Borrower and each Payor Group Restricted Subsidiary from allowing registered or applied-for IP Rights to lapse, expire, become abandoned or otherwise terminate in the ordinary course of business or where, in its reasonable business judgment, the lapse, expiration, abandonment or termination would not materially interfere with the business of Payor, any Borrower or any Payor Group Restricted Subsidiary, as applicable.

SECTION 2.05. Payment of Taxes. Payor will, and will cause each Payor Group Restricted Subsidiary to, pay its Tax liabilities before the same shall become delinquent or in default, except where (a) (i) the validity or amount thereof is being contested in good faith by appropriate proceedings and (ii) Payor or such Payor Group Restricted Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP or (b) the failure to make payment would not reasonably be expected to result in a Material Adverse Effect.

SECTION 2.06. Maintenance of Properties. Except if failure to do so would not reasonably be expected to have a Material Adverse Effect, Payor will, and will cause each of the Payor Group Restricted Subsidiaries to, keep and maintain all property necessary for the conduct of its business in good working order and condition, ordinary wear and tear excepted and casualty and condemnation excepted.

SECTION 2.07. [Reserved]

SECTION 2.08. Swiss Tax. Any Payor Group Loan Party organized under the laws of Switzerland shall conduct its business in a manner such that it would not reasonably likely to result in the imposition of any withholding tax liability in respect of any payment to a Secured Party under a Loan Document or the Payee under the Indemnification Agreement or the Guarantee.

SECTION 2.10. Books and Records; Inspection and Audit Rights. Each of Payor and the Borrowers will, and will cause each of the Payor Group Restricted Subsidiaries to, keep proper books of record and accounts in which full, true and correct entries in conformity with GAAP and all Requirements of Law are made of all dealings and transactions in relation to its business and activities. Each of Payor and the Borrowers will, and will cause each of the Payor Group Restricted Subsidiaries to, permit any representatives designated by Payee, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times during regular office hours but no more often than one (1) time during any calendar year absent the existence of a Default; provided, that none of Payor, any Borrower or any Payor Group Restricted Subsidiary will be required to disclose, permit the inspection, examination or making copies or abstracts of, or discussion of, any document, information or other matter (i) that constitutes non-financial trade secrets or non-financial proprietary information, (ii) in respect of which disclosure to Payee (or its representatives or contractors) is prohibited by Requirement of Law or any binding agreement (not created in contemplation thereof) or (iii) that is subject to attorney-client or similar privilege or constitutes attorney work product.

SECTION 2.11. Compliance with Laws. Each of Payor and the Borrowers will, and will take reasonable action to cause each of the Payor Group Restricted Subsidiaries to, comply with all Requirements of Law (including ERISA, Environmental Laws and the USA PATRIOT Act) with respect to it or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 2.12. Use of Proceeds; Letters of Credit. (a) The proceeds of the Term Loans, together with the proceeds of the Senior Subordinated Notes and cash on hand, will be used solely for (i) the payment of fees and expenses payable in connection with the Transactions, (ii) the Effective Date Repayment and the Post-Effective Date Repayment and (iii) general corporate purposes. On the Effective Date, the proceeds of the Revolving Loans will be used for working capital and other general corporate purposes of the Restricted Group (including payments under this Agreement) in an amount not to exceed €45,000,000. Thereafter, the proceeds of the Revolving Loans, as well as the proceeds of any Incremental Extension of Credit (unless otherwise provided in the applicable Incremental Facility Amendment) will be used for working capital and other general corporate purposes, including acquisitions permitted by this Agreement, of Holdings, the Borrowers and the Restricted Subsidiaries. Letters of Credit will be used by Payor, the Borrowers and the Payor Group Restricted Subsidiaries for general corporate purposes.

(b) The Borrowers will not request any Borrowing or Letter of Credit, and each of Payor and the Borrowers shall not use, and shall procure that its Subsidiaries and its or their respective directors, officers, and employees shall not use, the proceeds of any Borrowing or Letter of Credit (A) in furtherance of an offer, payment, promise to pay or authorization of the payment or giving of money, or anything else of value, to any Person in material violation of any Anti-Corruption Laws by Payor, the Borrowers or any of their respective Subsidiaries; (B) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, except to the extent permitted for a person required to comply with Sanctions, or (C) in any manner that would result in the violation of any Sanctions applicable to any party hereto. This Section 2.12(b) is subject to Section 8.07 of the Current Credit Agreement.

SECTION 2.13. [Reserved].

SECTION 2.14. [Reserved].

SECTION 2.15. [Reserved].

SECTION 2.16. Post-Effective Date Matters. On or prior to the 120th day after the Distribution Date (or such longer period as Payee may, in its reasonable discretion, agree to in writing (such agreement not to be unreasonably withheld or delayed)), Payor shall cause each of its Subsidiaries (other than any Excluded Subsidiary) that is organized in Australia, Ireland, Italy, Japan, Mexico and Slovakia to satisfy the Indemnity Guarantee Requirement to the extent any such Subsidiary has not already satisfied the Indemnity Guarantee Requirement. Until the expiration of such 120 day period (or such longer period as agreed by Payee), each such Payor Group Restricted Subsidiary who is party to the Guarantee shall be treated as a Payor Group Loan Party for the purposes of Article III of this Exhibit L (and, to the extent such Subsidiary is not in compliance with the Indemnity Guarantee Requirement upon the expiration of such period, such Subsidiary shall cease to be treated as a Payor Group Loan Party).

SECTION 2.17. [Reserved].

SECTION 2.18. Designation of Subsidiaries. Payor may at any time other than during the Relief Period designate any Payor Group Restricted Subsidiary as a Payor Group Unrestricted Subsidiary or any Payor Group Unrestricted Subsidiary as a Payor Group Restricted Subsidiary; provided that (a) immediately before and after such designation, no Default or Credit Default shall have occurred and be continuing or would result from such designation, (b) immediately after giving effect to such designation, the Consolidated Total Leverage Ratio, determined on a Pro Forma Basis as of the last day of the most recently ended fiscal quarter of Holdings, is less than 3.25 to 1.00, and the Swiss Borrower shall have delivered to Payee a certificate of a Financial Officer setting forth reasonably detailed calculations demonstrating compliance with this clause (b) and (c) no Subsidiary may be designated as a Payor Group Unrestricted Subsidiary if it is (i) a "restricted subsidiary" or a "guarantor" (or any similar designation) for the Senior Subordinated Notes or any Material Indebtedness that is subordinated in right of payment to the Obligations or (ii) an Intermediate Holdco or a Borrower. The designation of any Subsidiary as a Payor Group Unrestricted Subsidiary shall constitute an Investment by the parent

company of such Subsidiary therein under Section 3.04(u) at the date of designation in an amount equal to the fair market value of such parent company's investment therein. The designation of any Payor Group Unrestricted Subsidiary as a Payor Group Restricted Subsidiary shall constitute (i) the incurrence at the time of designation of any Indebtedness or Liens of such Subsidiary, and the making of an Investment by such Subsidiary in any Investments of such Subsidiary, in each case existing at such time, and (ii) a return on any Investment in Unrestricted Subsidiaries pursuant to the preceding sentence in an amount equal to the fair market value at the date of such designation of any Borrower's or its Subsidiary's (as applicable) Investment in such Subsidiary.

SECTION 2.19. Non-Bank Rules. The Swiss Borrower shall ensure that it is in compliance with the Non-Bank Rules, provided that the Swiss Borrower shall not be in breach of this undertaking if its number of creditors in respect of either the 10 Non-Bank Rule or the 20 Non-Bank Rule is exceeded solely because a Lender having (a) made an incorrect declaration of its status as to whether or not it is a Qualifying Bank or (b) ceased to be a Qualifying Bank other than as a result of any Change in Law after the date it became a Lender. For the purpose of its compliance with the 20 Non-Bank Rule under this Section 2.19, the number of Lenders under this Agreement which are not Qualifying Banks shall be deemed to be ten (irrespective of whether or not there are, at any time, any such Lenders) and it will be assumed that the Lenders are in compliance with the assignment provisions in Section 9.04(b) of the Current Credit Agreement (as in effect on the First Amendment Effective Date).

### ARTICLE III

#### Negative Covenants

Until all payment obligations under the Agreement have terminated following the Termination Date:

SECTION 3.01. Indebtedness; Certain Equity Securities. (a) Neither Payor nor any of the Borrowers will, nor will Payor or any Borrower permit any of the Payor Group Restricted Subsidiaries to, create, incur, assume or permit to exist any Indebtedness, except:

- i. Indebtedness created under the Current Credit Agreement and under the other Loan Documents (including any Indebtedness incurred pursuant to Section 2.21 or 2.23 of the Current Credit Agreement (as set forth on the date hereof)); provided that during the Relief Period, (x) no Incremental Facility or Alternative Incremental Facility Debt shall be secured on a pari passu basis with the Obligations and (y) no Indebtedness under Section 2.21(a)(z) of the Current Credit Agreement shall be incurred;
- ii. (A) the Senior Subordinated Notes and (B) subject to the last paragraph of this Section 3.01, Refinancing Indebtedness in respect of the Senior Subordinated Notes (it being understood and agreed that, for purposes of this Section, any Indebtedness that is incurred for the purpose of repurchasing or redeeming any Senior Subordinated Notes (or any Refinancing Indebtedness in respect thereof) shall, if otherwise meeting the requirements set forth in the definition of the term "Refinancing Indebtedness", be deemed to be Refinancing Indebtedness in respect of the Senior Subordinated Notes (or such Refinancing Indebtedness), and shall be permitted to be incurred and be in existence pursuant to this Section 3.01(a) notwithstanding that the proceeds of such Refinancing Indebtedness shall not be applied to make such repurchase or redemption of the Senior Subordinated Notes (or such Refinancing Indebtedness) immediately upon the incurrence thereof, if the proceeds of such Refinancing Indebtedness are applied to make such repurchase or redemption no later than 90 days following the date of the incurrence thereof;

