

HONEYWELL INTERNATIONAL INC

Form S-3ASR

December 10, 2018

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As filed with the Securities and Exchange Commission on December 10, 2018

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

HONEYWELL INTERNATIONAL INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

22-2640650
(I.R.S. Employer
Identification No.)

115 Tabor Road

Morris Plains, New Jersey 07950

(973) 455-2000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Anne T. Madden, Esq.

Senior Vice President, General Counsel and

Corporate Secretary

Honeywell International Inc.

115 Tabor Road

Morris Plains, New Jersey 07950

(973) 455-2000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act Registration Statement number of the earlier effective Registration Statement for the same offering.

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If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413 (b) under the Securities Act, check the following box.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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 provided pursuant to Section 7(a)(2)(B) of Securities Act.

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CALCULATION OF REGISTRATION FEE

| Title of each class of securities to be registered | Amount to be registered/ Proposed maximum offering price per unit/Proposed maximum offering price/ Amount of registration fee |
|--|---|
| Debt Securities | |
| Preferred Stock | (1)(2) |
| Common Stock, par value \$1.00 per share | |

- (1) An indeterminate aggregate initial offering price of the securities being registered as may from time to time be sold at indeterminate prices. In accordance with Rules 456(b) and 457(r) under the Securities Act of 1933, as amended, the Registrant is deferring payment of all of the related registration fees. Pursuant to Rule 416 under the Securities Act of 1933, as amended, the Registrant is also registering an indeterminable number of shares of common stock as may be issued from time to time as a result of stock splits and stock dividends.
- (2) Pursuant to Rule 415(a)(6) under the Securities Act of 1933, as amended, 19,797,615 shares of common stock were previously registered pursuant to a registration statement on Form S-3 (No. 333-208501), initially filed by Honeywell International Inc. on December 11, 2015, and were not sold thereunder. Those securities are being carried forward for application in connection with offerings under this registration statement in connection with sales of common stock by the Honeywell International Inc. Master Retirement Trust (19,712,106 shares) and in connection with sales of common stock under the registrant's Dividend Reinvestment and Share Purchase Plan (85,509 shares). Pursuant to Rule 415(a)(c), no additional fee has been paid with respect to those securities.

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EXPLANATORY NOTE

This registration statement contains:

A base prospectus to be used by Honeywell International Inc. (***Honeywell***) in connection with the sale, from time to time, of its debt securities or the sale or resale, from time to time, of Honeywell's preferred stock and common stock by Honeywell or one or more selling security holders.

A base prospectus to be used in connection with the resale of shares of common stock of Honeywell (i) contributed by Honeywell to the Honeywell International Inc. Master Retirement Trust (the ***Selling Stockholder***), from time to time, in one or more private transactions, or (ii) purchased by the Selling Stockholder in the open market.

A base prospectus to be used in connection with sales of shares of common stock of Honeywell to be sold by Honeywell pursuant to the Honeywell International Inc. Dividend Reinvestment and Share Purchase Plan (the ***Plan***). The shares of common stock (i) may be purchased from Honeywell by EQ Shareowner Services, a division of Equiniti Trust Company, the agent designated by Honeywell to administer the Plan (the ***Agent***), (ii) may be purchased by the Agent in the open market in the limited circumstances described in the attached prospectus, in each case using the cash dividends and optional cash payments of the holders of common stock that elect to participate in the Plan (the ***participants***), or (iii) may be delivered directly by Honeywell in connection with shares to be delivered under various employee benefit plans.

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Honeywell International Inc.

Debt Securities

Preferred Stock

Common Stock

We will provide specific terms of these securities in supplements to this prospectus. You should read this prospectus and the applicable supplement carefully before you invest.

Investing in our securities involves certain risks. See **Risk Factors** on page 1.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

Prospectus dated December 10, 2018

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We and any selling securityholders have not authorized anyone to provide any information or make any representations other than those contained in this prospectus, the related registration statement or in any of the materials that we have incorporated by reference into this prospectus. You should carefully evaluate the information provided by us or any selling securityholder in light of the total mix of information available to you, recognizing that we can provide no assurance as to the reliability of any information other than that contained in this prospectus, the related registration statement or in any of the materials that we have incorporated by reference into this prospectus. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this prospectus are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this prospectus does not extend to you. The information contained in this prospectus speaks only as of the date of this prospectus unless the information specifically indicates that another date applies.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Honeywell filed with the Securities and Exchange Commission (the *SEC*) utilizing a shelf registration process as a well-known seasoned issuer as defined in Rule 405 under the Securities Act of 1933, as amended. Under this process, we may offer our debt securities, or we or one or more selling security holders to be identified in a supplement to this prospectus may offer our preferred stock or common stock in one or more offerings from time to time. Each time we or any such selling security holders offer securities, we will provide you with a prospectus supplement that will describe the specific amounts, prices and terms of the securities being offered. A prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any applicable prospectus supplement, you should rely on the information in the applicable prospectus supplement.

This prospectus provides you with a general description of the securities we or a selling security holder may offer. To understand the terms of our securities, you should carefully read this document with the applicable prospectus supplement. Together they give the specific terms of that offering. You should also read the documents we have referred you to in *Where You Can Find More Information About Honeywell* below for information on our company and our financial statements.

In this prospectus and any prospectus supplement, unless otherwise specified, the terms *Honeywell*, *we*, *us* or *our* mean Honeywell International Inc. and its consolidated subsidiaries.

Unless otherwise stated, currency amounts in this prospectus and any prospectus supplement are stated in United States dollars, or \$.

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HONEYWELL

Honeywell International Inc. is a technology company that delivers industry specific solutions that include aerospace products and services, control technologies for buildings and industry, and performance materials globally. Honeywell was incorporated in Delaware in 1985, and its principal executive offices are located at 115 Tabor Road, Morris Plains, New Jersey 07950. Its main telephone number is (973) 455-2000.

RISK FACTORS

Investing in Honeywell's securities involves risk. Before making an investment decision, you should carefully consider the risks disclosed in Honeywell's most recent annual and quarterly reports filed with the SEC, as well as other information Honeywell includes or incorporates by reference in this prospectus or any prospectus supplement. These risks could materially affect Honeywell's business, results of operations or financial condition and cause the value of Honeywell's securities to decline. You could lose all or part of your investment.

USE OF PROCEEDS

Unless otherwise specified in the applicable prospectus supplement, any net proceeds Honeywell receives from the sale of securities described by this prospectus and the accompanying prospectus supplement will be used for general corporate purposes. General corporate purposes may include the repayment of outstanding debt, repurchase of our common stock, investments in or extensions of credit to our subsidiaries, or the financing of possible acquisitions or business expansion. Honeywell currently has no specific plans for any such proceeds. The net proceeds may be invested temporarily or applied to repay short-term debt until they are used for their stated purpose. Pending application for specific purposes, the net proceeds may be invested in marketable securities.

Honeywell will not receive any of the proceeds from the sale of our preferred stock or common stock by any selling security holder named in a prospectus supplement.

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DESCRIPTION OF DEBT SECURITIES

We will issue the debt securities in one or more series under an indenture dated as of March 1, 2007 between us and Deutsche Bank Trust Company Americas, as trustee. In this section, the terms we, our, us and Honeywell refer solely to Honeywell International Inc. and not its subsidiaries.

We have summarized below the material provisions of the indenture and the debt securities, or indicated which material provisions will be described in the related prospectus supplement. For further information, you should read the indenture. The indenture is an exhibit to the registration statement of which this prospectus forms a part. The following summary is qualified in its entirety by the provisions of the indenture.

We will describe the particular terms and conditions of any series of debt securities offered in a prospectus supplement. The prospectus supplement, which we will file with the SEC, may or may not modify the general terms found in this prospectus. For a complete description of any series of debt securities, you should read both this prospectus and the prospectus supplement relating to that series of debt securities.

General

The debt securities that we may offer under the indenture are not limited in aggregate principal amount. We may issue debt securities at one or more times in one or more series. Each series of debt securities may have different terms. The terms of any series of debt securities will be described in, or determined by action taken pursuant to, a resolution of our board of directors or a committee appointed by our board of directors or in a supplement to the indenture relating to that series.

We are not obligated to issue all debt securities of one series at the same time and, unless otherwise provided in the prospectus supplement, we may reopen a series, without the consent of the holders of the debt securities of that series, for the issuance of additional debt securities of that series. Additional debt securities of a particular series will have the same terms and conditions as outstanding debt securities of such series, except for the date of original issuance and the offering price, and will be consolidated with, and form a single series with, such outstanding debt securities.

The debt securities will be unsecured obligations and will rank equally with all of our other unsecured senior indebtedness.

The prospectus supplement relating to any series of debt securities that we may offer will state the price or prices at which the debt securities will be offered and will contain the specific terms of that series. These terms may include the following:

the title of the series;

the purchase price, denomination and any limit upon the aggregate principal amount of the series;

the date or dates on which each of the principal of and premium, if any, on the securities of the series is payable and the method of determination thereof;

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the rate or rates at which the securities of the series shall bear interest, if any, or the method of calculating such rate or rates of interest, the date or dates from which such interest shall accrue or the method by which such date or dates shall be determined, the interest payment dates on which any such interest shall be payable and the record date, if any;

the place or places where the principal of (and premium, if any) and interest, if any, on securities of the series shall be payable;

the place or places where the securities may be exchanged or transferred;

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the period or periods within which, the price or prices at which, the currency or currencies (including currency unit or units) in which, and the other terms and conditions upon which, securities of the series may be redeemed, in whole or in part, at our option, if we are to have that option with respect to the applicable series;

our obligation, if any, to redeem or purchase securities of the series in whole or in part pursuant to any sinking fund or upon the happening of a specified event or at the option of a holder thereof and the period or periods within which, the price or prices at which, and the other terms and conditions upon which securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which securities of the series are issuable;

if other than U.S. dollars, the currency or currencies (including currency unit or units) in which payments of principal of (and premium, if any) and interest, if any, on the securities of the series shall or may be payable, or in which the securities of the series shall be denominated, and the particular provisions applicable thereto;

if the payments of principal of, or interest or premium, if any, on the securities of the series are to be made, at our or a holder's election, in a currency or currencies (including currency unit or units) other than that in which such securities are denominated or designated to be payable, the currency or currencies (including currency unit or units) in which such payments are to be made, the terms and conditions of such payments and the manner in which the exchange rate with respect to such payments shall be determined, and the particular provisions applicable thereto;

if the amount of payments of principal of (and premium, if any) and interest, if any, on the securities of the series shall be determined with reference to an index, formula or other method (which index, formula or method may be based, without limitation, on a currency or currencies (including currency unit or units) other than that in which the securities of the series are denominated or designated to be payable), the index, formula or other method by which such amounts shall be determined;

if other than the principal amount thereof, the portion of the principal amount of securities of the series which shall be payable upon declaration of acceleration of the maturity thereof pursuant to an event of default or the method by which such portion shall be determined;

any modifications of or additions to the events of default or our covenants with respect to securities of the series; whether the securities of the series will be subject to legal defeasance or covenant defeasance as provided in the indenture;

if other than the trustee, the identity of the registrar and any paying agent;

if the securities of the series shall be issued in whole or in part in global form, (i) the Depositary for such global Securities, (ii) the form of any legend which shall be borne by such global Security, (iii) whether beneficial owners of interests in any securities of the series in global form may exchange such interests for certificated securities of such series and of like tenor of any authorized form and denomination and (iv) the circumstances under which any such exchange may occur; and

any other terms of the series.

Covenants

Except as described below or in the prospectus supplement with respect to any series of debt securities, we are not restricted by the indenture from incurring, assuming or becoming liable for any type of debt or other obligations, from paying dividends or making distributions on our capital stock or purchasing or redeeming our capital stock. The indenture does not require the maintenance of any financial ratios or specified levels of net worth or liquidity. In addition, with certain exceptions, the indenture does not contain any covenants or other

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provisions that would limit our right to incur additional indebtedness. The indenture does not contain any provisions that would require us to repurchase or redeem or otherwise modify the terms of any of the debt securities upon a change in control or other events that may adversely affect the creditworthiness of the debt securities, such as for example, a highly leveraged transaction.

Unless otherwise indicated in the prospectus supplement, covenants contained in the indenture, which are summarized below, will be applicable to the series of debt securities to which the prospectus supplement relates so long as any of the debt securities of that series are outstanding.

Limitation on Mortgages. In the indenture, we covenant not to issue, assume or guarantee any indebtedness for borrowed money secured by liens on:

any property located in the United States which is in the opinion of our board of directors, a principal manufacturing property; or

any shares of capital stock or indebtedness of any subsidiary owning such property, without equally and ratably securing the debt securities, subject to exceptions specified in the indenture. These exceptions include:

existing liens on our property or liens on property of corporations at the time those corporations become our subsidiaries or are merged with us;

liens existing on property when acquired, or incurred to finance the purchase price of that property;

certain liens on property to secure the cost of development of, or improvements on, that property;

certain liens in favor of or required by contracts with governmental entities; and

indebtedness secured by liens otherwise prohibited by the covenant not exceeding 10% of the consolidated net tangible assets of Honeywell and our consolidated subsidiaries.

Limitation on Sale and Lease-Back. We also covenant not to enter into any sale and lease-back transaction covering any property located in the United States which is in the opinion of our board of directors, a principal manufacturing property, unless:

we would be entitled under the provisions described under *Limitation on Liens* to incur debt equal to the value of such sale and lease-back transaction, secured by liens on the property to be leased, without equally securing the outstanding debt securities; or

we, during the four months following the effective date of such sale and lease-back transaction, apply an amount equal to the value of such sale and lease-back transaction to the voluntary retirement of long-term indebtedness of Honeywell or our subsidiaries.

Consolidation, Merger and Sale of Assets. The indenture provides that we may not consolidate with or merge into any other person or sell our assets substantially as an entirety, unless:

the person formed by such consolidation or into which we are merged or the person which acquires our assets is a person organized in the United States of America and expressly assumes the due and punctual payment of the principal of and interest on all the debt securities and the performance of every covenant of the indenture on our part;

immediately after giving effect to such transaction, no event of default, and no event which, after notice or lapse of time, or both, would become an event of default, shall have happened and be continuing; and

we have delivered to the trustee an officers' certificate and an opinion of counsel each stating that such consolidation or transfer and a supplemental indenture, if applicable, comply with the indenture and that all conditions precedent herein provided for relating to such transaction have been complied with.

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Upon such consolidation, merger or sale, the successor corporation formed by such consolidation or into which we are merged or to which such sale is made will succeed to, and be substituted for, us under the indenture, and the predecessor corporation shall be released from all obligations and covenants under the indenture and the debt securities.

The indenture does not restrict, or require us to redeem or permit holders to cause redemption of debt securities in the event of:

a consolidation, merger, sale of assets or other similar transaction that may adversely affect our creditworthiness or the successor or combined entity;

a change in control of us; or

a highly leveraged transaction involving us whether or not involving a change in control.

Accordingly, the holders of debt securities would not have protection in the event of a highly leveraged transaction, reorganization, restructuring, merger or similar transaction involving us that may adversely affect the holders. The existing protective covenants applicable to the debt securities would continue to apply to us in the event of a leveraged buyout initiated or supported by us, our management, or any of our affiliates or their management, but may not prevent such a transaction from taking place.

Events of Default, Notice and Waiver

The indenture provides that if an event of default shall have occurred and be continuing with respect to any series of debt securities, then either the trustee or the holders of not less than 25% in outstanding principal amount of the debt securities of that series may declare to be due and payable immediately the outstanding principal amount of the debt securities of the affected series, together with interest, if any, accrued thereon; *provided, however*, that if the event of default is any of certain events of bankruptcy, insolvency or reorganization, all the debt securities, together with interest, if any, accrued thereon, will become immediately due and payable without further action or notice on the part of the trustee or the holders.

Under the indenture, an event of default with respect to the debt securities of any series is any one of the following events:

- (1) default for 30 days in payment when due of any interest due with respect to the debt securities of such series;
- (2) default in payment when due of principal of or of premium, if any, on the debt securities of such series;
- (3) default in the observance or performance of any other covenant or agreement contained in the indenture which default continues for a period of 90 days after we receive written notice specifying the default (and demanding that such default be remedied) from the trustee or the holders of at least 25% of the principal

amount of securities of that series then outstanding (with a copy to the trustee if given by holders) (except in the case of a default with respect to certain consolidations, mergers, or sales of assets as set forth in Section 10.01 of the indenture, which will constitute an event of default with such notice requirement but without such passage of time requirement), *provided, however*, that the sole remedy of holders of the securities for an event of default relating to the failure to file any documents or reports that Honeywell is required to file with the SEC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, and for any failure to comply with the requirements of Section 314(a)(1) of the Trust Indenture Act of 1939, as amended, which we refer to as the Trust Indenture Act, to provide such documents or reports, within 30 days after filing with the SEC, to the trustee pursuant to Section 14.04 of the indenture, will for the first 60 days after the occurrence of such an event of default, or such shorter period until such event of default has been cured or waived, consist exclusively of the right to receive additional interest on the securities at an annual rate equal to 0.25% of the outstanding principal amount of the securities, and that, on the 61st day after such event of

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default (if such event of default is not cured or waived prior to such 61st day), the securities will be subject to acceleration as provided in the indenture;

(4) certain events of bankruptcy, insolvency and reorganization; and

(5) any other event of default provided with respect to debt securities of that series.

The indenture provides that the trustee will, within 90 days after the occurrence of a default with respect to the debt securities of any series, give to the holders of debt securities of such series notice of such default known to it, unless cured or waived; *provided* that except in the case of default in the payment of principal, or interest or premium, if any, on any debt security of such series or in the payment of any sinking fund installment with respect to debt securities of such series, the trustee will be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or specified officers of the trustee in good faith determine that the withholding of such notice is in the interests of the holders of debt securities of such series. The term "default" for the purpose of this provision means any event that is, or after notice or lapse of time, or both, would become, an event of default.

The indenture contains a provision entitling the trustee, subject to the duty of the trustee during the continuance of an event of default to act with the required standard of care, to be indemnified by the holders before proceeding to exercise any right or power under the indenture at the request of such holders. The indenture provides that the holders of a majority in outstanding principal amount of the debt securities of any series may, subject to certain exceptions, on behalf of the holders of debt securities of such series direct the time, method and place of conducting proceedings for remedies available to the trustee, or exercising any trust or power conferred on the trustee.

The indenture includes a covenant that we will file annually with the trustee a certificate of no default, or specifying any default that exists.

In certain cases, the holders of a majority in outstanding principal amount of the debt securities of any series may on behalf of the holders of debt securities of such series rescind a declaration of acceleration or waive any past default or event of default with respect to the debt securities of that series except a default not theretofore cured in payment of the principal of, or interest or premium, if any, on any debt security of such series or in respect of a provision which under the indenture cannot be modified or amended without the consent of the holder of each such debt security.

No holder of a debt security of any series will have any right to institute any proceeding with respect to the indenture or the debt securities of any series or for any remedy thereunder unless:

such holder shall have previously given to the trustee written notice of a continuing event of default;

the holders of at least 25% in aggregate principal amount of the outstanding debt securities of such series have also made such a written request;

such holder or holders have provided indemnity satisfactory to the trustee to institute such proceeding as trustee;

the trustee has not received from the holders of a majority in outstanding principal amount of the debt securities of such series a direction inconsistent with such request; and

the trustee has failed to institute such proceeding within 90 calendar days of such notice.

However, such limitations do not apply to a suit instituted by a holder of debt securities for enforcement of payment of the principal of, or premium or interest, if any, on such debt securities on or after the respective due dates expressed in such debt securities after any applicable grace periods have expired.

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Modification and Waiver

The trustee and we may amend or supplement the indenture or the debt securities of any series without the consent of any holder, in order to:

cure any ambiguity, defect or inconsistency;

provide for uncertificated debt securities in addition to or in place of certificated debt securities;

provide for the assumption of our obligations to the holders in the case of a merger or consolidation of us as permitted by the indenture;

evidence and provide for the acceptance of appointment by a successor trustee and to add to or change any of the provisions of the indenture as are necessary to provide for or facilitate the administration of the trusts by more than one trustee;

make any change that would provide any additional rights or benefits to the holders of all or any series of debt securities and that does not adversely affect any such holder; or

comply with SEC requirements in order to effect or maintain the qualification of the indenture under the Trust Indenture Act.

In addition, except as described below, modifications and amendments of the indenture or the debt securities of any series may be made by the trustee and us with the consent of the holders of a majority in outstanding principal amount of the debt securities affected by such modification or amendment. However, no such modification or amendment may, without the consent of each holder affected thereby:

change the stated maturity of, or time for payment of interest on, any debt security;

reduce the principal amount of, or the rate of interest or the premium, payable upon the redemption of, if any, on any debt security;

change the place or currency of payment of principal of, or interest or premium, if any, on any debt security;

impair the right to institute suit for the enforcement of any payment on or with respect to such debt securities on or after the stated maturity or prepayment date thereof; or

reduce the percentage in principal amount of debt securities of any series where holders must consent to an amendment, supplement or waiver.

Defeasance

The indenture provides that we will be discharged from any and all obligations in respect of the debt securities of any series (except for certain obligations to register the transfer or exchange of the debt securities, to replace stolen, lost or mutilated debt securities, to maintain paying agencies and hold monies for payment in trust and to pay the principal of and interest, if any, on such debt securities), upon the irrevocable deposit with the trustee, in trust, of money and/or U.S. government securities, which through the payment of interest and principal thereof in accordance with their terms provides money in an amount sufficient to pay the principal of (and premium, if any) and interest, if any, in respect of the debt securities of such series on the stated maturity date of such principal and any installment of principal, or interest or premium, if any. Also, the establishment of such a trust will be conditioned on the delivery by us to the trustee of an opinion of counsel reasonably satisfactory to the trustee to the effect that, based upon applicable U.S. federal income tax law or a ruling published by the United States Internal Revenue Service, such a defeasance and discharge will not be deemed, or result in, a taxable event with respect to the holders. For the avoidance of doubt, such an opinion would require a change in current U.S. tax law.

We may also omit to comply with the restrictive covenants, if any, of any particular series of debt securities, other than our covenant to pay the amounts due and owing with respect to such series of debt securities.

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Thereafter, any such omission shall not be an event of default with respect to the debt securities of such series, upon the deposit with the trustee, in trust, of money and/or U.S. government securities which through the payment of interest and principal in respect thereof in accordance with their terms provides money in an amount sufficient to pay any installment of principal of (and premium, if any) and interest, if any, in respect of debt securities of such series on the stated maturity date of such principal or installment of principal, or interest or premium, if any. Our obligations under the indenture and the debt securities of such series other than with respect to such covenants shall remain in full force and effect. Also, the establishment of such a trust will be conditioned on the delivery by us to the trustee of an opinion of counsel to the effect that such a defeasance and discharge will not be deemed, or result in a taxable event with respect to the holders.

In the event we exercise our option to omit compliance with certain covenants as described in the preceding paragraph and the debt securities of such series are declared due and payable because of the occurrence of any event of default, then the amount of monies and U.S. government securities on deposit with the trustee will be sufficient to pay amounts due on the debt securities of such series at the time of the acceleration resulting from such event of default. We shall in any event remain liable for such payments as provided in the debt securities of such series.

Satisfaction and Discharge

At our option, we may satisfy and discharge the indenture with respect to the debt securities of any series (except for specified obligations of the trustee and ours, including, among others, the obligations to apply money held in trust) when:

either (a) all debt securities of such series previously authenticated and delivered under the indenture have been delivered to the trustee for cancellation or (b) all debt securities of such series not theretofore delivered to the trustee for cancellation have become due and payable, will become due and payable at their stated maturity within one year, or are to be called for redemption within one year under arrangements satisfactory to the trustee for the giving of notice of redemption by the trustee, and we have deposited or caused to be deposited with the trustee as trust funds in trust for such purpose an amount sufficient to pay and discharge the entire indebtedness on debt securities of such series;

we have paid or caused to be paid all other sums payable under the indenture with respect to the debt securities of such series by us; and

we have delivered to the trustee an officers' certificate and an opinion of counsel, each to the effect that all conditions precedent relating to the satisfaction and discharge of the indenture as to such series have been satisfied.

Regarding the Trustee

The indenture contains certain limitations on the right of the trustee, should it become a creditor of ours within three months of, or subsequent to, a default by us to make payment in full of principal of or interest on any series of debt securities issued pursuant to the indenture when and as the same becomes due and payable, to obtain payment of claims, or to realize for its own account on property received in respect of any such claim as security or otherwise, unless and until such default is cured. However, the trustee's rights as a creditor of ours will not be limited if the creditor relationship arises from, among other things:

the ownership or acquisition of securities issued under any indenture or having a maturity of one year or more at the time of acquisition by the trustee;

certain advances authorized by a receivership or bankruptcy court of competent jurisdiction or by the indenture;

disbursements made in the ordinary course of business in its capacity as indenture trustee, transfer agent, registrar, custodian or paying agent or in any other similar capacity;

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indebtedness created as a result of goods or securities sold in a cash transaction or services rendered or premises rented; or

the acquisition, ownership, acceptance or negotiation of certain drafts, bills of exchange, acceptances or other obligations.

The indenture does not prohibit the trustee from serving as trustee under any other indenture to which we may be a party from time to time or from engaging in other transactions with us. If the trustee acquires any conflicting interest within the meaning of the Trust Indenture Act and any debt securities issued pursuant to the indenture are in default, it must eliminate such conflict or resign.

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DESCRIPTION OF PREFERRED STOCK

General

Honeywell's amended and restated certificate of incorporation, or charter, authorizes the board of directors or a committee of the board of directors to cause preferred stock to be issued in one or more series, without stockholder action. They are authorized to issue up to 40,000,000 shares of preferred stock, without par value, and can determine the number of shares of each series, and the rights, preferences and limitations of each series. We may amend the charter to increase the number of authorized shares of preferred stock in a manner permitted by the charter and Delaware law. As of the date of this prospectus, there is no preferred stock outstanding.