- iii. Indebtedness (and Debt-Related Guarantees thereof) existing on the Effective Date and to the extent having a principal amount in excess of €5,000,000 individually or €10,000,000 in the aggregate, set forth in Schedule 6.01 of the Current Credit Agreement (except for intercompany Indebtedness), any Refinancing Indebtedness in respect thereof and any intercompany Indebtedness existing on the Effective Date arising out of, or in connection with, the Transactions (including the Post-Effective Date Repayment);
- iv. Indebtedness of any Borrower to any Restricted Subsidiary and of any Restricted Subsidiary to Holdings, any Borrower or any other Restricted Subsidiary so long as (A) such Indebtedness of any Subsidiary that is not a Loan Party to Holdings, any Borrower or any other Loan Party shall be permitted under Section 3.04(f) and (B) such Indebtedness of any Borrower or any other Loan Party owing to any Restricted Subsidiary (other than intercompany loans made by any Swiss Entity to any entity that is not a Subsidiary of such Swiss Entity) shall be subordinated in right of payment to the Obligations, subject to the Agreed Guaranty and Security Principles, on the terms set forth in the Global Intercompany Note (or any other agreement with substantially similar terms of subordination reasonably satisfactory to the Administrative Agent) and the Intercreditor Agreement as Intra-Group Indebtedness (as defined in the Intercreditor Agreement); provided that Restricted Subsidiaries that are not Loan Parties shall not be required to become party to the Intercreditor Agreement or the Global Intercompany Note, in each case, until the 120th day after the Effective Date (or such longer period as agreed by the Administrative Agent, acting reasonably);
- v. Debt-Related Guarantees by any Borrower of Indebtedness of any Restricted Subsidiary and by any Restricted Subsidiary of Indebtedness of Holdings, any Borrower or any other Restricted Subsidiary (other than Indebtedness incurred pursuant to clause (a)(iii) or (a)(vii) of this Section 3.01), subject to the last paragraph of this Section 3.01(a); provided that (A) the Indebtedness so guaranteed is permitted by this Section, (B) Debt-Related Guarantees by any Borrower or any other Loan Party of Indebtedness of any Subsidiary that is not a Loan Party shall be subject to Section 3.04, and (C) Debt-Related Guarantees permitted under this clause (v) shall be subordinated to the Obligations of the applicable Restricted Subsidiary to the same extent and on the same terms as the Indebtedness so guaranteed is subordinated to the Obligations pursuant to the terms set out in the Intercreditor Agreement and (D) none of the Senior Subordinated Notes shall be guaranteed by any Subsidiary unless such Subsidiary is a Loan Party;
- vi. (A) Indebtedness of any member of the Payor Restricted Group incurred to finance the acquisition, construction, repair, replacement or improvement of any fixed or capital assets, including Capital Lease Obligations and any Indebtedness assumed by any member of Payor Restricted Group in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof; provided that such Indebtedness is incurred prior to or within 270 days after such acquisition or the completion of such construction, repair, replacement or improvement, and (B) Refinancing Indebtedness in respect of Indebtedness incurred or assumed pursuant to clause (A) above; provided further that at the time of incurrence thereof, the aggregate principal amount of Indebtedness permitted by this clause (vi), together with any sale and leaseback transaction incurred pursuant to Section 3.06, outstanding under this clause (vi) at any time shall not exceed the greater of (x) €45,000,000 and (y) 2.50% of Consolidated Total Assets.
- vii. (A) Indebtedness of any Person that becomes a Payor Group Restricted Subsidiary (or of any Person not previously a Payor Group Restricted Subsidiary that is merged or consolidated with or into a Payor Group Restricted Subsidiary in a transaction permitted hereunder) after the Distribution Date, or Indebtedness of any Person that is assumed by Payor or any such Payor Group Restricted Subsidiary in connection with an acquisition of assets by Payor or such Payor Group Restricted Subsidiary in an acquisition permitted by

Section 3.04; provided that such Indebtedness exists at the time such Person becomes a Payor Group Restricted Subsidiary (or is so merged or consolidated) or such assets are acquired and is not created in contemplation of or in connection with such Person becoming a Payor Group Restricted Subsidiary (or such merger or consolidation) or such assets being acquired and (B) Refinancing Indebtedness in respect of Indebtedness incurred or assumed, as applicable, pursuant to clause (A) above;

- viii. other Indebtedness in an aggregate principal amount outstanding under this clause (viii) at any time not exceeding, (A) during the Relief Period, €65,000,000, of which no more than €20,000,000 is Indebtedness incurred under this subclause (A) by non-Loan Parties and (B) at any other time, the greater of (x) €130,000,000 and (y) 7.00% of Consolidated Total Assets, subject to the last paragraph of this Section 3.01,
- ix. Indebtedness incurred pursuant to Permitted Receivables Facilities; provided that the Indebtedness outstanding in reliance on this clause (ix) shall not exceed, at the time of incurrence thereof, (A) in the case of such Indebtedness relating to sales, transfers or other dispositions of promissory notes by a Restricted Subsidiary organized under the laws of the People's Republic of China, €100,000,000 in the aggregate and (B) in other cases, €100,000,000 in the aggregate;
- x. Indebtedness and obligations in respect of self-insurance and obligations in respect of bids, tenders, trade contracts (other than for payment of Indebtedness), leases (other than Capital Lease Obligations), public or statutory obligations, surety, stay, customs and appeal bonds, performance bonds and other obligations of a like nature and similar obligations or obligations in respect of letters of credit, bank guarantees or similar instruments related thereto, in each case provided in the ordinary course of business;
- xi. Indebtedness in respect of Hedging Agreements permitted by Section 3.07 (including any Back to Back Arrangements );
- xii. Indebtedness in respect of any overdraft facilities, employee credit card programs, netting services, automated clearinghouse arrangements and other cash management and similar arrangements in the ordinary course of business; provided that with respect to any such Indebtedness that constitutes Secured Cash Management Obligations and is incurred in reliance on this clause (xii) by Payor Group Restricted Subsidiaries that are not Loan Parties, at the time such Indebtedness is incurred and after giving effect thereto, the Non-Guarantor Debt and Investment Basket shall not be exceeded;
- xiii. Indebtedness in the form of deferred compensation (including payment obligations under this Agreement, obligations in respect of purchase price adjustments, earnouts, non-competition agreements and other contingent arrangements) or other arrangements representing acquisition consideration or deferred payments of a similar nature incurred in connection with any acquisition or other investment permitted under this Agreement;
- xiv. Refinancing Term Loan Indebtedness incurred pursuant to Section 2.23 of the Current Credit Agreement (as in effect on the First Amendment Effective Date), subject to the last paragraph of this Section 3.01;
- xv. Alternative Incremental Facility Debt, subject to the proviso to Section 3.01(a)(i) and the last paragraph of this Section 3.01, provided that the aggregate principal amount of such Alternative Incremental Facility Debt shall not exceed the amount permitted under Section 2.21 of the Current Credit Agreement (as in effect on the First Amendment Effective Date);



- xvi. Indebtedness representing deferred compensation to directors, officers, consultants or employees of Holdings, the Borrowers and Restricted Subsidiaries incurred in the ordinary course of business;
- xvii. Indebtedness consisting of promissory notes issued by any Payor Group Loan Party to current or former officers, directors, consultants and employees or their respective estates, spouses or former spouses to finance the purchase or redemption of Equity Interests of Holdings permitted by Section 3.08;
- xviii. Indebtedness of Payor Group Restricted Subsidiaries under bilateral local law letter of credit and other working capital facilities (such facilities incurred on reliance of this Section 3.01(a)(xviii), the "Specified Cash Management Financing Facilities"); provided that (A) the Indebtedness outstanding in reliance on this clause (xviii) shall not exceed, at the time of incurrence thereof, €18,000,000 and (B) at the time such Indebtedness is incurred under this clause (xviii) and after giving effect thereto, such incurrence shall not cause the Non-Guarantor Debt and Investment Basket to be exceeded;
- xix. Indebtedness of Payor Group Restricted Subsidiaries that are not Payor Group Loan Parties under bilateral local law credit and other working capital facilities; provided that at the time such Indebtedness is incurred under this clause (xix) and after giving effect thereto, such incurrence shall not cause the Non-Guarantor Debt and Investment Basket to be exceeded (without duplication of any Cash Management Financing Facilities); provided, further that any such Indebtedness secured by a Letter of Credit issued under the Current Credit Agreement in a principal amount not to exceed the face amount of such Indebtedness shall not count toward the aggregate amount permitted under this Section 3.01(a)(xix) (including the Non-Guarantor Debt and Investment Basket);
- xx. except during the Relief Period during which no amount shall be incurred under this clause (xx), subject to the last paragraph of this Section 3.01, other Indebtedness of Payor or any of the Payor Group Restricted Subsidiaries so long as (A) after giving thereto on a Pro Forma Basis (1) in the case of Indebtedness secured by a Lien on the Collateral, the Consolidated Senior Secured Leverage Ratio does not exceed 1.75 to 1.00 and (2) in the case of any Indebtedness that is unsecured, (x) the Consolidated Total Leverage Ratio is no greater than 0.50:1.00 less than the applicable maximum Consolidated Total Leverage Ratio set forth in Section 3.12 and (y) the Consolidated Interest Coverage Ratio is greater than or equal to 2.75 to 1.00, (B) the incurrence of Indebtedness pursuant to this clause (xx) by a Payor Group Restricted Subsidiary that is not a Loan Party shall not cause the Non-Guarantor Debt and Investment Basket to be exceeded (after giving effect thereto on a Pro Forma Basis), (C) such Indebtedness shall not mature or, in the case of unsecured Indebtedness and Indebtedness secured by a Lien on the Collateral that is junior to the Liens securing the Obligations, require any scheduled amortization or require any scheduled amortization or require scheduled payments of principal or shall be subject to any mandatory redemption, repurchase, repayment or sinking fund obligation, in each case, prior to the Latest Maturity Date as of such date, and shall have a weighted average life to maturity not shorter than the longest remaining weighted average life to maturity of the Loans, (D) no Event of Default shall exist or shall result therefrom (it being understood that if the proceeds of the relevant Indebtedness will be applied to finance a Limited Condition Transaction and the Swiss Borrower has made an LCT Election, no Event of Default shall exist and be continuing as of the LCT Test Date) and (E) such Indebtedness has terms and conditions that in the good faith determination of the Swiss Borrower are no less favorable to the Swiss Borrower (when taken as a whole) to the terms and conditions of the Loan Documents (when taken as a whole);
- xxi. Indebtedness constituting Secured Cash Management Obligations;