The particular terms of any series of preferred stock offered by us or by a selling security holder will be described in the prospectus supplement relating to that series of preferred stock. Those terms relating to the series of preferred stock offered may include:

the number of shares of the preferred stock being offered;

the title and liquidation preference per share of the preferred stock;

the purchase price of the preferred stock;

the dividend rate or method for determining the dividend rate;

the dates on which dividends will be paid;

whether dividends on the preferred stock will be cumulative or noncumulative and, if cumulative, the dates from which dividends shall commence to accumulate;

any redemption or sinking fund provisions applicable to the preferred stock;

the identity of any selling security holder;

any securities exchange on which the preferred stock may be listed; and

any additional dividend, liquidation, redemption, sinking fund and other rights and restrictions applicable to the preferred stock.

The following summary is not complete. You should refer to the certificate of designations relating to any series of preferred stock for the complete terms of that preferred stock. The certificate of designations will be filed with the SEC at the time of the offering of the preferred stock. Unless otherwise specified in the prospectus supplement, if we liquidate, dissolve or wind-up our business, each series of preferred stock will have the same rank as to dividends and distributions as each other series of preferred stock we may issue in the future. Preferred stock will have no preemptive rights.

Dividend Rights

Holders of preferred stock will be entitled to receive, when, as and if declared by the board of directors, cash dividends at the rates and on the dates set forth in the related prospectus supplement. Dividend rates may be fixed or variable or both. Different series of preferred stock may be entitled to dividends at different dividend rates or based upon different methods of determination. Each dividend will be payable to the holders of record as they appear on our stock books on record dates determined by the board of directors. Dividends on preferred stock may be cumulative or noncumulative, as specified in the related prospectus supplement. If the board of directors fails to declare a dividend on any preferred stock for which dividends are noncumulative, then the right to receive that dividend will be lost, and we will have no obligation to pay the dividend for that dividend period, whether or not dividends are declared for any future dividend period.

When those dividends are not paid in full, dividends will be declared pro rata, so that the amount of dividends declared per share on that series of preferred stock and on each other series of preferred stock having

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the same rank as that series of preferred stock will bear the same ratio to each other that accrued dividends per share on that series of preferred stock and the other series of preferred stock bear to each other. In addition, generally, unless full dividends including any cumulative dividends still owing on all outstanding shares of any series of preferred stock have been paid, no dividends will be declared or paid on the common stock and generally we may not redeem or purchase any common stock. No interest will be paid in connection with any dividend payment or payments which may be in arrears.

Unless otherwise set forth in the related prospectus supplement, the dividends payable for each dividend period will be computed by annualizing the applicable dividend rate and dividing by the number of dividend periods in a year, except that the amount of dividends payable for the initial dividend period or any period shorter than a full dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months and, for any period less than a full month, the actual number of days elapsed in the period.

Rights Upon Liquidation

If we liquidate, dissolve or wind-up our affairs, either voluntarily or involuntarily, the holders of each series of preferred stock will be entitled to receive liquidating distributions in the amount set forth in the prospectus supplement relating to the series of preferred stock, plus an amount equal to any accrued and unpaid dividends before any distribution of assets is made to the holders of common stock. If the amounts payable with respect to preferred stock of any series and any stock having the same rank as that series of preferred stock are not paid in full, the holders of the preferred stock will share ratably in any such distribution of assets in proportion to the full respective preferential amounts to which they are entitled. After the holders of each series of preferred stock having the same rank are paid in full, they will have no right or claim to any of our remaining assets. Neither the sale of all or substantially all of our property or business nor a merger or consolidation by us with any other corporation will be considered a dissolution, liquidation or winding up by us of our business or affairs.

Redemption

Any series of preferred stock may be redeemable in whole or in part at our option. In addition, any series of preferred stock may be subject to mandatory redemption pursuant to a sinking fund. The redemption provisions that may apply to a series of preferred stock, including the redemption dates and the redemption prices for that series, will be set forth in the related prospectus supplement.

If a series of preferred stock is subject to mandatory redemption, the related prospectus supplement will specify the year we can begin to redeem shares of the preferred stock, the number of shares of the preferred stock we can redeem each year, and the redemption price per share. We may pay the redemption price in cash, stock or other securities of Honeywell or of third parties, as specified in the related prospectus supplement. If the redemption price is to be paid only from the proceeds of the sale of our capital stock, the terms of the series of preferred stock may also provide that if no capital stock is sold or if the amount of cash received is insufficient to pay in full the redemption price then due, the series of preferred stock will automatically be converted into shares of the applicable capital stock pursuant to conversion provisions specified in the related prospectus supplement.

If fewer than all the outstanding shares of any series of preferred stock are to be redeemed, whether by mandatory or optional redemption, the board of directors will determine the method for selecting the shares to be redeemed, which may be by lot or pro rata by any other method determined to be equitable. From and after the redemption date, dividends will cease to accrue on the shares of preferred stock called for redemption and all rights of the holders of those shares other than the right to receive the redemption price will cease.

Conversion Rights

The related prospectus supplement will state any conversion rights under which shares of preferred stock are convertible into shares of common stock or another series of preferred stock or other property. As described under Redemption above, under some circumstances preferred stock may be mandatorily converted into common stock or another series of preferred stock.

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Voting Rights

For most series of preferred stock, the holders of preferred stock will generally not be entitled to vote. Except as indicated in the related prospectus supplement, if we issue full shares of any series of preferred stock, each share will be entitled to one vote on matters on which holders of that series of preferred stock are entitled to vote. Because each full share of any series of preferred stock will be entitled to one vote, the voting power of that series will depend on the number of shares in that series, and not on the aggregate liquidation preference or initial offering price of the shares of that series of preferred stock.

Transfer Agent and Registrar

We will appoint a transfer agent, registrar and dividend disbursement agent for the preferred stock. The registrar for the preferred stock will send notices to the holders of the preferred stock of any meeting at which those holders will have the right to elect directors or to vote on any other matter.

Permanent Global Preferred Securities

A series of preferred stock may be issued in whole or in part in the form of one or more global securities that will be deposited with a depositary or its nominee identified in the related prospectus supplement. For most series of preferred stock, the depositary will be DTC (as defined herein). A global security may not be transferred except as a whole to the depositary, a nominee of the depositary or their successors unless it is exchanged in whole or in part for preferred stock in individually certificated form. For a description of the depositary arrangements, see Book-Entry Issuance. Any additional terms of the depositary arrangement with respect to any series of preferred stock and the rights of and limitations on owners of beneficial interests in a global security representing a series of preferred stock may be described in the related prospectus supplement.

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DESCRIPTION OF COMMON STOCK

General

As of the date of this prospectus, we are authorized to issue up to 2,000,000,000 shares of common stock. As of September 30, 2018, we had approximately 958 million shares of common stock issued (including approximately 217.3 million shares held in treasury). EQ Shareowner Services, a division of Equiniti Trust Company, is the transfer agent and registrar for our common stock. Shares of common stock are listed on the New York Stock Exchange and the London Stock Exchange under the symbol HON.

The following summary is not complete. You should refer to the applicable provision of Honeywell's charter and by-laws and to Delaware corporate law for a complete statement of the terms and rights of our common stock.

Dividends

Holders of common stock are entitled to receive dividends when, as and if declared by the board of directors, out of funds legally available for their payment, subject to the rights of holders of any preferred stock outstanding.

Voting Rights

Each holder of common stock is entitled to one vote per share. Subject to any rights of the holders of any series of preferred stock pursuant to applicable law or the provision of the certificate of designations creating that series, all voting rights are vested in the holders of shares of common stock. Holders of shares of common stock have noncumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of directors can elect 100% of the directors, and the holders of the remaining shares voting for the election of directors will not be able to elect any directors.

Rights Upon Liquidation

In the event of Honeywell's voluntary or involuntary liquidation, dissolution or winding up, the holders of common stock will be entitled to share equally in any of Honeywell's assets available for distribution after the payment in full of all debts and distributions and after the holders of any series of outstanding preferred stock have received their liquidation preferences in full.

Other Rights

Holders of shares of common stock are not entitled to preemptive rights. Shares of common stock are not convertible into shares of any other class of capital stock. If we merge or consolidate with or into another company and as a result our common stock is converted into or exchangeable for shares of stock, other securities or property (including cash), all holders of common stock will be entitled to receive the same kind and amount of consideration per share of common stock.

Possible Anti-Takeover Provisions

Honeywell's charter and by-laws provide:

that the board of directors may establish the number of seats on the board, subject to the right of preferred stockholders to elect directors in certain circumstances and shareowners' rights to set the number of seats upon the vote of holders of a majority of the outstanding shares of common stock;

that vacancies on the board of directors other than at the annual meeting are filled by a vote of the remaining directors;

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that special meetings of shareowners generally may be called only by the chief executive officer, by a majority of the authorized number of directors, or by the holders of not less than fifteen percent of the outstanding shares of Honeywell's common stock (excluding derivatives);

that action may be taken by shareowners only at annual or special meetings and not by written consent;

that advance notice must be given to Honeywell for a shareowner to nominate directors for election at a shareowner meeting; and

that the board of directors may in limited circumstances, without stockholder approval, adopt a plan to provide for the distribution to stockholders of preferred stock or certain other securities upon the occurrence of certain triggering events (but any such plan adopted without stockholder approval must expire within one year of adoption unless ratified by the stockholders).

Any of these provisions could delay, deter or prevent a tender offer for or attempted takeover of Honeywell.

Our charter permits us to issue up to 40,000,000 shares of preferred stock with terms that may be set by our board of directors or a committee of the board. That preferred stock could have terms that could delay, deter or prevent a tender offer or takeover attempt of Honeywell.

Under Delaware law, an acquirer of 15% or more of our shares of stock must wait three years before a business combination with us unless one of the following exceptions is available:

approval by our board of directors prior to the time the acquirer became a 15% shareowner of Honeywell;

acquisition of at least 85% of our voting stock in the transaction in which the acquirer became a 15% shareowner of Honeywell; or

approval of the business combination by our board of directors and two-thirds of our disinterested shareowners.

Honeywell's by-laws provide that, unless Honeywell consents in writing to the selection of an alternative forum, a state or federal court located within the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of Honeywell, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of Honeywell to Honeywell or Honeywell's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or (iv) any action asserting a claim governed by the internal affairs doctrine. Honeywell's by-laws also provide that any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of Honeywell will be deemed to have notice of and consented to the exclusive forum provisions described above.

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BOOK-ENTRY ISSUANCE

Our common stock is cleared and settled through the Depositary Trust Company, or DTC, a securities depository. Most series of debt securities and preferred stock will also be book-entry securities. Upon issuance, unless otherwise specified in the prospectus supplement, all book-entry securities of the same series will be represented by one or more fully registered global securities. Each global security will be deposited with, or on behalf of, DTC and will be registered in the name of DTC or a nominee of DTC. DTC will thus be the only registered holder of any such securities and will be considered the sole owner of the securities.

Purchasers may only hold interests in the global securities through DTC if they are participants in the DTC system. Purchasers may also hold interests through a securities intermediary—a bank, brokerage house or other institution that maintains securities accounts for customers—that has an account with DTC or its nominee. DTC will maintain accounts showing the securities holdings of its participants, and these participants will in turn maintain accounts showing the securities holdings of their customers. Some of these customers may themselves be securities intermediaries holding securities for their customers. Thus, each beneficial owner of a book-entry security will hold that security indirectly through a hierarchy of intermediaries, with DTC at the top and the beneficial owner's own securities intermediary at the bottom.

The securities of each beneficial owner of a book-entry security will be evidenced solely by entries on the books of the beneficial owner's securities intermediary. The actual purchaser of the securities will generally not be entitled to have the securities represented by the global securities registered in its name and will not be considered the owner. In most cases, a beneficial owner will also not be able to obtain a paper certificate evidencing the holder's ownership of securities. The book-entry system for holding securities eliminates the need for physical movement of certificates. The laws of some jurisdictions require some purchasers of securities to take physical delivery of their securities in definitive form. These laws may impair the ability to transfer book-entry securities.

Unless otherwise specified in the prospectus supplement with respect to a series of debt securities or preferred stock, beneficial owners of book-entry securities represented by a global security may exchange the securities for definitive or paper securities only if:

DTC is unwilling or unable to continue as depository for such global security and Honeywell is unable to find a qualified replacement for DTC within 90 days;

at any time DTC ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended; or

Honeywell in its sole discretion decides to allow some or all book-entry securities to be exchangeable for definitive securities in registered form.

Any global security that is exchangeable will be exchangeable in whole for definitive securities in registered form with the same terms, and in the case of debt securities, in an equal aggregate principal amount in denominations of \$1,000 and whole multiples of \$1,000 (unless otherwise specified in the prospectus supplement). Definitive securities will be registered in the name or names of the person or persons specified by DTC in a written instruction to the registrar of the securities. DTC may base its written instruction upon directions it receives from its participants.

In this prospectus and the accompanying prospectus supplement, for book-entry securities, references to actions taken by security holders will mean actions taken by DTC upon instructions from its participants, and references to payments and notices of redemption to security holders will mean payments and notices of redemption to DTC as the registered holder of the securities for distribution to participants in accordance with DTC's procedures.

DTC is a limited-purpose trust company organized under the laws of the State of New York, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a

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clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered under the Securities Exchange Act of 1934, as amended. The rules applicable to DTC and its participants are on file with the SEC.

Honeywell will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the book-entry securities or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

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PLAN OF DISTRIBUTION

We may sell our debt securities, or we or one or more selling security holders to be identified in a prospectus supplement may sell our preferred or common stock:

to or through underwriters or dealers for resale;

to or through agents;

directly to other purchasers;

through any combination of these methods; or

through any other means described in a prospectus supplement.

The related prospectus supplement will set forth the terms of the offering of the securities, including the following:

the name or names of any underwriters, dealers or agents;

the purchase price and the proceeds we will receive from the sale;

the identity of any selling security holder;

any underwriting discounts and other items constituting underwriters' compensation; and

any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

If underwriters are used in the sale, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The securities may be either offered to the public through underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. The obligations of the underwriters to purchase securities will be subject to conditions precedent and the underwriters will be obligated to purchase all the securities of a series if any are purchased. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

Securities may be sold directly by us or by one or more selling security holders or through agents designated by us or one or more selling security holders from time to time. Any agent involved in the offer or sale of the securities in respect of which this prospectus is delivered will be named, and any commissions payable by us or by any selling

security holders to that agent will be set forth, in the related prospectus supplement. Unless otherwise indicated in the related prospectus supplement, any agent will be acting on a best efforts basis for the period of its appointment.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement so indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third party in such sale transactions will be an underwriter and will be identified in the applicable prospectus supplement.

Unless otherwise specified in an applicable prospectus supplement, each series of debt securities or preferred stock will be a new issue of securities with no established trading market. Underwriters and agents may from time to time purchase and sell the securities described in this prospectus and the relevant prospectus

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supplement in the secondary market, but are not obligated to do so. No assurance can be given that there will be a secondary market for the securities or liquidity in the secondary market if one develops. From time to time, underwriters and dealers may make a market in the securities.

In order to facilitate the offering of the securities, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of these securities or any other securities the prices of which may be used to determine payments on these securities. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the securities for their own accounts. In addition, to cover over-allotments or to stabilize the price of the securities or of any other securities, the underwriters may bid for, and purchase, the securities or any other securities in the open market. Finally, in any offering of the securities through a syndicate of underwriters, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the securities in the offering, if the syndicate repurchases previously distributed securities in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the securities above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

Underwriters named in a prospectus supplement are, and dealers and agents named in a prospectus supplement may be, deemed to be underwriters within the meaning of the Securities Act of 1933, as amended, which we refer to as the Securities Act, in connection with the securities offered thereby, and any discounts or commissions they receive from us or any selling security holder and any profit on their resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act.

One or more firms, referred to as remarketing firms, may also offer or sell the securities, if the prospectus supplement so indicates, in connection with a remarketing arrangement upon their purchase. Remarketing firms will act as principals for their own accounts or as agents for us or any identified selling security holder. These remarketing firms will offer or sell the securities in accordance with a redemption or repayment pursuant to the terms of the securities. The prospectus supplement will identify any remarketing firm and the terms of its agreement, if any, with us or any identified selling security holder and will describe the remarketing firm's compensation. Remarketing firms may be deemed to be underwriters in connection with the securities they remarket. Remarketing firms may be entitled under agreements that may be entered into with us or any such selling security holder to indemnification by us or any such selling security holder against certain civil liabilities, including liabilities under the Securities Act and may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

Unless indicated in the applicable prospectus supplement, we do not expect to apply to list the debt securities or preferred stock on a securities exchange. Any common stock sold pursuant to a prospectus supplement will be listed on the exchanges where our common stock is then listed, subject to notice of issuance.

Agents and underwriters may be entitled to indemnification by us against civil liabilities arising out of this prospectus, including liabilities under the Securities Act, or to contribution with respect to payments which the agents or underwriters may be required to make relating to those liabilities.

Agents and underwriters may be engaged in transactions with, or perform commercial or investment banking or other services for, us or our subsidiaries or affiliates, in the ordinary course of business.

We will estimate our expenses associated with any offering of debt securities, preferred stock or common stock in the prospectus supplement relating to such offering.

EXPERTS

The financial statements incorporated in this Prospectus by reference from the Company's Annual Report on Form 10-K, and the effectiveness of Honeywell International Inc.'s internal control over financial reporting

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have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

LEGAL OPINIONS

Certain legal matters will be passed upon for Honeywell by Anne T. Madden, Senior Vice President, General Counsel and Corporate Secretary, of Honeywell.

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WHERE YOU CAN FIND MORE INFORMATION ABOUT HONEYWELL

This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed with it. For further information about us, our securities and other information set forth herein, reference is made to the registration statement and exhibits and schedules filed with it. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is subject to, and qualified in its entirety by, reference to the applicable contract or other document filed herewith.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public from the SEC's Web site at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room located at 100 F Street N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of any document we file at prescribed rates by writing to the Public Reference Section of the SEC at that address. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Information about us, including our SEC filings, is also available on our Web site at <http://www.honeywell.com>. The information on or linked to/from our Web site is not part of, and is not incorporated by reference into, this prospectus. Reference to our Web site is made as an inactive textual reference. You may also inspect reports, proxy statements and other information about Honeywell at the office of the New York Stock Exchange, 20 Broad Street, New York, NY 10005.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference into this prospectus the information in other documents that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and information in documents filed with the SEC after the date of this prospectus will automatically update and supersede information contained herein or on file with the SEC as of the date of this prospectus. We incorporate by reference:

Our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 9, 2018;

Our Quarterly Reports on Form 10-Q for the quarter ended March 31, 2018, filed with the SEC on April 20, 2018, for the quarter ended June 30, 2018, filed with the SEC on July 20, 2018 and for the quarter ended September 30, 2018, filed on October 19, 2018; and

Our Current Reports on Form 8-K filed with the SEC on February 14, 2018, April 23, 2018, May 1, 2018, May 31, 2018, June 19, 2018, August 2, 2018, October 19, 2018 and October 29, 2018.

We also incorporate by reference additional documents that we may file with the SEC after the date of this prospectus under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended. These documents include periodic reports, which may include Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

You can obtain any of the documents incorporated by reference in this prospectus through us, or from the SEC through the SEC's Web site at the address provided above. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this prospectus. You can obtain documents incorporated by reference in this prospectus and a copy of the indenture and other agreements referred to in this prospectus free of charge by requesting them in writing or by telephone from us at the following address and telephone number: Honeywell International Inc., 115 Tabor Road, Morris Plains, New Jersey 07950, Attention: Assistant Corporate Secretary, Telephone No.: (973) 455-2000.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that address activities, events or developments that management intends, expects, projects, believes or anticipates will or may occur in the future. They are based on management's assumptions and assessments in 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 significantly from those envisaged by our forward-looking statements. We do not undertake to update or revise any of our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties that can affect our performance in both the near and long term. These forward-looking statements should be considered in light of the information included in this prospectus, including the information under the heading Risk Factors and the description of trends and other factors in Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in our Annual Report on Form 10-K for the year ended December 31, 2017 and in Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, which are incorporated herein by reference, and in our other filings with the SEC.

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Honeywell International Inc.

Common Stock

This prospectus covers the resale, from time to time, by Honeywell International Inc. Master Retirement Trust (the ***Selling Stockholder***), of shares of common stock, par value \$1.00 per share, of Honeywell International Inc. (***Honeywell***). The shares of common stock to which this prospectus relates (i) will be contributed by Honeywell to the Selling Stockholder, from time to time, in one or more private transactions, or (ii) may be purchased by the Selling Stockholder in the open market. The number of shares to be sold by the Selling Stockholder shall be specified from time to time in a prospectus supplement. The shares of common stock will be held by The Northern Trust Company, the trustee of the Selling Stockholder (the ***Trustee***), and sold upon the instructions from an independent, third party investment fiduciary. The investment fiduciary will be chosen by Honeywell's Pension Investment Committee (the ***PIC***) under a delegation of authority from the Retirement Plans Committee of the board of directors of Honeywell, and appointed by the PIC to instruct the Trustee. The investment fiduciary will determine the time and manner of sale of the shares of common stock. See ***Selling Shareholder*** and ***Plan of Distribution***.

The shares of common stock to which this prospectus relates may be sold from time to time through public or private transactions on or off the United States exchanges on which our common stock is traded, and at prevailing market prices or negotiated prices, all as more fully described under ***Plan of Distribution***.

This prospectus describes the general manner in which the shares of common stock may be offered or sold by the Selling Stockholder. If necessary, the specific manner in which shares of our common stock may be offered or sold will be described in a prospectus supplement.

The proceeds from the sale of the shares of common stock to which this prospectus relates are solely for the account of the Selling Stockholder. Honeywell will not receive any of the proceeds from such sales. See ***Use of Proceeds***.

Our common stock is listed on the New York Stock Exchange and the London Stock Exchange under the symbol HON. On December 7, 2018, the last reported sale price of our common stock on the New York Stock Exchange was \$138.71.

Investing in our common stock involves certain risks. See **Risk Factors on page 1.**

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 10, 2018

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We and the selling security holder have not authorized anyone to provide any information or make any representations other than those contained in this prospectus, the related registration statement or in any of the materials that we have incorporated by reference into this prospectus. You should carefully evaluate the information provided by us in light of the total mix of information available to you, recognizing that we can provide no assurance as to the reliability of any information other than that contained in this prospectus, the related registration statement or in any of the materials that we have incorporated by reference into this prospectus. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this prospectus are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this prospectus does not extend to you. The information contained in this prospectus speaks only as of the date of this prospectus unless the information specifically indicates that another date applies.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Honeywell filed with the Securities and Exchange Commission (the *SEC*) utilizing a shelf registration process as a well-known seasoned issuer as defined in Rule 405 under the Securities Act of 1933, as amended. Under this process, the Selling Stockholder may offer our shares of common stock in one or more offerings. Some transactions in which the Selling Stockholder offers shares of our common stock under this registration statement may require that we provide a prospectus supplement that will contain additional information about the terms of that offering. A prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any applicable prospectus supplement, you should rely on the information in the applicable prospectus supplement.

This prospectus provides you with a general description of our shares of common stock. To understand the terms of our securities, you should carefully read this document with any applicable prospectus supplement. You should also read the documents we have referred you to in *Where You Can Find More Information About Honeywell* below for information on Honeywell and our financial statements.

In this prospectus and any prospectus supplement, unless otherwise specified, the terms *Honeywell*, *we*, *us* or *our* mean Honeywell International Inc. and its consolidated subsidiaries.

Unless otherwise stated, currency amounts in this prospectus and any prospectus supplement are stated in United States dollars, or \$.

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HONEYWELL

Honeywell International Inc. is a technology company that delivers industry specific solutions that include aerospace products and services, control technologies for buildings and industry, and performance materials globally. Honeywell was incorporated in Delaware in 1985, and its principal executive offices are located at 115 Tabor Road, Morris Plains, New Jersey 07950. Its main telephone number is (973) 455-2000.

RISK FACTORS

Investing in Honeywell's common stock involves risk. Before making an investment decision, you should carefully consider the risks disclosed in Honeywell's most recent annual and quarterly reports filed with the SEC, as well as other information Honeywell includes or incorporates by reference in this prospectus or any prospectus supplement. These risks could materially affect Honeywell's business, results of operations or financial condition and cause the value of Honeywell's common stock to decline. You could lose all or part of your investment.

USE OF PROCEEDS

The proceeds from the sale of the common stock to which this prospectus relates are solely for the account of the Selling Stockholder. Honeywell will not receive any of the proceeds from such sales.

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SELLING STOCKHOLDER

This prospectus covers the resale, from time to time, by the Selling Stockholder, of shares of common stock, par value \$1.00 per share, of Honeywell. The number of shares to be sold by the Selling Stockholder shall be specified from time to time in a prospectus supplement.

In 2018, Honeywell is not required to make any contributions to its U.S. pension plans to satisfy minimum statutory funding requirements. Honeywell does not presently anticipate making any voluntary contributions of Honeywell common stock to the Selling Stockholder in 2019. The shares of common stock to which this prospectus relates (i) have been or will be contributed by Honeywell to the Selling Stockholder, from time to time, in one or more private transactions, or (ii) may be purchased by the Selling Stockholder in the open market.

The Selling Stockholder is a tax-qualified trust that holds the assets for most of our U.S. defined benefit pension plans. We make contributions to the Selling Stockholder from time to time in amounts that are not less than the minimum amount required under, or more than the maximum deductible amount permitted by, the Internal Revenue Code.

The registration of the shares of common stock does not necessarily mean that the Selling Stockholder will sell all or any of the shares of common stock registered by the registration statement of which this prospectus forms a part. The Selling Stockholder may offer and sell all or any portion of the shares of common stock covered by this prospectus and any applicable prospectus supplement from time to time, but is under no obligation to offer or sell any such shares. Because the Selling Stockholder may sell, transfer or otherwise dispose of all, some or none of the shares of common stock covered by this prospectus, or may acquire additional shares from us or in the market in the future, we cannot determine the number of such shares of common stock that will be sold, transferred or otherwise disposed of by the Selling Stockholder or the amount or percentage of shares of common stock that will be held by the Selling Stockholder upon termination of any particular offering. See Plan of Distribution.