- xxii. Indebtedness constituting Secured Hedging Obligations;
  - xxiii. Indebtedness consisting of (A) the financing of insurance premiums or (B) take- or-pay obligations contained in supply arrangements, in each case, in the ordinary course of business;
  - xxiv. [reserved];
  - xxv. Indebtedness incurred by Payor or a Payor Group Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management purposes, in each case incurred or undertaken in the ordinary course of business on arm's length commercial terms on a non-recourse basis;
  - xxvi. Indebtedness incurred by Payor, any Borrower or any of the Payor Group Restricted Subsidiaries in respect of letters of credit, bank guarantees, bankers' acceptances or similar instruments issued or created in the ordinary course of business or consistent with past practice, in each case, in respect of workers' compensation claims, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance or other reimbursement-type obligations regarding workers' compensation claims;
  - xxvii. (x) Indebtedness in respect of obligations of any Borrower, Payor or any Payor Group Restricted Subsidiary to pay the deferred purchase price of goods or services or progress payments in connection with such goods and services; provided that such obligations are incurred in connection with open accounts extended by suppliers on customary trade terms in the ordinary course of business and not in connection with the borrowing of money and (y) Indebtedness in respect of intercompany obligations of any Borrower, Payor or any Payor Group Restricted Subsidiary in respect of accounts payable incurred in connection with goods sold or services rendered in the ordinary course of business and not in connection with the borrowing of money;
  - xxviii. Indebtedness to a customer to finance the acquisition of any equipment necessary to perform services for such customer; provided that the terms of such Indebtedness are consistent with those entered into with respect to similar Indebtedness prior to the Distribution Date, including that (x) the repayment of such Indebtedness is conditional upon such customer ordering a specific volume of goods and (y) such Indebtedness does not bear interest or provide for scheduled amortization or maturity;
  - xxix. (x) tenant improvement loans and allowances in the ordinary course of business and (y) to the extent constituting Indebtedness, guaranties in the ordinary course of business of the obligations of suppliers, customers, franchisees, lessors and licensees of any Borrower and any Restricted Subsidiary;
  - xxx. Indebtedness or guaranties arising from or in connection with any cross guarantee entered into pursuant to Part 2M of the Australian Corporations Act or any equivalent provision from time to time; and
  - xxxi. all premiums (if any), interest (including post-petition interest), fees, expenses, charges and additional or contingent interest on obligations described in clauses (i) through (xxx) above.
- b. For purposes of determining compliance with this Section 3.01, in the event that an item of Indebtedness at any time, whether at the time of Incurrence or upon the application of all or a portion of the proceeds thereof or subsequently, meets the criteria of more than one of the categories (other than ratio-based baskets) of Section 3.01(a), Payor, any Borrower and the Restricted Subsidiaries shall, in their sole discretion, divide, classify or reclassify, or at any later time divide, classify or reclassify, such item of Indebtedness solely between and among such

categories and in each case, that would be permitted to be incurred in reliance on the applicable exception as of the date of such reclassification; provided that Indebtedness incurred hereunder shall only be classified as incurred under Section 3.01(a)(i) and the Senior Subordinated Notes shall only be classified as incurred under Section 3.01(a)(ii)(A). Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest or dividends in the form of additional Indebtedness with the same terms, the accretion of liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. Debt-Related Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness that are otherwise included in the determination of a particular amount of Indebtedness shall not be included in the determination of such amount of Indebtedness; provided that the Incurrence of the Indebtedness represented by such guarantee or letter of credit, as the case may be, was in compliance with this covenant.

- c. For purposes of determining compliance with any Euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed or first incurred (at the Borrowers' election), in the case of revolving credit debt; provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable Euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such Euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced (plus the aggregate amount of premiums (including reasonable tender premiums), defeasance costs and fees, discounts and expenses in connection therewith).
- d. For purposes of this Section 3.01 (including in respect of ratio-based baskets), notes or loans incurred by LuxCo 1 shall be deemed unsecured if they are secured only by the HY Proceeds Loan and the Equity Interests in LuxCo 2 held by LuxCo 1.

SECTION 3.02. Liens. (a) Neither Payor nor any Borrower will, nor will Payor or any Borrower permit any of the Payor Group Restricted Subsidiaries to, create, incur, assume or permit to exist any Lien on any asset now owned or hereafter acquired by it, except:

- i. Liens created under the Loan Documents;
- ii. Permitted Encumbrances;
- iii. any Lien on any asset of Payor, any Borrower or any Payor Group Restricted Subsidiary existing on the Effective Date and to the extent securing Indebtedness or obligations (other than intercompany Indebtedness or obligations) having a principal amount in excess of €5,000,000 individually or €10,000,000 in the aggregate as set forth in Schedule 6.02 of the Current Credit Agreement; provided that (A) such Lien shall not apply to any other asset of Payor, any Borrower or any Payor Group Restricted Subsidiary (other than assets financed by the same financing source in the ordinary course of business) and (B) such Lien shall secure only those obligations that it secures on the Effective Date and extensions, renewals, replacements and refinancings thereof so long as the principal amount of such extensions, renewals, replacements and refinancings does not exceed the principal amount of the obligations being extended, renewed, replaced or refinanced or, in the case of any such obligations constituting Indebtedness, that are permitted under Section 3.01(a)(iii) as Refinancing Indebtedness in respect thereof;
- iv. any Lien existing on any asset prior to the acquisition thereof by Payor, any Borrower or any Payor Group Restricted Subsidiary or existing on any asset of any Person that becomes a

Payor Group Restricted Subsidiary (or of any Person not previously a Payor Group Restricted Subsidiary that is merged or consolidated with or into a Payor Group Restricted Subsidiary in a transaction permitted hereunder) after the Distribution Date prior to the time such Person becomes a Payor Group Restricted Subsidiary (or is so merged or consolidated); provided that (A) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Payor Group Restricted Subsidiary (or such merger or consolidation), (B) such Lien shall not apply to any other asset of Payor, any Borrower or any Payor Group Restricted Subsidiary (other than (x) assets financed by the same financing source in the ordinary course of business and (y) in the case of any such merger or consolidation, the assets of any special purpose merger Subsidiary that is a party thereto) and (C) such Lien shall secure only those obligations that it secures on the date of such acquisition or the date such Person becomes a Payor Group Restricted Subsidiary (or is so merged or consolidated) and extensions, renewals, replacements and refinancings thereof so long as the principal amount of such extensions, renewals and replacements does not exceed the principal amount of the obligations being extended, renewed or replaced or, in the case of any such obligations constituting Indebtedness, that are permitted under Section 3.01(a)(vii) as Refinancing Indebtedness in respect thereof;

- v. Liens on fixed or capital assets acquired, constructed, repaired, replaced or improved (including any such assets made the subject of a Capital Lease Obligation incurred) by Payor, any Borrower or any Payor Group Restricted Subsidiary; provided that (A) such Liens secure Indebtedness incurred to finance such acquisition, construction, repair, replacement or improvement and permitted by clause (vi)(A) of Section 3.01(a) or any Refinancing Indebtedness in respect thereof permitted by clause (vi)(B) of Section 3.01(a), (B) such Liens and the Indebtedness secured thereby are incurred prior to or within 270 days after such acquisition or the completion of such construction, repair, replacement or improvement (provided that this clause (B) shall not apply to any Refinancing Indebtedness permitted by clause (vi)(B) of Section 3.01(a) or any Lien securing such Refinancing Indebtedness), (C) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing, repairing, replacing or improving such fixed or capital asset and in any event, the aggregate principal amount of such Indebtedness does not exceed the amount permitted under the second proviso of Section 3.01(a)(vi) at any time outstanding and (D) such Liens shall not apply to any other property or assets of Payor, any Borrower or any Payor Group Restricted Subsidiary (except assets financed by the same financing source in the ordinary course of business);
- vi. customary rights and restrictions contained in agreements relating to such sale or transfer pending the completion thereof in connection with the sale or transfer of any Equity Interests or other assets in a transaction permitted under Section 3.05;
- vii. any encumbrance or restriction (including put and call arrangements, tag, drag, right of first refusal and similar rights) with respect to Equity Interests of any (A) Payor Group Restricted Subsidiary that is not a wholly owned Subsidiary or (B) joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- viii. Liens on any cash advances or cash earnest money deposits, escrow arrangements or similar arrangements made by Payor, any Borrower or any Payor Group Restricted Subsidiary in connection with any letter of intent or purchase agreement for an acquisition or other transaction permitted hereunder;
- ix. Liens on Collateral securing any Permitted Second Priority Refinancing Debt or Alternative Incremental Facility Debt;
- x. Liens granted by a member of Payor Group that is not a Loan Party in respect of Indebtedness permitted to be incurred by such member under Section 3.01;

- xi. (A) during the Relief Period, Liens not otherwise permitted by this Section that secure only the obligations of Loan Parties and are solely on the assets of Loan Parties, to the extent that the aggregate outstanding principal amount of the obligations secured thereby outstanding under this clause (xi) does not exceed €50,000,000 and (B) at any other time, Liens not otherwise permitted by this Section to the extent that the aggregate outstanding principal amount of the obligations secured thereby outstanding under this clause (xi) at any time does not exceed the greater of (x) €130,000,000 and (y) 7.00% of Consolidated Total Assets;
- xii. Liens securing Indebtedness incurred as secured Indebtedness under Section 3.01(a)(xv) or 3.01(a)(xx);
- xiii. Liens on HY Proceeds Loan and Equity Interests in LuxCo 2 held by LuxCo 1 securing the Senior Subordinated Notes, any Additional Senior Subordinated Notes or any Refinancing Indebtedness of Senior Subordinated Notes or any Additional Senior Subordinated Notes;
- xiv. Liens that are deemed security interests under the Australian PPSA that do not, in substance, secure payment or performance of an obligation;
- xv. Liens on property or other assets of any Payor Group Restricted Subsidiary that is not a Loan Party, which Liens secure Indebtedness of such Payor Group Restricted Subsidiary or another Restricted Subsidiary that is not a Loan Party, in each case permitted under Section 3.01(a);
- xvi. Liens on the Collateral securing Secured Cash Management Obligations, Specified Cash Management Financing Facilities and Secured Hedging Obligations provided that such Liens are subject to the terms of the Intercreditor Agreement;
- xvii. Liens on cash and Permitted Investments used to satisfy or discharge Indebtedness; provided such satisfaction or discharge is permitted hereunder;
- xviii. Liens on Equity Interests of any joint venture or Payor Group Unrestricted Subsidiary (a) securing obligations of such joint venture or Payor Group Unrestricted Subsidiary or (b) pursuant to the relevant joint venture agreement or arrangement;
- xix. Liens on cash, Permitted Investments or other marketable securities securing (A) letters of credit of any Loan Party that are cash collateralized on the Effective Date in an amount of cash, Permitted Investments or other marketable securities with a fair market value of up to 105% of the face amount of such letters of credit being secured or (B) letters of credit and other credit support obligations in the ordinary course of business; and
- xx. any Liens on cash or deposits granted in favor of any Issuing Bank to cash collateralize any Defaulting Lender's participation in Letters of Credit or other obligations in respect of Letters of Credit, in each case as contemplated by the Current Credit Agreement;

provided that the expansion of Liens by virtue of accretion or amortization of original issue discount, the payment of dividends in the form of Indebtedness, and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies will not be deemed to be an incurrence of Liens for purposes of this Section 3.02. For purposes of determining compliance with this Section 3.02, (x) a Lien need not be incurred solely by reference to one category of Liens described in this Section 3.02 but may be incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories hereof (other than ratio-based baskets, if any), Payor, the Borrowers and the Restricted Subsidiaries shall, in their sole discretion, classify or reclassify such Lien (or any portion thereof) solely between and

among such categories and, in each case, that would be permitted to be incurred in reliance on the applicable exception as of the date of such reclassification.