The shares of common stock are held in the custody of The Northern Trust Company, 50 South LaSalle Street, Chicago, IL 60675, as the Trustee. Honeywell currently has on-going banking relationships with the Trustee in the ordinary course of business and expects to continue to have similar relationships with the Trustee in the future. The shares of common stock will be held in a separate investment account at the Trustee. An independent, third party investment fiduciary will be chosen by the PIC under a delegation of authority from the Retirement Plans Committee of the board of directors of Honeywell and appointed by the PIC to instruct the Trustee as to any disposition of the shares of common stock. The investment fiduciary will have sole authority to manage the shares of common stock, subject to general investment criteria established by the PIC, and the sole power to vote and to dispose of the shares of common stock.

The shares offered by this prospectus and the shares of common stock previously registered for resale pursuant to a prospectus supplement dated December 11, 2015 and related registration statement (19,712,106 shares), are the only shares of common stock owned by the Selling Stockholder as of December 10, 2018.

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DESCRIPTION OF COMMON STOCK

General

As of the date of this prospectus, we are authorized to issue up to 2,000,000,000 shares of common stock. As of September 30, 2018, we had approximately 958 million shares of common stock issued (including approximately 217.3 million shares held in treasury). EQ Shareowner Services, a division of Equiniti Trust Company, is the transfer agent and registrar for our common stock. Shares of our common stock are listed on the New York Stock Exchange and the London Stock Exchange under the symbol HON.

The following summary is not complete. You should refer to the applicable provision of Honeywell's charter and by-laws and to Delaware corporate law for a complete statement of the terms and rights of our common stock.

Dividends

Holders of common stock are entitled to receive dividends when, as and if declared by the board of directors of Honeywell, out of funds legally available for their payment, subject to the rights of holders of any preferred stock outstanding.

Voting Rights

Each holder of common stock is entitled to one vote per share. Subject to any rights of the holders of any series of preferred stock pursuant to applicable law or the provision of the certificate of designations creating that series, all voting rights are vested in the holders of shares of common stock. Holders of shares of common stock have noncumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of directors can elect 100% of the directors, and the holders of the remaining shares voting for the election of directors will not be able to elect any directors.

Rights Upon Liquidation

In the event of Honeywell's voluntary or involuntary liquidation, dissolution or winding up, the holders of common stock will be entitled to share equally in any of Honeywell's assets available for distribution after the payment in full of all debts and distributions and after the holders of any series of outstanding preferred stock have received their liquidation preferences in full.

Other Rights

Holders of shares of common stock are not entitled to preemptive rights. Shares of common stock are not convertible into shares of any other class of capital stock. If we merge or consolidate with or into another company and as a result our common stock is converted into or exchangeable for shares of stock, other securities or property (including cash), all holders of common stock will be entitled to receive the same kind and amount of consideration per share of common stock.

Possible Anti-Takeover Provisions

Honeywell's charter and by-laws provide:

that the board of directors may establish the number of seats on the board, subject to the right of preferred stockholders to elect directors in certain circumstances and shareowners' rights to set the number of seats upon the vote of holders of a majority of the outstanding shares of common stock;

that vacancies on the board of directors other than at the annual meeting are filled by a vote of the remaining directors;

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that special meetings of shareowners generally may be called by the chief executive officer, by a majority of the authorized number of directors, or by the holders of not less than fifteen percent of the outstanding shares of Honeywell common stock (excluding derivatives);

that action may be taken by shareowners only at annual or special meetings and not by written consent;

that advance notice must be given to Honeywell for a shareowner to nominate directors for election at a shareowner meeting; and

that the board of directors may in limited circumstances, without stockholder approval, adopt a plan to provide for the distribution to stockholders of preferred stock or certain other securities upon the occurrence of certain triggering events (but any such plan adopted without stockholder approval must expire within one year of adoption unless ratified by the stockholders).

Any of these provisions could delay, deter or prevent a tender offer for or attempted takeover of Honeywell.

Our charter permits us to issue up to 40,000,000 shares of preferred stock with terms that may be set by the board of directors of Honeywell or a committee of our board of directors. That preferred stock could have terms that could delay, deter or prevent a tender offer or takeover attempt of Honeywell.

Under Delaware law, an acquirer of 15% or more of our shares of common stock must wait three years before a business combination with us unless one of the following exceptions is available:

approval by our board of directors prior to the time the acquirer became a 15% shareowner of Honeywell;

acquisition of at least 85% of our voting stock in the transaction in which the acquirer became a 15% shareowner of Honeywell; or

approval of the business combination by our board of directors and two-thirds of our disinterested shareowners.

Honeywell's by-laws provide that, unless Honeywell consents in writing to the selection of an alternative forum, a state or federal court located within the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of Honeywell, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of Honeywell to Honeywell or Honeywell's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or (iv) any action asserting a claim governed by the internal affairs doctrine. Honeywell's by-laws also provide that any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of Honeywell will be deemed to have notice of and consented to the exclusive forum provisions described above.

PLAN OF DISTRIBUTION

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The Selling Stockholder may, upon the instructions from the independent, third party investment fiduciary, sell all or a portion of the shares of common stock to which this prospectus relates either (1) on the markets in which our common stock is traded or (2) through underwriters or in privately negotiated transactions.

Market sales may be effected from time to time in one or more transactions (which may involve block transactions):

on any of the U.S. securities exchanges on which our common stock is listed, including the New York Stock Exchange, in transactions that may include special offerings, exchange distributions pursuant to and in accordance with the rules of such exchanges;

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in the over-the-counter market;

in transactions otherwise than on such exchanges or in the over-the-counter market; or

in a combination of any such transactions.

Such transactions may be effected by the Selling Stockholder, upon instructions from the independent, third party investment fiduciary, at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at negotiated prices or at fixed prices. The Selling Stockholder will act independently of us with respect to the timing, manner and size of each sale.

The Selling Stockholder may, upon instructions from the independent, third party investment fiduciary, effect such transactions by selling shares of common stock to or through broker-dealers. Such broker-dealers may receive compensation in the form of discounts or commissions from the Selling Stockholder and may receive commissions from the purchasers of shares for whom they may act as agent in amounts to be negotiated. Such compensation may be received if the broker-dealer acts as either an agent or as a principal. The Selling Stockholder does not expect these discounts or commissions to exceed what is customary in the types of transactions involved. Any offering price, and any discounts or concessions allowed or reallocated or paid to dealers, may be changed from time to time.

The Selling Stockholder may, upon instructions from the independent, third party investment fiduciary, cause such transactions to be conducted via an underwritten offering. In the case of an underwritten offering, a prospectus supplement with respect to an offering of shares of common stock will set forth the terms of the offering of the shares of common stock, including the name or names of the underwriters, the purchase price and the proceeds to the Selling Stockholder from such sale, any underwriting discounts and other items constituting underwriters' compensation, the public offering price and any discounts or concessions allowed or reallocated or paid to dealers. The shares of common stock will be acquired by the underwriters for their own account and may be sold from time to time in one or more transactions at a fixed public offering price determined at the time of sale. Unless otherwise set forth in the prospectus supplement, the obligations of the underwriters to purchase shares of common stock will be subject to conditions precedent and the underwriters will be obligated to purchase all the shares of common stock if any are purchased. The public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

The aggregate proceeds to the Selling Stockholder will be the purchase price of the shares of common stock less discounts and commissions, if any.

In offering the shares of common stock covered by this prospectus, the Selling Stockholder and any broker-dealers, underwriters or agents who execute sales for the Selling Stockholder may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended (the ***Securities Act***), in connection with such sales. Any profits realized by the Selling Stockholder and the compensation of any broker-dealer, underwriter or agent may be deemed to be underwriting discounts and commissions. We know of no existing arrangements between the Selling Stockholder and any broker-dealer, underwriter or other agent relating to the sale or distribution of the shares of common stock. Honeywell has not engaged any broker-dealer, underwriter or agent in connection with the distribution of the shares of common stock.

Under the terms of any particular transactions, dealers, underwriters or agents may be entitled to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the agents, dealers or underwriters may be required to make in respect thereof.

Agents and underwriters may be engaged in transactions with, or perform commercial or investment banking or other services for, us or our subsidiaries or affiliates, in the ordinary course of business.

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All of the shares of common stock will be listed on the New York Stock Exchange and the London Stock Exchange. Any agents or underwriters to whom the shares of common stock are sold may make a market in our common stock. However, those agents or underwriters will not be obligated to do so and may discontinue any market making at any time without notice.

EXPERTS

The financial statements incorporated in this Prospectus by reference from the Company's Annual Report on Form 10-K, and the effectiveness of Honeywell's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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LEGAL OPINIONS

Certain legal matters will be passed upon for Honeywell by Anne T. Madden, Senior Vice President, General Counsel and Corporate Secretary, of Honeywell.

WHERE YOU CAN FIND MORE INFORMATION ABOUT HONEYWELL

This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed with it. For further information about us, our securities and other information set forth herein, reference is made to the registration statement and exhibits and schedules filed with it. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is subject to, and qualified in its entirety by, reference to the applicable contract or other document filed herewith.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public from the SEC's Web site at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room located at 100 F Street N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of any document we file at prescribed rates by writing to the Public Reference Section of the SEC at that address. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Information about us, including our SEC filings, is also available on our Web site at <http://www.honeywell.com>. The information on or linked to/from our Web site is not part of, and is not incorporated by reference into, this prospectus. Reference to our Web site is made as an inactive textual reference. You may also inspect reports, proxy statements and other information about Honeywell at the office of the New York Stock Exchange, 20 Broad Street, New York, NY 10005.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference into this prospectus the information in other documents that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and information in documents filed with the SEC after the date of this prospectus will automatically update and supersede information contained herein or on file with the SEC as of the date of this prospectus. We incorporate by reference:

Our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 9, 2018;

Our Quarterly Reports on Form 10-Q for the quarter ended March 31, 2018, filed with the SEC on April 20, 2018, for the quarter ended June 30, 2018, filed with the SEC on July 20, 2018 and for the quarter ended September 30, 2018, filed on October 19, 2018; and

Our Current Reports on Form 8-K filed with the SEC on February 14, 2018, April 23, 2018, May 1, 2018, May 31, 2018, June 19, 2018, August 2, 2018, October 19, 2018 and October 29, 2018.

We also incorporate by reference additional documents that we may file with the SEC after the date of this prospectus under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended. These documents include periodic reports, which may include Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

You can obtain any of the documents incorporated by reference in this prospectus through us, or from the SEC through the SEC's Web site at the address provided above. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this prospectus. You can obtain documents incorporated by reference in this prospectus free of charge by requesting them in writing or by telephone from us at the following address and telephone number: Honeywell International Inc., 115 Tabor Road, Morris Plains, New Jersey 07950, Attention: Assistant Corporate Secretary, Telephone No.: (973) 455-2000.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that address activities, events or developments that management intends, expects, projects, believes or anticipates will or may occur in the future. They are based on management's assumptions and assessments in 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 significantly from those envisaged by our forward-looking statements. We do not undertake to update or revise any of our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties that can affect our performance in both the near- and long-term. These forward-looking statements should be considered in light of the information included in this prospectus, including the information under the heading Risk Factors and the description of trends and other factors in Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in our Annual Report on Form 10-K for the year ended December 31, 2017 and in Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, which are incorporated herein by reference, and in our other filings with the SEC.

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The information in this preliminary prospectus is not complete and may be changed. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus dated December 10, 2018

Honeywell International Inc.

Dividend Reinvestment and Share Purchase Plan

Common Stock

The Honeywell International Inc. Dividend Reinvestment and Share Purchase Plan (the *Plan*) provides holders of the common stock of Honeywell International Inc. with a simple and convenient method of investing cash dividends and optional cash payments in additional shares of common stock without payment of any brokerage commission or service charge. Any holder of record of the common stock is eligible to participate in the Plan.

A participant in the Plan may purchase additional shares by:

reinvesting dividends on all shares of common stock held by the participant;

reinvesting dividends on part of the shares of common stock held by the participant (while continuing to receive cash dividends on the other shares); or

making optional cash payments of not less than \$25 each up to a maximum of \$120,000 per calendar year, whether or not the participant's dividends are being reinvested.

Cash dividends on all shares held for the participant's account under the Plan will automatically be reinvested if no dividend reinvestment option is selected.

Shares purchased under the Plan will be purchased from Honeywell or, in the limited circumstances described in the Plan, on the open market. The purchase price of shares purchased from Honeywell will be the average of the high and low sales prices of the common stock reported as New York Stock Exchange Composite Transactions for the relevant investment date, which is the dividend payment date for months in which dividends are paid and the first business day

of the month for all other months. The purchase price of shares purchased on the open market will be the negotiated price for such shares or, in the case of multiple open market purchases, the purchase price will be the average of the negotiated prices for such open market purchases.

This prospectus relates to _____ shares of common stock registered for sale under the Plan. Shares sold under the Plan may be authorized but unissued shares or shares held in Honeywell's treasury, or shares acquired on the open market. You should retain this prospectus for future reference.

Our common stock is listed on the New York Stock Exchange and the London Stock Exchange under the symbol HON. On _____, 20____, the last reported sale price of our common stock on the New York Stock Exchange was \$ ____.

Investing in our common stock involves certain risks. See Risk Factors on page 1.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is December __, 2018

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We have not authorized anyone to provide any information or make any representations other than those contained in this prospectus, the related registration statement or in any of the materials that we have incorporated by reference into this prospectus. You should carefully evaluate the information provided by us in light of the total mix of information available to you, recognizing that we can provide no assurance as to the reliability of any information other than that contained in this prospectus, the related registration statement or in any of the materials that we have incorporated by reference into this prospectus. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this prospectus are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this prospectus does not extend to you. The information contained in this prospectus speaks only as of the date of this prospectus unless the information specifically indicates that another date applies.

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RISK FACTORS

Investing in Honeywell's common stock involves risk. Before making an investment decision, you should carefully consider the risks disclosed in Honeywell's most recent annual and quarterly reports filed with the SEC, as well as other information Honeywell includes or incorporates by reference in this prospectus or any prospectus supplement. These risks could materially affect Honeywell's business, results of operations or financial condition and cause the value of Honeywell's common stock to decline. You could lose all or part of your investment.

USE OF PROCEEDS

Unless otherwise specified in the applicable prospectus supplement, the net proceeds Honeywell receives from the sale of securities described by this prospectus and any accompanying prospectus supplement will be used for general corporate purposes. General corporate purposes may include the repayment of outstanding debt, repurchase of our common stock, investments in or extensions of credit to our subsidiaries, or the financing of possible acquisitions or business expansion. Honeywell currently has no specific plans for any such proceeds. The net proceeds may be invested temporarily or applied to repay short-term debt until they are used for their stated purpose. Pending application for specific purposes, the net proceeds may be invested in marketable securities.

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DESCRIPTION OF THE PLAN

The text of the description of the Plan consists of a series of questions and answers:

Purpose

1. What is the purpose of the Plan?

The purpose of the Honeywell International Inc. Dividend Reinvestment and Share Purchase Plan is to provide holders of record of shares of the common stock of Honeywell International Inc. with a simple and convenient method of investing cash dividends and optional cash payments in additional shares of common stock without payment of any brokerage commission or service charge.

Advantages of the Plan

2. What are the advantages of the Plan?

A participant in the Plan may (a) have cash dividends on all of its shares automatically reinvested in common stock, or (b) have cash dividends on part of its shares automatically reinvested or (c) whether or not it has elected to have any such dividends automatically reinvested, invest in additional shares by making optional cash payments of not less than \$25 each up to a maximum of \$120,000 per calendar year. Participants do not pay any commission or service charge in connection with purchases under the Plan. Full investment of funds is possible under the Plan because fractions of shares, as well as whole shares, will be credited to a participant's account. Further, dividends in respect of such fractions, as well as whole shares, will be reinvested in additional shares of common stock and such shares will be credited to a participant's account. A participant can avoid the need for safekeeping of certificates for shares credited to its account under the Plan. Statements of account sent to Plan participants will provide simplified recordkeeping. Under the Emergency Economic Stabilization Act, passed by Congress in 2008, you must reinvest at least 10% of your dividend distribution.

Administration

3. Who administers the Plan for participants?

The transfer agent and registrar for Honeywell International Inc. common stock is EQ Shareowner Services, a division of Equiniti Trust Company (the **Agent**).

The Agent is responsible for administering the Plan, receiving all cash investments made by participants, forwarding funds to be used to purchase common stock, holding shares of stock acquired under the Plan, maintaining records, sending statements of account to participants and performing other duties related to the Plan.

Contact information

Online:

shareowneronline.com

To obtain information and perform certain transactions on your account online, including investments via automatic withdrawal, share withdrawals and sale of shares, you may use the Agent's website at: **shareowneronline.com**. The

information on or linked to/from the Agent's website is not part of, and is not incorporated by reference into, this prospectus. Reference to the Agent's website is made as an inactive textual reference.

Click on **Sign Up Now!** under **I am a Current Shareowner**. You will need your 10-digit account number, your 12-digit Authentication ID and a valid email address. Your account number can be found on your dividend check, dividend deposit notice or account statement. If you do

1,901

Commitments and contingencies (Note 17)

Total liabilities

38,246

35,786

Common shareholders' equity:

Common shares, \$2.50 par value, 1,400,000,000 authorized;

1,111,418,228 and 1,110,986,415 issued; 789,834,578 and 815,824,413

outstanding, respectively

2,778

2,777

Paid-in-surplus

4,454

4,421

Retained earnings

34,561

32,587

Treasury stock

(21,470)

(18,581)

Accumulated other comprehensive loss (Note 10)

(1,172)

(1,272)

Total common shareholders' equity

19,151

19,932

Total liabilities and common shareholders' equity

\$

57,397

\$

55,718

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

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Condensed Consolidated Statements of Cash Flows (Unaudited)

Union Pacific Corporation and Subsidiary Companies

| | | |
|---|----------|----------|
| Millions, for the Nine Months Ended September 30, | 2017 | 2016 |
| Operating Activities | | |
| Net income | \$ 3,434 | \$ 3,089 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation | 1,573 | 1,518 |
| Deferred and other income taxes | 514 | 519 |
| Other operating activities, net | 85 | (268) |
| Changes in current assets and liabilities: | | |
| Accounts receivable, net | (170) | 5 |
| Materials and supplies | (25) | 46 |
| Other current assets | (58) | (15) |
| Accounts payable and other current liabilities | (43) | 79 |
| Income and other taxes | 88 | 494 |
| Cash provided by operating activities | 5,398 | 5,467 |
| Investing Activities | | |
| Capital investments | (2,379) | (2,604) |
| Proceeds from asset sales | 152 | 116 |
| Purchases of short-term investments (Note 14) | (90) | (580) |
| Maturities of short-term investments (Note 14) | 60 | 250 |
| Other investing activities, net | (3) | (1) |
| Cash used in investing activities | (2,260) | (2,819) |
| Financing Activities | | |
| Common share repurchases (Note 18) | (2,882) | (2,100) |
| Debt issued (Note 15) | 2,285 | 1,883 |
| Dividends paid | (1,460) | (1,382) |
| Debt repaid | (471) | (481) |
| Other financing activities, net | (40) | (50) |
| Cash used in financing activities | (2,568) | (2,130) |
| Net change in cash and cash equivalents | 570 | 518 |
| Cash and cash equivalents at beginning of year | 1,277 | 1,391 |
| Cash and cash equivalents at end of period | \$ 1,847 | \$ 1,909 |
| Supplemental Cash Flow Information | | |
| Non-cash investing and financing activities: | | |
| Capital investments accrued but not yet paid | \$ 120 | \$ 106 |
| Common shares repurchased but not yet paid | 29 | 65 |
| Cash (paid for)/received from: | | |

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| | | |
|--------------------------------------|------------|----------|
| Income taxes, net of refunds | \$ (1,557) | \$ (877) |
| Interest, net of amounts capitalized | (532) | (540) |

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

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Condensed Consolidated Statements of Changes in Common Shareholders' Equity (Unaudited)

Union Pacific Corporation and Subsidiary Companies

| Millions | Common Shares | Treasury Shares | Common Shares | Paid-in-Surplus | Retained Earnings | Treasury Stock | AOCI [a] | Total |
|--|------------------|--------------------|------------------|-----------------|----------------------|-------------------|-------------|-----------|
| Balance at January 1, 2016 | 1,110.4 | (261.2) | \$ 2,776 | \$ 4,417 | \$ 30,233 | \$ (15,529) | \$ (1,195) | \$ 20,702 |
| Net income | | | - | - | 3,089 | - | - | 3,089 |
| Other comprehensive income | | | - | - | - | - | 10 | 10 |
| Conversion, stock option exercises, and forfeitures, and other | 0.6 | 0.8 | 1 | (11) | - | 40 | - | 30 |
| Share repurchases (Note 18) | - | (25.4) | - | - | - | (2,165) | - | (2,165) |
| Cash dividends declared (\$1.65 per share) | - | - | - | - | (1,382) | - | - | (1,382) |
| Balance at September 30, 2016 | 1,111.0 | (285.8) | \$ 2,777 | \$ 4,406 | \$ 31,940 | \$ (17,654) | \$ (1,185) | \$ 20,284 |
| Balance at January 1, 2017 | 1,111.0 | (295.2) | \$ 2,777 | \$ 4,421 | \$ 32,587 | \$ (18,581) | \$ (1,272) | \$ 19,932 |
| Net income | | | - | - | 3,434 | - | - | 3,434 |
| Other comprehensive income | | | - | - | - | - | 100 | 100 |
| Conversion, stock option exercises, and forfeitures, and other | 0.4 | 0.7 | 1 | 33 | - | 22 | - | 56 |
| Share repurchases | - | (27.1) | - | - | - | (2,911) | - | (2,911) |

(Note 18)

Cash dividends

declared

| | | | | | | | | |
|---------------------|---|---|---|---|---------|---|---|---------|
| (\$1.815 per share) | - | - | - | - | (1,460) | - | - | (1,460) |
|---------------------|---|---|---|---|---------|---|---|---------|

Balance at

| | | | | | | | | |
|--------------------|---------|---------|----------|----------|-----------|-------------|------------|-----------|
| September 30, 2017 | 1,111.4 | (321.6) | \$ 2,778 | \$ 4,454 | \$ 34,561 | \$ (21,470) | \$ (1,172) | \$ 19,151 |
|--------------------|---------|---------|----------|----------|-----------|-------------|------------|-----------|

[a]AOCI = Accumulated Other Comprehensive Income/(Loss) (Note 10)

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

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UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For purposes of this report, unless the context otherwise requires, all references herein to the “Corporation”, “Company”, “UPC”, “we”, “us”, and “our” mean Union Pacific Corporation and its subsidiaries, including Union Pacific Railroad Company, which will be separately referred to herein as “UPRR” or the “Railroad”.

1. Basis of Presentation

Our Condensed Consolidated Financial Statements are unaudited and reflect all adjustments (consisting of normal and recurring adjustments) that are, in the opinion of management, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, this Quarterly Report on Form 10-Q should be read in conjunction with our Consolidated Financial Statements and notes thereto contained in our 2016 Annual Report on Form 10-K. Our Consolidated Statement of Financial Position at December 31, 2016, is derived from audited financial statements. The results of operations for the nine months ended September 30, 2017, are not necessarily indicative of the results for the entire year ending December 31, 2017.

The Condensed Consolidated Financial Statements are presented in accordance with GAAP as codified in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

2. Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers (Topic 606). ASU 2014-09 supersedes the revenue recognition guidance in Topic 605, Revenue Recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to

be entitled in the exchange for those goods or services. This may require the use of more judgment and estimates in order to correctly recognize the revenue expected as an outcome of each specific performance obligation.

Additionally, this guidance will require the disclosure of the nature, amount, and timing of revenue arising from contracts so as to aid in the understanding of the users of financial statements.