SECTION 3.03. Fundamental Changes. (a) Neither Payor nor any Borrower will, nor will they permit any of their Restricted Subsidiaries (including, without limitation, any Intermediate Holdco) to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or liquidate or dissolve, divide, or otherwise dispose of all or substantially all of its properties and assets to any Person or group of Persons (which, for the avoidance of doubt, shall not restrict the change in organizational form), except that, if at the time thereof and immediately after giving effect thereto no Default or Credit Default shall have occurred and be continuing:

- i. any Restricted Subsidiary may merge into or consolidate with (A) any Borrower so long as such Borrower shall be the continuing or surviving Person (and continues to be organized under the laws of the same jurisdiction), (B) any Restricted Subsidiary that is an Intermediate Holdco so long as the continuing or surviving Person is also an Intermediate Holdco and (C) any other Restricted Subsidiary in a transaction in which the surviving entity is a Restricted Subsidiary and, if any party to such merger or consolidation is a Loan Party, either (x) the continuing or surviving entity is a Loan Party or (y) the acquisition of such Loan Party by such continuing or surviving Person is otherwise permitted under Section 3.04; provided, that, after giving effect to any such activities under this Section 3.03(a)(i), the Payor Group Loan Parties are in compliance with the Indemnity Guarantee Requirement;
- ii. [reserved];
- iii. any Payor Group Restricted Subsidiary that is neither an Intermediate Holdco nor a Borrower may liquidate or dissolve if Payor or the Swiss Borrower determines in good faith that such liquidation or dissolution is in the best interests of the business of the Payor Restricted Group and is not materially disadvantageous to Payee; provided that any such merger or consolidation involving a Person that is not a wholly owned Payor Group Restricted Subsidiary immediately prior to such merger or consolidation shall not be permitted unless it is also permitted by Section 3.04;
- iv. any Payor Group Restricted Subsidiary may engage in a merger, consolidation, dissolution or liquidation, the purpose of which is to effect an Investment permitted pursuant to Section 3.04 or a disposition permitted pursuant to Section 3.05; and
- v. [Reserved].

(b) The Borrowers, Payor and the Payor Group Restricted Subsidiaries, taken as a whole, will not engage to any material extent in any business other than businesses of the type to be conducted by the Borrowers, Payor and the Payor Group Restricted Subsidiaries as described in the Form 10 if as a result thereof the business conducted by the Borrowers, Payor and the Restricted Subsidiaries, taken as a whole, would be substantially different from the business conducted by the Borrowers, Payor and the Payor Group Restricted Subsidiaries, taken as a whole, on the Distribution Date; provided that businesses reasonably related, incidental or ancillary thereto to the business conducted by the Borrowers, Payor and the Payor Group Restricted Subsidiaries, taken as a whole, on the Distribution Date or reasonable extensions thereof shall be permitted hereunder.

SECTION 3.04. Investments, Loans, Advances, Guarantees and Acquisitions. Neither Payor nor any Borrower will, nor will they permit any Payor Group Restricted Subsidiary to, make any Investment, except:

- a. Permitted Investments and cash;
- b. investments constituting the purchase or other acquisition (in one transaction or a series of related transactions) of all or substantially all of the property and

assets or business of any Person or of assets constituting a business unit, a line of business or division of such Person, or the Equity Interests in a Person that, upon the consummation thereof, will be a Payor Group Restricted Subsidiary if, after giving effect thereto on a Pro Forma Basis, the Borrowers would be in compliance with Section 3.12 and Section 3.13 for the most recently ended period of four consecutive fiscal quarters of Holdings as they would apply without giving effect to the Relief Period; provided that the aggregate amount of cash consideration paid in respect of such investments (including in the form of loans or advances made to Payor Group Restricted Subsidiaries that are not Loan Parties) by Loan Parties involving the acquisition of Payor Group Restricted Subsidiaries that do not become Loan Parties outstanding under this clause (b) at any time shall not exceed the greater of (i) €100,000,000 and (ii) 5.50% of Consolidated Total Assets (provided, that to the extent such Payor Group Restricted Subsidiaries do become Loan Parties, the aggregate amount outstanding in reliance on this clause (b) shall be reduced by the amount initially utilized);

- c. [reserved];
- d. Investments existing on the Effective Date and to the extent having a principal amount in excess of €5,000,000 individually or €10,000,000 in the aggregate (other than with respect to intercompany Investments) set forth on Schedule 6.04 of the Current Credit Agreement and any modification, replacement, renewal, reinvestment or extension thereof;
- e. Investments by Payor in the Borrowers and by Payor, the Borrowers and the Payor Group Restricted Subsidiaries in Equity Interests of their respective Subsidiaries; provided that (i) if such Investment is made during the Relief Period, such Investment shall only be made in Equity Interests of Subsidiaries that are Loan Parties and (ii) the making of any Investment by any Payor Group Loan Party in any Payor Group Restricted Subsidiary that is not a Loan Party shall not, at the time such Investment is made and after giving effect thereto, cause the Non-Guarantor Debt and Investment Basket to be exceeded, provided that if any such investment under this Section 3.04(e) is made for the purpose of making an investment, loan or advance permitted under Section 3.04(u), the amount available under this Section 3.04(e) shall not be reduced by the amount of any such investment, loan or advance which reduces the basket under Section 3.04(u);
- f. loans or advances made by Holdings or any Borrower to any Restricted Subsidiary and made by any Restricted Subsidiary to any Borrower or any other Restricted Subsidiary; provided that (i) during the Relief Period, such loans or advances shall only be to the Borrower or a Restricted Subsidiary constituting a Loan Party, except for (A) loans outstanding as of the First Amendment Effective Date and (B) loans or advances in the course of ordinary cash management activities, (ii) any such loans and advances made by a Loan Party shall be evidenced, on and after the Distribution Date, by the Global Intercompany Note or other promissory notes reasonably acceptable to Payee and (iii) the outstanding amount of such loans and advances made by Loan Parties to Restricted Subsidiaries that are not Loan Parties at the time such loans or advances are made, and after giving effect thereto, shall not cause the Non- Guarantor Debt and Investment Basket to be exceeded, provided that any intercompany loans or advances made by any Loan Party to any Restricted Subsidiary that is not a Loan Party using the proceeds of intercompany loans or advances received from Restricted Subsidiaries that are not Loan Parties no more than 120 days prior to making such intercompany loan or advance shall

not be taken into account in the calculation of any restriction or basket set forth in this subclause (iii) (including the Non-Guarantor Debt and Investment Basket); provided further that if any such loan or advance under this subclause (iii) is made for the purpose of making an investment, loan or advance permitted under Section 3.04(u), the amount available under this clause (f) shall not be reduced by the amount of any such investment, loan or advance which reduces the basket under Section 3.04(u), provided further that any loan or advance made by any Loan Party to a Restricted Subsidiary that is not a Loan Party, for the purposes of calculating usage under this subclause (iii) and the Non-Guarantor Debt and Investment Basket, shall be reduced euro-for-euro (or other applicable currency) by any amounts owed by such Loan Party to such Restricted Subsidiary that is not a Loan Party;

- g. Debt-Related Guarantees by Holdings, the Borrower or any Restricted Subsidiary in respect of Indebtedness permitted under Section 3.01 and in respect of other obligations not otherwise contemplated by this Section 3.04, in each case of Holdings, any Borrower or any Restricted Subsidiary; provided that any such Debt-Related Guarantees of Indebtedness and such other obligations, in each case of Restricted Subsidiaries that are not Loan Parties by any Loan Party shall not, at the time any such Debt-Related Guarantee is provided and after giving effect thereto, cause the Non-Guarantor Debt and Investment Basket to be exceeded;
- h. loans or advances to directors, officers, consultants or employees of Holdings, any Borrower or any Restricted Subsidiary made in the ordinary course of business of Holdings, such Borrower or such Restricted Subsidiary, as applicable, not exceeding €10,000,000 in the aggregate outstanding at any time (determined without regard to any write-downs or write-offs of such loans or advances);
- i. payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses of Holdings, any Borrower or any Restricted Subsidiary for accounting purposes and that are made in the ordinary course of business;
- j. investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers or upon the foreclosure with respect to any secured Investment or other transfer of title with respect to any secured Investment, in each case in the ordinary course of business;
- k. investments in the form of Hedging Agreements permitted by Section 3.07 (including any Back to Back Arrangements);
- l. investments of any Person existing at the time such Person becomes a Payor Group Restricted Subsidiary or consolidates or merges with any Borrower or any Payor Group Restricted Subsidiary so long as such investments were not made in contemplation of such Person becoming a Payor Group Restricted Subsidiary or of such consolidation or merger;
- m. investments resulting from pledges or deposits described in clause (c) or (d) of the definition of the term "Permitted Encumbrance";
- n. investments made as a result of the receipt of noncash consideration from a sale, transfer, lease or other disposition of any asset in compliance with Section 3.05;



- o. investments that result solely from the receipt by Payor, any Borrower or any Payor Group Restricted Subsidiary from any of its Subsidiaries of a dividend or other Restricted Payment in the form of Equity Interests, evidences of Indebtedness or other securities (but not any additions thereto made after the date of the receipt thereof);
- p. receivables or other trade payables owing to Payor, a Borrower or a Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided that such trade terms may include such concessionary trade terms as Payor, any Borrower or any Restricted Subsidiary deems reasonable under the circumstances;
- q. mergers and consolidations permitted under Section 3.03 that do not involve any Person other than Holdings, the Borrowers and Restricted Subsidiaries that are wholly owned Restricted Subsidiaries;
- r. Investments in the form of letters of credit, bank guarantees, performance bonds or similar instruments or other creditor support or reimbursement obligations made in the ordinary course of business by Holdings or any Borrower on behalf of any Restricted Subsidiary and made by any Restricted Subsidiary on behalf of any Borrower or any other Restricted Subsidiary; provided that at the time such letters of credit, bank guarantees, performance bonds or similar instruments or other creditor support or reimbursement obligations are made by Loan Parties on behalf of Restricted Subsidiaries that are not Loan Parties pursuant to this Section 3.04(r), and after giving effect thereto, such obligations shall not cause the Non-Guarantor Debt and Investment Basket to be exceeded;
- s. Debt-Related Guarantees by Payor, any Borrower or any Restricted Subsidiary of leases (other than Capitalized Leases) or of other obligations that do not constitute Indebtedness, in each case entered into in the ordinary course of business;
- t. [reserved]; and
- u. other Investments by Payor, any Borrower or any Payor Restricted Subsidiary (and loans and advances by Payor) in an aggregate amount, as valued at cost at the time each such Investment is made and including all related commitments for future Investments (and the principal amount of any Indebtedness that is assumed or otherwise incurred in connection with such Investment), outstanding under this Section 3.04(u) at any time in an aggregate amount not exceeding (A) during the Relief Period, €85,000,000 and (B) at any other time, the sum of (i) (x) the greater of €85,000,000 and (y) 4.50% of Consolidated Total Assets plus (ii) so long as no Credit Default has occurred and is continuing or would result therefrom, the Available Amount at such time in the aggregate for all such investments made or committed to be made from and after the Effective Date plus an amount equal to any returns of capital or sale proceeds actually received in cash in respect of any such Investments (which amount shall not exceed the amount of such Investment valued at cost at the time such investment was made);
- v. Investments consisting of (i) extensions of trade credit and accommodation guarantees in the ordinary course of business and (ii) loans and advances to customers; provided that the aggregate principal amount of such loans and

advances outstanding under this clause (ii) at any time shall not exceed €10,000,000;

- w. Investments on or prior to the Effective Date in connection with the Transactions (or, if after the Effective Date, as reflected in the Tax Steps Plan);
  - x. Investments in the ordinary course of business consisting of Uniform Commercial Code Article 3 endorsements for collection or deposit and Uniform Commercial Code Article 4 customary trade arrangements with customers in the ordinary course of business;
  - y. Investments (A) for utilities, security deposits, leases and similar prepaid expenses incurred in the ordinary course of business and (B) in the form of trade accounts created, or prepaid expenses accrued, in the ordinary course of business;
  - z. non-cash Investments in connection with tax planning and reorganization activities;
  - aa. customary Investments in connection with Permitted Receivables Facilities;
  - bb. Investments in joint ventures and Unrestricted Subsidiaries; provided that at the time of any such Investment on a Pro Forma Basis, the aggregate amount at any time outstanding of all such Investments made in reliance on this clause (bb) shall not exceed the greater of €25,000,000 and 1.50% of Consolidated Total Assets;
  - cc. Investments in the form of loans or advances made to distributors and suppliers in the ordinary course of business; and
  - dd. to the extent they constitute Investments, guaranties in the ordinary course of business of the obligations of suppliers, customers, franchisees, lessors and licensees of any Borrower and any Restricted Subsidiary;
- provided, that during the Relief Period, neither Payor, nor any Borrower nor any Payor Group Restricted Subsidiary shall make Investments under this Section 3.04 in any joint venture or Payor Group Unrestricted Subsidiary in an aggregate amount exceeding €10,000,000.

For purposes of this Section 3.04, if any Investment (or a portion thereof) would be permitted pursuant to one or more of the provisions described above and/or one or more of the exceptions contained in this Section 3.04 (other than ratio-based baskets, if any), Payor, the Borrowers and the Payor Group Restricted Subsidiaries may divide and classify such Investment (or a portion thereof) in any manner that complies with this covenant and may later divide and reclassify any such Investment so long as the Investment (as so divided and/or reclassified) would be permitted to be made in reliance on the applicable exception as of the date of such reclassification.

**SECTION 3.05. Asset Sales.** Neither Payor nor any Borrower will, nor will they permit any Payor Group Restricted Subsidiary to, sell, transfer, lease or otherwise dispose of any asset (other than assets sold, transferred, leased or otherwise disposed of in a single transaction or a series of related transactions with a fair market value of €20,000,000 or less), including any Equity Interest owned by it, nor will Payor or any Borrower permit any Payor Group Restricted Subsidiary to issue any additional Equity Interest in such Payor Group Restricted Subsidiary (other than issuing directors' qualifying shares and other than issuing Equity Interests to Payor, a Borrower or another Payor Group Restricted Subsidiary), except:

- a. sales, transfers, leases and other dispositions of (i) inventory, (ii) used, obsolete, damaged, worn out or surplus equipment, (iii) property no longer used or useful in the conduct of the business of Payor, the applicable Borrower and the Payor Group Restricted Subsidiaries (including intellectual property), (iv) immaterial assets and (v) cash and Permitted Investments, in each case in the ordinary course of business;
- b. sales, transfers, leases and other dispositions to Payor, a Borrower or a Restricted Subsidiary; provided that any such sales, transfers, leases or other dispositions involving a Restricted Subsidiary that is not a Loan Party shall, to the extent applicable, be made in compliance with Section 3.04 and Section 3.09;
- c. sales, transfers and other dispositions or forgiveness of accounts receivable in connection with the compromise, settlement or collection thereof not as part of any accounts receivables financing transaction (including sales to factors or other third parties);
- d. (i) sales, transfers, leases and other dispositions of assets to the extent that such assets constitute an investment permitted by clause (j), (l) or (n) of Section 3.04 or another asset received as consideration for the disposition of any asset permitted by this Section (in each case, other than Equity Interests in a Payor Group Restricted Subsidiary, unless all Equity Interests in such Payor Group Restricted Subsidiary (other than directors' qualifying shares) are sold) and (ii) sales, transfers, and other dispositions of the Equity Interests of a Payor Group Restricted Subsidiary by Payor, a Borrower or a Payor Group Restricted Subsidiary to the extent such sale, transfer or other disposition would be permissible as an Investment in a Restricted Subsidiary permitted by Section 3.04(e) or Section 3.04(u);
- e. leases or subleases entered into in the ordinary course of business, to the extent that they do not materially interfere with the business of Payor, any Borrower or any Payor Group Restricted Subsidiary;
- f. non-exclusive licenses or sublicenses of IP Rights granted in the ordinary course of business or other licenses or sublicenses of IP Rights granted in the ordinary course of business that do not materially interfere with the business of Payor, any Borrower or any Payor Group Restricted Subsidiary;
- g. dispositions resulting from any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, and transfers of property arising from foreclosure or similar action with regard to, any asset of Payor, any Borrower or any Payor Group Restricted Subsidiary;
- h. dispositions of assets to the extent that (i) such assets are exchanged for credit against the purchase price of similar replacement assets or (ii) the proceeds of such disposition are promptly applied to the purchase price of such replacement assets;
- i. dispositions permitted by Section 3.08;
- j. dispositions set forth on Schedule 6.05 of the Current Credit Agreement (as in effect on the First Amendment Effective Date);
- k. sales, transfers, leases and other dispositions of assets that are not permitted by any other clause of this Section; provided that (i) the aggregate fair value of all assets sold, transferred, leased or otherwise disposed of in reliance upon this

Section 3.04(k) shall not exceed (A) in any fiscal year, 15% of Consolidated Total Assets as of the fiscal year most recently ended prior to such sale, transfer, lease or other disposition and (B) 40% of Consolidated Total Assets as of the fiscal year most recently ended prior to such sale, transfer, lease or other disposition and (ii) no Default or Event of Default has occurred and is continuing or would result therefrom;

- l. sales, transfers or other dispositions of (i) accounts receivable or (ii) promissory notes in the ordinary course of business within the People's Republic of China, in each case of clauses (i) and (ii), in connection with Permitted Receivables Facilities;
- m. [reserved];
- n. sales, transfers or other dispositions of any assets (including Equity Interests) (A) acquired in connection with any acquisition or other investment permitted under Section 3.04, which assets are not used or useful to the core or principal business of the Swiss Borrower and the Payor Group Restricted Subsidiaries and/or (B) made to obtain the approval of any applicable antitrust authority in connection with an acquisition permitted under Section 3.04; and
- o. sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to customary buy/sell arrangements between, the joint venture parties set forth in joint venture arrangements and similar binding arrangements;

provided that all sales, transfers, leases and other dispositions permitted hereby (other than those permitted by Sections 3.05(a)(iii), (a)(iv) and (b)) for a purchase price in excess of €25,000,000 shall be made for fair value (as determined in good faith by the Swiss Borrower), and at least 75% of the consideration from all sales, transfers, leases and other dispositions permitted hereby (other than those permitted by clauses (b), (d), (g) or (h)) since the Effective Date, on a cumulative basis, is in the form of cash or Permitted Investments; provided further that (i) any consideration in the form of Permitted Investments that are disposed of for cash consideration within 30 Business Days after such sale, transfer or other disposition shall be deemed to be cash consideration in an amount equal to the amount of such cash consideration for purposes of this proviso, (ii) any liabilities (as shown on Payor, such Borrower's or such Payor Group Restricted Subsidiary's most recent balance sheet provided hereunder or in the footnotes thereto) of Payor, such Borrower or such Payor Group Restricted Subsidiary, other than liabilities that are by their terms subordinated to the payment in cash of the Obligations, that are assumed by the transferee with respect to the applicable sale, transfer, lease or other disposition and for which Payor, the Borrowers and all the Restricted Subsidiaries shall have been validly released by all applicable creditors in writing shall be deemed to be cash consideration in an amount equal to the liabilities so assumed and (iii) any Designated Non-Cash Consideration received by Payor, such Borrower or such Subsidiary in respect of such sale, transfer, lease or other disposition having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this clause (iii) that is at that time outstanding, not in excess of €45,000,000 at the time of the receipt of such Designated Non-Cash Consideration, with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value, shall be deemed to be cash consideration.