This standard is effective for annual reporting periods beginning after December 15, 2017, and we intend to adopt the standard beginning in 2018 using the modified retrospective transition method. The Company has analyzed a significant proportion of our freight and other revenues and we expect to continue to recognize freight revenues as freight moves from origin to destination and to recognize other revenues as identified performance obligations are satisfied. We are currently analyzing freight and other revenues in the context of the new guidance on principal versus agent considerations and evaluating the required new disclosures. At this time, ASU 2014-09 is not expected to have a material impact on our consolidated financial position, results of operations, or cash flows.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01 (ASU 2016-01), Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10). ASU 2016-01 provides guidance for the recognition, measurement, presentation, and disclosure of financial instruments. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is not permitted. ASU 2016-01 is not expected to have a material impact on our consolidated financial position, results of operations, or cash flows.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), Leases (Subtopic 842). ASU 2016-02 will require companies to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. For public companies, this standard is effective for annual reporting periods beginning after December 15, 2018, and early adoption is permitted. Management is currently evaluating the impact of this standard on our consolidated financial

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position, results of operations, and cash flows, but expects that the adoption will result in a significant increase in the Company's assets and liabilities.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07 (ASU 2017-07), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715). ASU 2017-07 requires the service cost component be reported separately from the other components of net benefit costs in the income statement, provides explicit guidance on the presentation of the service cost component and the other components of net benefit cost in the income statement, and allows only the service cost component of net benefit cost to be eligible for capitalization. This standard is effective for annual and interim reporting periods beginning after December 15, 2017, and requires retrospective adoption. Early adoption is permitted. ASU 2017-07 is not expected to have an impact on our consolidated financial position, results of operations, cash flows, net income or earnings per share as a result of adopting this new standard. The Company currently records service costs and net benefit costs within compensation and benefits expense. Upon adoption, only the service cost will be recorded within compensation and benefits expense, and the other components of net benefit costs, including \$67 million related to the 2017 workforce reduction plan as described in Note 6, will be recorded in other income. The retrospective impact of future adoption is shown in the table below:

| | | Three Months Ended September 30, 2017 | 2016 | Nine Months Ended September 30, 2017 | 2016 |
|---|----|--|--------|--|---------|
| Millions | | | | | |
| Increase/(decrease) in operating income | \$ | 61 | \$ (8) | \$ 49 | \$ (24) |
| Increase/(decrease) in other income | | (61) | 8 | (49) | 24 |

3. Workforce Reduction Plan

On August 16, 2017, the Company approved and commenced a management and administrative personnel reorganization plan (the "Plan") furthering its on-going efforts to increase efficiency and more effectively align

Company resources. The Plan implemented productivity initiatives identified during a recently completed Company-wide organizational review that included the reduction of approximately 460 management positions and 150 agreement positions. An additional 100 agreement positions have been identified and will be eliminated throughout the remainder of 2017. The Plan resulted in a pretax charge recognized in the third quarter of 2017 within compensation and benefits expense in our Condensed Consolidated Statements of Income. This charge consisted of management employee termination benefits, including pension expenses, severance costs, and acceleration of equity compensation expense as shown in the table below. The actions associated with the Plan are substantially complete, and we do not expect to incur additional charges for the Plan in subsequent years.

| Millions As of September 30, 2017 | Compensation and Benefits Expense | Liability |
|--------------------------------------|--------------------------------------|-----------|
| Pension | \$ 67 | \$ 67 |
| Severance | 12 | 12 |
| Equity Compensation | 5 | 5 |
| Total | \$ 84 | \$ 84 |

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4. Operations and Segmentation

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable operating segment. Although we provide and analyze revenue by commodity group, we treat the financial results of the Railroad as one segment due to the integrated nature of our rail network. The following table provides freight revenue by commodity group:

| Millions | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--------------------------|--|----------|---------------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Agricultural Products | \$ 914 | \$ 937 | \$ 2,763 | \$ 2,664 |
| Automotive | 469 | 485 | 1,486 | 1,483 |
| Chemicals | 896 | 875 | 2,679 | 2,617 |
| Coal | 711 | 728 | 1,978 | 1,741 |
| Industrial Products | 1,079 | 855 | 3,016 | 2,519 |
| Intermodal | 981 | 957 | 2,828 | 2,745 |
| Total freight revenues | \$ 5,050 | \$ 4,837 | \$ 14,750 | \$ 13,769 |
| Other revenues | 358 | 337 | 1,040 | 1,004 |
| Total operating revenues | \$ 5,408 | \$ 5,174 | \$ 15,790 | \$ 14,773 |

Although our revenues are principally derived from customers domiciled in the U.S., the ultimate points of origination or destination for some products we transport are outside the U.S. Each of our commodity groups includes revenue from shipments to and from Mexico. Included in the above table are freight revenues from our Mexico business which amounted to \$555 million and \$564 million, respectively, for the three months ended September 30, 2017, and September 30, 2016, and \$1,697 million and \$1,649 million, respectively, for the nine months ended September 30, 2017, and September 30, 2016.

5. Stock-Based Compensation

We have several stock-based compensation plans under which employees and non-employee directors receive stock options, nonvested retention shares, and nonvested stock units. We refer to the nonvested shares and stock units collectively as “retention awards”. We have elected to issue treasury shares to cover option exercises and stock unit vestings, while new shares are issued when retention shares are granted. Information regarding stock-based compensation appears in the table below:

| | Three Months Ended September 30, 2017 | | Nine Months Ended September 30, 2016 | |
|--|--|-------|---|-------|
| Millions | | | | |
| Stock-based compensation, before tax: | | | | |
| Stock options | \$ 6 | \$ 5 | \$ 15 | \$ 13 |
| Retention awards | 24 | 15 | 68 | 48 |
| Total stock-based compensation, before tax | \$ 30 | \$ 20 | \$ 83 | \$ 61 |
| Excess tax benefits from equity compensation plans | \$ 4 | \$ 5 | \$ 29 | \$ 21 |

Stock Options – We estimate the fair value of our stock option awards using the Black-Scholes option pricing model. The table below shows the annual weighted-average assumptions used for valuation purposes:

| Weighted-Average Assumptions | 2017 | 2016 |
|---|----------|----------|
| Risk-free interest rate | 2.0% | 1.3% |
| Dividend yield | 2.3% | 2.9% |
| Expected life (years) | 5.3 | 5.1 |
| Volatility | 21.7% | 23.2% |
| Weighted-average grant-date fair value of options granted | \$ 18.19 | \$ 11.36 |

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The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant; the expected dividend yield is calculated as the ratio of dividends paid per share of common stock to the stock price on the date of grant; the expected life is based on historical and expected exercise behavior; and expected volatility is based on the historical volatility of our stock price over the expected life of the option.

A summary of stock option activity during the nine months ended September 30, 2017, is presented below:

| | Options (thous.) | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value (millions) |
|--|------------------|---------------------------------|---|--------------------------------------|
| Outstanding at January 1, 2017 | 6,162 | \$ 73.13 | 5.9 yrs. | \$ 205 |
| Granted | 1,086 | 107.30 | N/A | N/A |
| Exercised | (648) | 47.64 | N/A | N/A |
| Forfeited or expired | (90) | 91.17 | N/A | N/A |
| Outstanding at September 30, 2017 | 6,510 | \$ 81.12 | 6.0 yrs. | \$ 233 |
| Vested or expected to vest at September 30, 2017 | 6,477 | \$ 80.98 | 6.0 yrs. | \$ 233 |
| Options exercisable at September 30, 2017 | 4,118 | \$ 72.95 | 4.5 yrs. | \$ 181 |

Stock options are granted at the closing price on the date of grant, have ten-year contractual terms, and vest no later than three years from the date of grant. None of the stock options outstanding at September 30, 2017, are subject to performance or market-based vesting conditions.

At September 30, 2017, there was \$22 million of unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted-average period of 1.4 years. Additional information regarding stock option exercises appears in the table below:

| Millions | Three Months Ended September 30, 2017 | | Nine Months Ended September 30, 2016 | |
|--|---------------------------------------|-------|--------------------------------------|-------|
| Intrinsic value of stock options exercised | \$ 10 | \$ 15 | \$ 40 | \$ 32 |
| Cash received from option exercises | 11 | 11 | 39 | 24 |
| Treasury shares repurchased for employee payroll taxes | (3) | (4) | (12) | (9) |

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| | | | | |
|---|---|---|----|----|
| Tax benefit realized from option exercises | 4 | 5 | 15 | 12 |
| Aggregate grant-date fair value of stock options vested | - | - | 19 | 19 |

Retention Awards – The fair value of retention awards is based on the closing price of the stock on the grant date. Dividends and dividend equivalents are paid to participants during the vesting periods.

Changes in our retention awards during the nine months ended September 30, 2017, were as follows:

| | Shares | Weighted-Average Grant-Date Fair Value |
|---------------------------------|--------|--|
| Nonvested at January 1, 2017 | 2,789 | \$ 84.68 |
| Granted | 562 | 107.30 |
| Vested | (801) | 68.10 |
| Forfeited | (79) | 92.82 |
| Nonvested at September 30, 2017 | 2,471 | \$ 94.94 |

Retention awards are granted at no cost to the employee or non-employee director and vest over periods lasting up to four years. At September 30, 2017, there was \$99 million of total unrecognized compensation expense related to nonvested retention awards, which is expected to be recognized over a weighted-average period of 1.8 years.

Performance Retention Awards – In February 2017, our Board of Directors approved performance stock unit grants. The basic terms of these performance stock units are identical to those granted in February 2016, except for different annual return on invested capital (ROIC) performance targets. The 2016 and

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2017 plans also include relative operating income growth (OIG) as a modifier compared to the companies included in the S&P 500 Industrials Index. We define ROIC as net operating profit adjusted for interest expense (including interest on the present value of operating leases) and taxes on interest divided by average invested capital adjusted for the present value of operating leases. The modifier can be up to +/- 25% of the award earned based on the ROIC achieved.

Stock units awarded to selected employees under these grants are subject to continued employment for 37 months and the attainment of certain levels of ROIC, and for the 2016 and 2017 plans, modified for the relative OIG. We expense the fair value of the units that are probable of being earned based on our forecasted ROIC over the 3-year performance period, and with respect to the third year of the 2016 and 2017 plans, the relative OIG modifier. We measure the fair value of these performance stock units based upon the closing price of the underlying common stock as of the date of grant, reduced by the present value of estimated future dividends. Dividend equivalents are paid to participants only after the units are earned.

The assumptions used to calculate the present value of estimated future dividends related to the February 2017 grant were as follows:

| | |
|--|----------|
| | 2017 |
| Dividend per share per quarter | \$ 0.605 |
| Risk-free interest rate at date of grant | 1.5% |

Changes in our performance retention awards during the nine months ended September 30, 2017, were as follows:

| | Shares | Weighted-Average Grant-Date Fair Value |
|---------------------------------|----------|--|
| | (thous.) | |
| Nonvested at January 1, 2017 | 1,145 | \$ 86.23 |
| Granted | 461 | 101.38 |
| Vested | (255) | 83.06 |
| Unearned | (110) | 83.06 |
| Forfeited | (52) | 92.20 |
| Nonvested at September 30, 2017 | 1,189 | \$ 92.82 |

At September 30, 2017, there was \$47 million of total unrecognized compensation expense related to nonvested performance retention awards, which is expected to be recognized over a weighted-average period of 1.8 years. This expense is subject to achievement of the performance measures established for the performance stock unit grants.

6. Retirement Plans

Pension and Other Postretirement Benefits

Pension Plans – We provide defined benefit retirement income to eligible non-union employees through qualified and non-qualified (supplemental) pension plans. Qualified and non-qualified pension benefits are based on years of service and the highest compensation during the latest years of employment, with specific reductions made for early retirements.

Other Postretirement Benefits (OPEB) – We provide medical and life insurance benefits for eligible retirees. These benefits are funded as medical claims and life insurance premiums are paid.

Expense

Both pension and OPEB expense are determined based upon the annual service cost of benefits (the actuarial cost of benefits earned during a period) and the interest cost on those liabilities, less the expected return on plan assets. The expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes changes in fair value over a five-year period. This practice is intended to reduce year-to-year volatility in pension expense, but it can have the effect of delaying the recognition of differences between actual returns on assets and expected returns based on long-term rate of return

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assumptions. Differences in actual experience in relation to assumptions are not recognized in net income immediately, but are deferred in accumulated other comprehensive income and, if necessary, amortized as pension or OPEB expense.

The workforce reduction plan initiated in the third quarter of 2017 included a curtailment loss of \$20 million and a special termination benefit of \$47 million as a result of a remeasurement as of September 30, 2017, due to the eliminated future service for approximately 460 management employees. These amounts were recognized in the third quarter of 2017 within compensation and benefits expense in our Condensed Consolidated Statements of Income. In connection with this remeasurement, the Company also updated the pension effective discount rate assumption from 4.20% to 3.81%.

The components of our net periodic pension cost were as follows:

| Millions | Three Months Ended | | Nine Months Ended | |
|--------------------------------|--------------------|-------|-------------------|-------|
| | September 30, | | September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Service cost | \$ 21 | \$ 21 | \$ 66 | \$ 64 |
| Interest cost | 35 | 36 | 106 | 107 |
| Expected return on plan assets | (66) | (67) | (198) | (201) |
| Curtailment cost | 20 | - | 20 | - |
| Special termination cost | 47 | - | 47 | - |
| Amortization of actuarial loss | 20 | 21 | 59 | 62 |
| Net periodic pension cost | \$ 77 | \$ 11 | \$ 100 | \$ 32 |

The components of our net periodic OPEB cost were as follows:

| Three Months Ended | Nine Months Ended |
|--------------------|-------------------|
| September 30, | September 30, |

| Millions | 2017 | 2016 | 2017 | 2016 |
|------------------------|------|------|-------|------|
| Service cost | \$ - | \$ - | \$ 1 | \$ 1 |
| Interest cost | 3 | 2 | 8 | 8 |
| Amortization of: | | | | |
| Prior service credit | - | (2) | - | (7) |
| Actuarial loss | 2 | 2 | 7 | 7 |
| Net periodic OPEB cost | \$ 5 | \$ 2 | \$ 16 | \$ 9 |

Cash Contributions

For the nine months ended September 30, 2017, we did not make any cash contributions to the qualified pension plan.

Any contributions made during 2017 will be based on cash generated from operations and financial market considerations. Our policy with respect to funding the qualified plans is to fund at least the minimum required by law and not more than the maximum amount deductible for tax purposes. At September 30, 2017, we do not have minimum cash funding requirements for 2017.

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7. Other Income

Other income included the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|--|-------|--|--------|
| Millions | 2017 | 2016 | 2017 | 2016 |
| Rental income [a] | \$ 89 | \$ 23 | \$ 152 | \$ 71 |
| Net gain on non-operating asset dispositions [b] [c] | 63 | 3 | 108 | 91 |
| Interest income | 4 | 3 | 10 | 8 |
| Non-operating environmental costs and other | (5) | - | (9) | (18) |
| Total | \$ 151 | \$ 29 | \$ 261 | \$ 152 |

[a]2017 includes \$65 million related to a favorable litigation settlement in the third quarter.