SECTION 3.06. Sale and Leaseback Transactions. Neither Payor nor any Borrower will, nor will they permit any Payor Group Restricted Subsidiary to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred, except for any such sale of any fixed or capital assets by Payor, any Borrower or any Payor Group Restricted Subsidiary that is made for cash consideration in an amount not less than the fair value of such fixed or capital asset and is consummated within 270 days after Payor, such Borrower or such Payor Group Restricted Subsidiary acquires or completes the construction of such fixed or capital asset; provided that, if such sale and leaseback results in a Capital Lease Obligation, such Capital Lease Obligation is permitted by Section 3.01(a)(vi) and any Lien made the subject of such Capital Lease Obligation is permitted by Section 3.02(a)(v).

SECTION 3.07. Hedging Agreements. Neither Payor nor any Borrower shall, nor shall they permit any Payor Group Restricted Subsidiary to, enter into any Hedging Agreement other than Hedging Agreements (including any Back to Back Arrangements) entered into in the ordinary course of business and not for speculative purposes.

SECTION 3.08. Restricted Payments; Certain Payments of Junior Indebtedness. (a) Neither Payor nor any Borrower will, nor will they permit any Restricted Subsidiary to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that:

- i. Payor and/or any Payor Group Restricted Subsidiary may make the Effective Date Repayment and the Post-Effective Date Repayment;
- ii. any Borrower and any Payor Group Restricted Subsidiary may declare and pay dividends or make other distributions with respect to its Equity Interests, or make other Restricted Payments in respect of its Equity Interests, in each case ratably to the holders of such Equity Interests;
- iii. Payor may make payments pursuant to and as required under this Agreement;
- iv. Payor may declare and pay dividends with respect to its Equity Interests payable solely in shares of Equity Interests permitted hereunder;
- v. Payor may make Restricted Payments, not exceeding the greater of (A) €25,000,000 and (B) 1.50% of Consolidated Total Assets (with unused amounts being carried over to the succeeding fiscal years, subject to an aggregate cap of up to €50,000,000 in any fiscal year under this clause (v)) during any fiscal year, pursuant to and in accordance with stock option plans or other benefit plans approved by Holdings's board of directors for directors, officers, consultants or employees of Holdings, the Borrowers and the Restricted Subsidiaries;
- vi. [reserved];
- vii. [reserved];
- viii. [reserved];
- ix. [reserved];
- x. [reserved];
- xi. Payor's Subsidiaries may pay dividends to Payor concurrently with Payor's payment of dividends pursuant to Section 3.08(a)(xii);

- xii. Payor may declare and make Restricted Payments in an aggregate amount not to exceed, at the time such Restricted Payments are made and after giving effect thereto, the sum of (A) €85,000,000 plus (B) the Available Amount at such time; provided that Payor may only make Restricted Payments under this clause (xii) if (w) no Event of Default has occurred and is continuing (or would result therefrom), (x) after giving effect thereto on a Pro Forma Basis, Payor would be in compliance with Section 3.12 and Section 3.13 for the most recently ended period of four consecutive fiscal quarters of Holdings as they would apply without giving effect to the Relief Period, (y) there is no outstanding payment obligation under this Agreement unless such Restricted Payment under this clause (xii) will be applied to satisfy all or a portion of such outstanding payment obligation and (z) €42,500,000 of such Restricted Payments made under clause (A) of this Section 3.08 are used only for payments of Accrued Amounts;
- xiii. for any taxable period for which (A) Payor, any Borrower and/or any Subsidiaries of Payor are members of a consolidated, combined or similar income tax group for U.S. federal and/or applicable state, local or non-U.S. income or corporation Tax purposes of which a direct or indirect parent of Payor is the common parent (a "Tax Group") or (B) the assets, income, profits or operations of Payor and/or any of its Subsidiaries are otherwise reflected on any tax return of any direct or indirect parent of Payor (a "Tax Inclusion"), Restricted Payments may be made in an amount not in excess of (A) in the case of a Tax Group, the U.S. federal, state, local or non-U.S. income Taxes that Payor, the applicable Borrower and/or applicable Subsidiaries of Payor would have paid had Payor, such Borrower and/or such Subsidiaries of Payor been a stand-alone taxpayer (or a stand-alone group) or (B) in the case of a Tax Inclusion, the portion of any Taxes on any such tax return for such taxable period that is attributable to the assets, income, profits or operations of Payor, the applicable Borrower and/or Payor's applicable Subsidiaries, net of any credits for any foreign Taxes allocable to such Tax Inclusion, calculated as if such parent had claimed such credits to the full extent permissible; provided that Restricted Payments in respect of a Payor Group Unrestricted Subsidiary shall be permitted only to the extent that cash distributions were made by such Payor Group Unrestricted Subsidiary to Payor, such Borrower or any of Payor's Subsidiaries for such purpose;
- xiv. (i) any non-cash repurchases or withholdings of Equity Interests in connection with the exercise of stock options, warrants or similar rights if such Equity Interests represent a portion of the exercise of, or withholding obligations with respect to, such options, warrants or similar rights (for the avoidance of doubt, it being understood that any required withholding or similar tax related thereto may be paid by Payor, any Borrower or any Payor Group Restricted Subsidiary in cash), and (ii) loans or advances to officers, directors and employees of Holdings, any Borrower or any Restricted Subsidiary in connection with such Person's purchase of Equity Interests of Holdings, provided that no cash is actually advanced pursuant to this clause (ii) other than to pay taxes due in connection with such purchase, unless immediately repaid; and
- xv. Payor may make payments pursuant to and required under the Tax Matters Agreement.

(b) Neither Payor nor any Borrower will, nor will they permit any Payor Group Restricted Subsidiary to, prepay, redeem, purchase or otherwise satisfy (x) during the Relief Period, the Senior Subordinated Notes and any Indebtedness that is subordinated in right of payment to the Obligations or (y) at any other time, any Indebtedness that is subordinated in right of payment to the Obligations (excluding, for the avoidance of doubt, the Senior Subordinated Notes and any subordinated obligations owed to Payor or any Payor Group Restricted Subsidiary):

- i. payments of Indebtedness under the Credit Agreement or any other Loan Document;
- ii. regularly scheduled interest and principal payments as and when due in respect of any such Indebtedness, other than payments in respect of such Indebtedness prohibited by the subordination provisions thereof;

- iii. refinancings of Indebtedness with the proceeds of other Indebtedness permitted under Section 3.01;
- iv. payments other than during the Relief Period (during which no such payment shall be made under this clause (iv)) of or in respect of Indebtedness in an amount equal to, at the time such payments are made and after giving effect thereto, (A) the greater of (x) €65,000,000 and (y) 3.50% of Consolidated Total Assets plus (B) the Available Amount at such time; provided that the Borrowers may only use the Available Amount under this clause (iv) if (x) no Credit Default shall have occurred and be continuing (or would result therefrom) and (y) after giving effect thereto on a Pro Forma Basis, the Borrowers would be in compliance with Section 3.12 and Section 3.13 for the most recently ended period of four consecutive fiscal quarters of Holdings as they would apply without giving effect to the Relief Period; and
- v. prepayments of subordinated obligations owed to the Borrowers or any Payor Group Restricted Subsidiary or any Refinancing Indebtedness with the proceeds of other subordinated Indebtedness.

For purposes of this Section 3.08, if any Restricted Payment (or a portion thereof) would be permitted pursuant to one or more provisions described above and/or one or more of the exceptions contained in this Section 3.08, Payor, the Borrowers and the Payor Group Restricted Subsidiaries may divide and classify such Restricted Payment (or a portion thereof) in any manner that complies with this covenant and may later divide and reclassify (other than with respect to ratio-based baskets, if any) any such Restricted Payment so long as the Restricted Payment (as so divided and/or reclassified) would be permitted to be made in reliance on the applicable exception as of the date of such reclassification.

SECTION 3.09. Transactions with Affiliates. Neither Payor nor any Borrower will, nor will they permit any Payor Group Restricted Subsidiary to, sell, lease or otherwise transfer any assets to, or purchase, lease or otherwise acquire any assets from, or otherwise engage in any other transactions involving aggregate consideration in excess of €25,000,000 with, any of its Affiliates, except (i) transactions that are at prices and on terms and conditions not less favorable to Payor, such Borrower or such Payor Group Restricted Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (ii) transactions between or among the Loan Parties not involving any other Affiliate, (iii) advances, equity issuances, repurchases, retirements or other acquisitions or retirements of Equity Interests and other Restricted Payments permitted under Section 3.08 and investments, loans and advances to Restricted Subsidiaries permitted under Section 3.04 and any other transaction involving Payor, the Borrowers and Restricted Subsidiaries permitted under Section 3.03 to the extent such transaction is between Payor, a Borrower and one or more Restricted Subsidiaries or between two or more Restricted Subsidiaries and Section 3.05 (to the extent such transaction is not required to be for fair value thereunder), (iv) the payment of reasonable fees to directors of Holdings, any Borrower or any Restricted Subsidiary who are not employees of Holdings, any Borrower or any Restricted Subsidiary, and compensation and employee benefit arrangements paid to, and indemnities provided for the benefit of, directors, officers, consultants or employees of Holdings, the Borrowers or the Restricted Subsidiaries in the ordinary course of business, (v) any issuances of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment agreements, stock options and stock ownership plans approved by the Swiss Borrower's board of directors; (vi) employment and severance arrangements entered into in the ordinary course of business between Holdings, any Borrower or any Restricted Subsidiary and any employee thereof and approved by the Swiss Borrower's board of directors; and (vii) payments made to other Restricted Subsidiaries arising from or in connection with any customary tax consolidation and grouping arrangements.

SECTION 3.10. Restrictive Agreements. Neither Payor nor any Borrower will, nor will they permit any Payor Group Restricted Subsidiary to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of any Payor Group Restricted Subsidiary to pay dividends or other distributions with respect to any of its Equity Interests, to make or repay loans or advances to any Borrower or any Restricted Subsidiary, to guarantee Indebtedness of any Borrower or any Restricted Subsidiary, to transfer any of its

properties or assets to any Borrower or any Restricted Subsidiary; provided that (i) the foregoing shall not apply to (A) restrictions and conditions imposed by law, this Agreement, any Spin-Off Document, the Current Credit Agreement, any other Loan Document, any Incremental Facility Amendment, any Refinancing Facility Agreement, any document governing any Refinancing Term Loan Indebtedness or Refinancing Indebtedness or any document governing Alternative Incremental Facility Debt, (B) restrictions and conditions imposed by the Senior Subordinated Notes Documents as in effect on the Effective Date or any agreement or document evidencing Refinancing Term Loan Indebtedness in respect of the Senior Subordinated Notes Documents permitted under clause (ii) of Section 3.01(a), (C) in the case of any Payor Group Restricted Subsidiary that is not a wholly owned Payor Group Restricted Subsidiary, restrictions and conditions imposed by its organizational documents or any related joint venture or similar agreements; provided that such restrictions and conditions apply only to such Payor Group Restricted Subsidiary and to the Equity Interests of such Payor Group Restricted Subsidiary, (D) customary restrictions and conditions contained in agreements relating to the sale of a Payor Group Restricted Subsidiary or any assets of Payor, any Borrower or any Payor Group Restricted Subsidiary, in each case pending such sale; provided that such restrictions and conditions apply only to such Payor Group Restricted Subsidiary or the assets that are to be sold and, in each case, such sale is permitted hereunder, (E) restrictions and conditions existing on the Effective Date and identified on Schedule 6.10 to the Current Credit Agreement (as in effect on the First Amendment Effective Date) (and any extension or renewal of, or any amendment, modification or replacement of the documents set forth on such schedule that do not expand the scope of, any such restriction or condition in any material respect), (F) restrictions and conditions imposed by any agreement relating to Indebtedness of any Payor Group Restricted Subsidiary in existence at the time such Payor Group Restricted Subsidiary became a Payor Group Restricted Subsidiary and otherwise permitted by clause (vii) of Section 3.01(a) or to any restrictions in any Indebtedness of a non-Loan Party Restricted Subsidiary permitted by clause (viii) of Section 3.01(a), in each case if such restrictions and conditions apply only to such Payor Group Restricted Subsidiary and its subsidiaries, (G) restrictions and conditions imposed by this Agreement or the Guarantee, (H) customary prohibitions, restrictions and conditions contained in agreements relating to a Permitted Receivables Facility, (I) any encumbrance or restriction under documentation governing other Indebtedness of Holdings, any Borrower and any Payor Group Restricted Subsidiaries permitted to be incurred pursuant to Section 3.01, provided that such encumbrances or restrictions will not materially impair Payor's ability to make payments pursuant to this Agreement or any Borrower's ability to make principal and interest payments pursuant to the Credit Agreement, (J) customary provisions in leases, licenses, sublicenses and other contracts (including non-exclusive licenses and sublicenses of intellectual property) restricting the assignment thereof, (K) restrictions imposed by any agreement relating to secured Indebtedness permitted by this Agreement to the extent such restriction applies only to the property securing such Indebtedness, (L) restrictions on cash (or Permitted Investments) or other deposits imposed by agreements entered into in the ordinary course of business (or other restrictions on cash or deposits constituting Permitted Encumbrances); (M) customary restrictions contained in leases, subleases, licenses, sublicenses or asset sale agreements otherwise permitted hereby so long as such restrictions relate only to the assets subject thereto, (N) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of Payor, any Borrower or any Payor Group Restricted Subsidiary and (O) customary net worth provisions contained in real property leases entered into by Subsidiaries, so long as Payor has determined in good faith that such net worth provisions would not reasonably be expected to impair the ability of Payor and its Subsidiaries to meet their ongoing obligations; and (ii) clause (a) of the foregoing shall not apply to (A) restrictions and conditions imposed by any agreement relating to secured Indebtedness permitted by Section 3.01(a)(vi) if such restrictions and conditions apply only to the assets securing such Indebtedness and (B) customary provisions in leases and other agreements restricting the assignment thereof.

#### SECTION 3.11. Amendment of Material Documents, Etc.

- a. Payor will not, nor will Payor permit any of the Payor Group Restricted Subsidiaries to, amend, modify or waive its certificate of incorporation, bylaws or other organizational documents, in each case if the effect of such amendment, modification or waiver would be materially adverse to Payee without the consent of Payee.



SECTION 3.12. Consolidated Interest Coverage Ratio. For all periods other than periods during the Relief Period, Payor will not, and will cause its Subsidiaries not to, permit the Consolidated Interest Coverage Ratio as of the end of any fiscal quarter of Holdings, in each case for any period of four consecutive fiscal quarters of Holdings ending on the last day of such fiscal quarter, to be less than 2.75 to 1.00, provided that if at any time during the Relief Period, a Covenant Relief Termination Event occurs, then the terms set out in this Section 3.12 shall apply in respect of the most recently ended period of four consecutive fiscal quarters of Holdings prior to the date on which such Covenant Relief Termination Event occurs and in respect of subsequent fiscal quarters as they would apply without giving effect to the Relief Period.

SECTION 3.13. Consolidated Total Leverage Ratio. For all periods other than periods during the Relief Period, Payor will not, and will cause its Subsidiaries not to, permit the Consolidated Total Leverage Ratio for any period of four consecutive fiscal quarters of Holdings ending on or about any date during any period set forth below, to exceed the ratio set forth below opposite such period:

| <u>Fiscal Quarter Ending</u>      | <u>Consolidated Total Leverage Ratio</u> |
|-----------------------------------|--|
| September 30, 2018                | 4.25 to 1.00                             |
| December 31, 2018                 | 4.25 to 1.00                             |
| March 31, 2019                    | 4.25 to 1.00                             |
| June 30, 2019                     | 4.25 to 1.00                             |
| September 30, 2019                | 4.00 to 1.00                             |
| December 31, 2019                 | 4.00 to 1.00                             |
| March 31, 2020                    | 4.00 to 1.00                             |
| June 30, 2020                     | 4.00 to 1.00                             |
| September 30, 2020                | 3.75 to 1.00                             |
| December 31, 2020                 | 3.75 to 1.00                             |
| March 31, 2021                    | 3.75 to 1.00                             |
| June 30, 2021                     | 3.75 to 1.00                             |
| September 30, 2021 and thereafter | 3.50 to 1.00                             |

provided that if at any time during the Relief Period, a Covenant Relief Termination Event occurs, then the terms set out in this Section 3.13 shall apply in respect of the most recently ended period of four consecutive fiscal quarters of Holdings prior to the date on which such Covenant Relief Termination Event occurs and in respect of subsequent fiscal quarters as they would apply without giving effect to the Relief Period.

SECTION 3.14. Changes in Fiscal Periods. If Holdings changes its fiscal year, Payor and Payee will make any adjustments to this Agreement that are necessary to reflect such change in fiscal year.

SECTION 3.15. [Reserved].

SECTION 3.16. Limitation on Activities. Notwithstanding anything contained in this Agreement:

- a. Neither Payor nor any other Intermediate Holdco shall own or acquire any assets or property or engage in any business activity, other than (i) the ownership of Equity Interests in accordance with paragraph (b) below, (ii) participating in tax, accounting and other administrative matters as a

member of the consolidated group of Holdings and its Subsidiaries, (iii) activities directly relating to the offering, sale, issuance, incurrence and servicing, purchase, redemption, amendment, exchange, refinancing or retirement of the Obligations, the Senior Subordinated Notes or the Proceeds Loans, (iv) activities undertaken with the purpose of fulfilling any of its other obligations under this Agreement, the Guarantee, the Loan Documents, the Senior Unsecured Notes Documents or the Proceeds Loans Documents, the Hedging Agreements and the Spin-Off Documents, in each case to which it is a party, (v) activities directly related or reasonably incidental to the establishment and/or maintenance of its corporate existence, including the ability to incur fees, costs and expenses relating to such establishment and maintenance and the acquisition, holding or disposition of assets permitted to be held by it under this Agreement or its function as a holding company, (vi) the receipt of any Restricted Payments to the extent permitted by Section 3.08 and the making of Restricted Payments to the extent permitted by Section 3.08, (vii) incurring fees, costs and expenses relating to overhead and general operating including professional fees for legal, tax and accounting issues and paying taxes, (viii) providing indemnification to officers and members of the board of directors (or similar governing body), (ix) activities incidental to the consummation of the Transactions, (x) the creation, incurrence, assumption or existence of any Indebtedness or other liabilities in accordance with paragraph (b) below, and (xi) activities reasonably incidental to the businesses or activities described in clauses (i) through (x) of this paragraph;

- b. (i) Payor and each of the following Intermediate Holdco may only own the following Equity Interests: (A) in the case of Payor, Equity Interests of any Intermediate Holdco (other than, for the avoidance of doubt, Luxco 2 or the Lux Borrower), (B) in the case of U.S. HoldCo 1, Equity Interests of any Subsidiary, (B) in the case of LuxCo 1, Equity Interests of LuxCo 2, (C) in the case of LuxCo 2, Equity Interests of the Lux Borrower and (D) in the case of Payor, Equity Interests of any Subsidiary, (ii) the only Indebtedness pursuant to which Payor or an Intermediate Holdco may be a creditor must be permitted under the Current Credit Agreement, this Agreement and subordinated to the Obligations and (iii) neither Payor nor any other Intermediate Holdco shall grant any Liens over any of its assets other than to secure the Obligations or to facilitate the making of the Proceeds Loans or to secure Intra-Group Indebtedness; and
- c. (i) Payor shall not merge, consolidate, amalgamate or otherwise combine with or into another Person unless otherwise permitted under Section 3.03 and Section 4.7 of this Agreement; (ii) neither any Lux Intermediate HoldCo nor U.S. HoldCo 1 shall merge, consolidate, amalgamate or otherwise combine with or into another Person; (iii) no Non-Lux Intermediate Holdco (other than U.S. HoldCo 1) shall merge, consolidate, amalgamate or otherwise combine with or into another Person unless the surviving or continuing Person at the time of such merger, consolidation, amalgamation or combination with an Intermediate Holdco (other than U.S. HoldCo 1) is organized under the laws of the same jurisdiction of such Intermediate Holdco (or if such Intermediate Holdco is a U.S. Subsidiary, the laws of the United States of America, any State thereof or the District of Columbia), and (iv) no Intermediate Holdco shall sell, convey, assign, transfer, lease or otherwise dispose of all or substantially all of its properties or assets to any Person or group of Persons except to another Intermediate Holdco with whom it would have merged into pursuant to the foregoing clauses of this Section 3.16(c).

**SECTION 3.17. Intragroup Transactions.** In any Fiscal Quarter (as defined in this Agreement), unless and until all amounts due in such Fiscal Quarter in respect of Quarterly Payments (as defined in this Agreement), 4Q Payments (as defined in this Agreement), Cash True-Up Payments (as defined in this Agreement) and Accrued Amounts (as defined in this Agreement) have been paid in full, other than in the Ordinary Course of Business or transactions with a maximum aggregate consideration not to exceed €5,000,000, neither Payor nor its subsidiaries (the "US HoldCo Group") shall assume or enter into any intercompany transactions resulting directly or indirectly in the payment of any amount by a member of the U.S. HoldCo Group to any of Holdings or its Subsidiaries that are not part of the U.S. HoldCo Group; *provided that* this Section 3.17 shall not prohibit the making of Restricted Payments permitted pursuant to Section 3.08.

SECTION 3.18. IFRS Equity Amount. The Lux Borrower shall not permit, as of the end of each fiscal year, the aggregate amount directly or indirectly on-lent by the Lux Borrower (for any of its direct or indirect Subsidiaries (other than any Swiss Entity)) to the Swiss Borrower (and its direct or indirect Subsidiaries, where such direct or indirect Subsidiaries are organized under the laws of Switzerland or, if different, are considered to be tax resident in Switzerland for Swiss Withholding Tax purposes (“*Verrechnungssteuer*”)) (collectively, the “**Swiss Entities**” and individually, a “**Swiss Entity**”) (including the TLB Proceeds Loan) and outstanding at such fiscal year-end to exceed the IFRS Equity Amount at such fiscal year-end, it being understood and agreed that such on-lending during the year may exceed such IFRS Equity Amount so long as such practice does not violate the abuse of law principle according to the practice of the Swiss Federal Tax Administration.

SECTION 3.19. Liquidity. (a) For so long as the Relief Period is in effect, Payor will not permit Liquidity of the Restricted Group as of the last day of any fiscal month, commencing with the fiscal month ending June 30, 2020, to be less than (i) on or prior to March 31, 2021, \$125,000,000 and (ii) thereafter, \$200,000,000.

(b) For all periods during the Relief Period, Payor will not permit the Consolidated Net Secured Leverage Ratio for any period of four consecutive fiscal quarters of Holdings ending on or about any date during any period set forth below, to exceed the ratio set forth below opposite such period:

| <u>Fiscal Quarter Ending</u> | <u>Consolidated Net Secured Leverage Ratio</u> |
|------------------------------|--|
| June 30, 2020                | 5.75 to 1.00                                   |
| September 30, 2020           | 9.25 to 1.00                                   |
| December 31, 2020            | 10.75 to 1.00                                  |
| March 31, 2021               | 11.75 to 1.00                                  |
| June 30, 2021                | 6.50 to 1.00                                   |
| September 30, 2021           | 4.50 to 1.00                                   |
| December 31, 2021            | 4.25 to 1.00                                   |
| March 31, 2022               | 3.75 to 1.00                                   |
| June 30, 2022                | 3.50 to 1.00                                   |

(c) For so long as the Relief Period is in effect, commencing with the fiscal month ending June 30, 2020, Payor will not permit the average amount of Available Unrestricted Cash of the Restricted Group based on the balance for each of the last five Business Days of any fiscal month to exceed \$165,000,000.

Notwithstanding anything to the contrary set forth in this Agreement, the Current Credit Agreement or any other Loan Document, no provision of this Agreement, the Current Credit Agreement or any other Loan Document shall prevent or restrict the consummation of any of the Transactions, nor shall the Transactions give rise to any Default, or constitute the utilization of any basket, under this Agreement (including this Article III) or any other Loan Document).

**SCHEDULE 1.01**  
**AGREED INDEMNITY GUARANTY PRINCIPLES**

**1. GENERAL PRINCIPLES**

1.1 The guarantee to be provided by any Payor Group Loan Party not organized in a U.S. jurisdiction or over assets located outside of a U.S. jurisdiction will be given in accordance with certain principles (these "Agreed Indemnity Guaranty Principles") set forth in this schedule. This schedule addresses the manner in which these Agreed Indemnity Guaranty Principles will impact on the guaranties required to be given in relation to the Agreement.

1.2 These Agreed Indemnity Guaranty Principles embody recognition by all parties to the Agreement that there may be certain legal and practical difficulties in obtaining effective guaranties from the Payor Group in jurisdictions in which they are organized or conduct business. In particular:

- a. general applicable law and statutory limitations, regulatory restrictions, financial assistance, capital maintenance, corporate benefit, financial assistance, fraudulent preference, equitable subordination, "transfer pricing", "thin capitalization", "earnings stripping", "controlled foreign corporation" and other corporate law or tax restrictions or costs, retention of title claims, "capital maintenance" and "liquidity impairment" laws or regulations (or analogous restrictions), exchange control restrictions and similar principles may limit or delay the ability of a member of the Payor Group to provide a guaranty or may require that the guaranty be limited by an amount or otherwise, and if so, the guaranty will be limited or delayed accordingly;
- b. the maximum guaranteed amount may be limited as agreed by the Payee and the applicable members of the Payor Group in order to minimize stamp duty, notarization, registration or other applicable fees, Taxes and duties on any member of the Payor Group, taking into account the amount of such limit as compared to the fees, Taxes or duties saved;
- c. [Reserved];
- d. members of the Payor Group will not be required to give guaranties if it is not within the legal capacity of the relevant members of the Payor Group or if the same would, as reasonably determined by the relevant members of the Payor Group, conflict with the fiduciary or statutory duties of the directors (or other officers) of the relevant member of the Payor Group or contravene any legal prohibition or regulatory condition, as reasonably determined by the relevant members of the Payor Group, to result in (or in a material risk of) civil or criminal liability on the part of any director (or other officer) of any member of the Payor Group; provided, in each case, however, that the relevant member of the Payor Group shall use commercially reasonable efforts lawfully available to it to overcome any such obstacle;
- e. [Reserved];
- f. [Reserved];

- g. no guaranty shall be given to the extent that it would result in material incremental costs that are disproportionate to the benefit obtained by the beneficiaries of that guaranty;
- h. [Reserved];
- i. certain supervisory board, works council or another external body's consent or advice may be required to enable a member of the Payor Group to provide a guaranty; such guaranty shall not be provided until such consent or advice has been received provided that commercially reasonable efforts have been used by the relevant member of the Payor Group to obtain the relevant consent or advice to the extent reasonably practicable and permissible by law, regulation and custom; and
- j. the giving of a guaranty will not be required if:
  - i. it would have a material adverse effect on the ability of the relevant Payor Group Loan Party to conduct its operations and business in the ordinary course as otherwise permitted by the Guarantee and this Agreement; or
  - ii. it would have a material adverse effect on the tax arrangements of the Payor Group or any member of the Payor Group; provided, in each case, that the relevant member of the Payor Group shall use commercially reasonable efforts to overcome any such obstacle; or
  - iii. the guarantor is an investment company under the Investment Company Act of 1940 (or would be such an investment company if it were to provide or maintain a guaranty).

1.3 These Agreed Indemnity Guaranty Principles as expressed herein (other than the obligations set forth in Section 3.1 herein) shall not be treated as covenants of any Payor Group Loan Party and shall not impose any obligations on the Payor Group Loan Parties unless and until such time as any such principle is incorporated into an executed guaranty document.

1.4 For the avoidance of doubt, in these Agreed Indemnity Guaranty Principles, "cost" includes, but is not limited to, income tax cost, registration taxes payable on the execution of the guaranty, stamp duties, out of pocket expenses, adverse effects on interest deductibility, notarial costs and other fees and expenses directly incurred in connection with the guaranty by the relevant Payor Group Loan Party.

## **2. [RESERVED]**

## **3. GUARANTIES**

3.1 Subject to payment of all registration fees and documentary Taxes, and subject to these Agreed Indemnity Guaranty Principles, Payee shall receive the benefit of an upstream, cross-stream and downstream guarantee from the Payor Group Loan Parties organized in a Material Jurisdiction granted to secure all obligations under this Agreement in accordance with the Indemnity Guarantee Requirement.

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

I, Darius Adamczyk, certify that:

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

Date: July 24, 2020

By: /s/ Darius Adamczyk

Darius Adamczyk

Chairman and Chief Executive Officer

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

I, Gregory P. Lewis, certify that:

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

Date: July 24, 2020

By: /s/ Gregory P. Lewis

Gregory P. Lewis

Senior Vice President and 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 ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Darius Adamczyk, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: July 24, 2020

By: /s/ Darius Adamczyk

Darius Adamczyk

Chairman and Chief Executive 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 ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Gregory P. Lewis, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: July 24, 2020

By: /s/ Gregory P. Lewis

Gregory P. Lewis

Senior Vice President and Chief Financial Officer

**Mine Safety Disclosures**

The following disclosures are provided pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K, which require certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (the "Mine Safety Act"). One of the subsidiaries of Honeywell International Inc. (the "Company") has placer claims for and operates a surface mine for chabazite ore in Arizona.

During the quarter ended June 30, 2020, the Company did not receive any of the following: (a) a citation from the U.S. Mine Safety and Health Administration ("MSHA") for a violation of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the Mine Safety Act; (b) an order issued under section 104(b) of the Mine Safety Act; (c) a citation or order for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the Mine Safety Act; (d) a flagrant violation under section 110(b)(2) of the Mine Safety Act; (e) an imminent danger order under section 107(a) of the Mine Safety Act; or (f) a proposed assessment from the MSHA.

In addition, during the quarter ended June 30, 2020, the Company had no mining-related fatalities, had no pending legal actions before the Federal Mine Safety and Health Review Commission involving a coal or other mine, and did not receive any written notice from the MSHA involving a pattern of violations, or the potential to have such a pattern, of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the Mine Safety Act.