[b]2017 includes \$26 million related to a real estate sale in the first quarter and \$57 million related to a real estate sale in the third quarter.

[c]2016 includes \$17 million related to a real estate sale in the first quarter and \$50 million related to a real estate sale in the second quarter.

8. Income Taxes

The statute of limitations has run for all years prior to 2013 and UPC is not currently under examination by the Internal Revenue Service (IRS) for any of its open years. In 2017, UPC amended its 2013 income tax returns, primarily to claim deductions resulting from the resolution of prior year IRS examinations.

In 2016, UPC amended its 2011 and 2012 income tax returns to claim deductions resulting from the resolution of IRS examinations for years prior to 2011. The IRS and Joint Committee on Taxation have completed their review of these amended returns, and in the third quarter of 2017, we received a refund of \$62 million, consisting of \$60 million of tax and \$2 million of interest.

Several state tax authorities are examining our state tax returns for years 2006 through 2014.

At September 30, 2017, we had a net liability for unrecognized tax benefits of \$170 million.

On July 6, 2017, the State of Illinois increased its corporate income tax rate effective July 1, 2017. In the third quarter of 2017, we increased our deferred tax expense by \$33 million to reflect the increased tax rate.

9. Earnings Per Share

The following table provides a reconciliation between basic and diluted earnings per share:

| Millions, Except Per Share Amounts | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|--|----------|---------------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Net income | \$ 1,194 | \$ 1,131 | \$ 3,434 | \$ 3,089 |
| Weighted-average number of shares outstanding: | | | | |
| Basic | 794.5 | 829.0 | 803.4 | 836.8 |
| Dilutive effect of stock options | 1.7 | 1.6 | 1.7 | 1.4 |
| Dilutive effect of retention shares and units | 1.4 | 1.6 | 1.4 | 1.4 |
| Diluted | 797.6 | 832.2 | 806.5 | 839.6 |
| Earnings per share – basic | \$ 1.50 | \$ 1.36 | \$ 4.27 | \$ 3.69 |
| Earnings per share – diluted | \$ 1.50 | \$ 1.36 | \$ 4.26 | \$ 3.68 |
| Stock options excluded as their inclusion would be anti-dilutive | 1.9 | 0.9 | 1.8 | 2.4 |

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10. Accumulated Other Comprehensive Income/(Loss)

Reclassifications out of accumulated other comprehensive income/(loss) for the three and nine months ended September 30, 2017, and 2016, were as follows (net of tax):

| Millions | Defined benefit plans | Foreign currency translation | Total |
|--|-----------------------------|------------------------------------|------------|
| Balance at July 1, 2017 | \$ (1,106) | \$ (115) | \$ (1,221) |
| Other comprehensive income/(loss) before reclassifications | 3 | 9 | 12 |
| Amounts reclassified from accumulated other comprehensive income/(loss) [a] | 37 | - | 37 |
| Net quarter-to-date other comprehensive income/(loss), net of taxes of \$(27) million | 40 | 9 | 49 |
| Balance at September 30, 2017 | \$ (1,066) | \$ (106) | \$ (1,172) |
| Balance at July 1, 2016 | \$ (1,082) | \$ (116) | \$ (1,198) |
| Other comprehensive income/(loss) before reclassifications | 1 | (1) | - |
| Amounts reclassified from accumulated other comprehensive income/(loss) [a] | 13 | - | 13 |
| Net quarter-to-date other comprehensive income/(loss), net of taxes of \$(7) million | 14 | (1) | 13 |
| Balance at September 30, 2016 | \$ (1,068) | \$ (117) | \$ (1,185) |

| Millions | Defined benefit plans | Foreign currency translation | Total |
|---|-----------------------------|------------------------------------|------------|
| Balance at January 1, 2017 | \$ (1,132) | \$ (140) | \$ (1,272) |
| Other comprehensive income/(loss) before reclassifications | 1 | 34 | 35 |
| Amounts reclassified from accumulated other comprehensive income/(loss) [a] | 65 | - | 65 |
| Net year-to-date other comprehensive income/(loss), net of taxes of \$(59) million | 66 | 34 | 100 |
| Balance at September 30, 2017 | \$ (1,066) | \$ (106) | \$ (1,172) |
| Balance at January 1, 2016 | \$ (1,103) | \$ (92) | \$ (1,195) |
| Other comprehensive income/(loss) before reclassifications | (4) | (25) | (29) |

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| | | | |
|--|------------|----------|------------|
| Amounts reclassified from accumulated other comprehensive income/(loss) [a] | 39 | - | 39 |
| Net year-to-date other comprehensive income/(loss), net of taxes of \$(8) million | 35 | (25) | 10 |
| Balance at September 30, 2016 | \$ (1,068) | \$ (117) | \$ (1,185) |

[a]The accumulated other comprehensive income/(loss) reclassification components are 1) prior service cost/(credit) and 2) net actuarial loss which are both included in the computation of net periodic pension cost. See Note 6 Retirement Plans for additional details.

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11. Accounts Receivable

Accounts receivable includes freight and other receivables reduced by an allowance for doubtful accounts. The allowance is based upon historical losses, credit worthiness of customers, and current economic conditions. At September 30, 2017, and December 31, 2016, our accounts receivable were reduced by \$2 million and \$5 million, respectively. Receivables not expected to be collected in one year and the associated allowances are classified as other assets in our Condensed Consolidated Statements of Financial Position. At both September 30, 2017, and December 31, 2016, receivables classified as other assets were reduced by allowances of \$17 million.

Receivables Securitization Facility – The Railroad maintains a \$650 million, 3-year receivables securitization facility (the Receivables Facility) maturing in July 2019. Under the Receivables Facility, the Railroad sells most of its eligible third-party receivables to Union Pacific Receivables, Inc. (UPRI), a consolidated, wholly-owned, bankruptcy-remote subsidiary that may subsequently transfer, without recourse, an undivided interest in accounts receivable to investors.

The investors have no recourse to the Railroad's other assets except for customary warranty and indemnity claims.

Creditors of the Railroad do not have recourse to the assets of UPRI.

The amount outstanding under the Receivables Facility was \$200 million and \$0 at September 30, 2017, and December 31, 2016, respectively. The Receivables Facility was supported by \$1.1 billion and \$1.0 billion of accounts receivable as collateral at September 30, 2017, and December 31, 2016, respectively, which, as a retained interest, is included in accounts receivable, net in our Condensed Consolidated Statements of Financial Position.

The outstanding amount the Railroad is allowed to maintain under the Receivables Facility, with a maximum of \$650 million, may fluctuate based on the availability of eligible receivables and is directly affected by business volumes and credit risks, including receivables payment quality measures such as default and dilution ratios. If default or dilution ratios increase one percent, the allowable outstanding amount under the Receivables Facility would not materially change.

The costs of the Receivables Facility include interest, which will vary based on prevailing benchmark and commercial paper rates, program fees paid to participating banks, commercial paper issuance costs, and fees of participating banks for unused commitment availability. The costs of the Receivables Facility are included in interest expense and were \$1 million and \$2 million for the three months ended September 30, 2017, and 2016, respectively, and \$4 million and \$5 million for the nine months ended September 30, 2017, and 2016, respectively.

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12. Properties

The following tables list the major categories of property and equipment, as well as the weighted-average estimated useful life for each category (in years):

| Millions, Except Estimated Useful Life As of September 30, 2017 | Cost | Accumulated Depreciation | Net Book Value | Estimated Useful Life |
|--|-----------|--------------------------|----------------|-----------------------|
| Land | \$ 5,228 | \$ N/A | \$ 5,228 | N/A |
| Road: | | | | |
| Rail and other track material | 16,226 | 5,869 | 10,357 | 43 |
| Ties | 10,084 | 2,863 | 7,221 | 33 |
| Ballast | 5,376 | 1,493 | 3,883 | 34 |
| Other roadway [a] | 18,732 | 3,420 | 15,312 | 47 |
| Total road | 50,418 | 13,645 | 36,773 | N/A |
| Equipment: | | | | |
| Locomotives | 9,309 | 3,606 | 5,703 | 20 |
| Freight cars | 2,254 | 980 | 1,274 | 24 |
| Work equipment and other | 939 | 263 | 676 | 19 |
| Total equipment | 12,502 | 4,849 | 7,653 | N/A |
| Technology and other | 1,028 | 441 | 587 | 11 |
| Construction in progress | 795 | - | 795 | N/A |
| Total | \$ 69,971 | \$ 18,935 | \$ 51,036 | N/A |

| Millions, Except Estimated Useful Life As of December 31, 2016 | Cost | Accumulated Depreciation | Net Book Value | Estimated Useful Life |
|---|----------|--------------------------|----------------|-----------------------|
| Land | \$ 5,220 | \$ N/A | \$ 5,220 | N/A |
| Road: | | | | |
| Rail and other track material | 15,845 | 5,722 | 10,123 | 40 |
| Ties | 9,812 | 2,736 | 7,076 | 33 |
| Ballast | 5,242 | 1,430 | 3,812 | 34 |
| Other roadway [a] | 18,138 | 3,226 | 14,912 | 47 |
| Total road | 49,037 | 13,114 | 35,923 | N/A |
| Equipment: | | | | |
| Locomotives | 9,692 | 3,939 | 5,753 | 20 |
| Freight cars | 2,243 | 972 | 1,271 | 24 |
| Work equipment and other | 905 | 232 | 673 | 19 |

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| | | | | |
|--------------------------|-----------|-----------|-----------|-----|
| Total equipment | 12,840 | 5,143 | 7,697 | N/A |
| Technology and other | 974 | 412 | 562 | 11 |
| Construction in progress | 987 | - | 987 | N/A |
| Total | \$ 69,058 | \$ 18,669 | \$ 50,389 | N/A |

[a]Other roadway includes grading, bridges and tunnels, signals, buildings, and other road assets.

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13. Accounts Payable and Other Current Liabilities

| Millions | Sep. 30, Dec. 31, | |
|--|-------------------|----------|
| | 2017 | 2016 |
| Accounts payable | \$ 838 | \$ 955 |
| Income and other taxes payable | 561 | 472 |
| Accrued wages and vacation | 384 | 387 |
| Accrued casualty costs | 203 | 185 |
| Interest payable | 179 | 212 |
| Equipment rents payable | 107 | 101 |
| Other | 656 | 570 |
| Total accounts payable and other current liabilities | \$ 2,928 | \$ 2,882 |

14. Financial Instruments

Short-Term Investments – The Company’s short-term investments consist of time deposits (\$90 million as of September 30, 2017). These investments are considered level 2 investments and are valued at amortized cost, which approximates fair value. All short-term investments have a maturity of less than one year and are classified as held-to-maturity. There were no transfers out of Level 2 during the nine months ended September 30, 2017.

Fair Value of Financial Instruments – The fair value of our short- and long-term debt was estimated using a market value price model, which utilizes applicable U.S. Treasury rates along with current market quotes on comparable debt securities. All of the inputs used to determine the fair market value of the Corporation’s long-term debt are Level 2 inputs and obtained from an independent source. At September 30, 2017, the fair value of total debt was \$18.0 billion, approximately \$1.2 billion more than the carrying value. At December 31, 2016, the fair value of total debt was \$15.9 billion, approximately \$0.9 billion more than the carrying value. The fair value of the Corporation’s debt is a measure of its current value under present market conditions. It does not impact the financial statements under current accounting rules. At both September 30, 2017, and December 31, 2016, approximately \$155 million of debt securities contained call provisions that allow us to retire the debt instruments prior to final maturity, with the payment of fixed call premiums, or in certain cases, at par. The fair value of our cash equivalents approximates their carrying value due to the short-term maturities of these instruments.

15. Debt

Credit Facilities – At September 30, 2017, we had \$1.7 billion of credit available under our revolving credit facility, which is designated for general corporate purposes and supports the issuance of commercial paper. We did not draw on the facility during the nine months ended September 30, 2017. Commitment fees and interest rates payable under the facility are similar to fees and rates available to comparably rated, investment-grade borrowers. The facility allows for borrowings at floating rates based on London Interbank Offered Rates, plus a spread, depending upon credit ratings for our senior unsecured debt. The facility matures in May 2019 under a five-year term and requires UPC to maintain a debt-to-net-worth coverage ratio.

The definition of debt used for purposes of calculating the debt-to-net-worth coverage ratio includes, among other things, certain credit arrangements, capital leases, guarantees and unfunded and vested pension benefits under Title IV of ERISA. At September 30, 2017, the Company was in compliance with the debt-to-net-worth coverage ratio, which allows us to carry up to \$38.3 billion of debt (as defined in the facility), and we had \$16.9 billion of debt (as defined in the facility) outstanding at that date. Under our current financial plans, we expect to continue to satisfy the debt-to-net-worth coverage ratio; however, many factors beyond our reasonable control could affect our ability to comply with this provision in the future. The facility does not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require us to post collateral. The facility also includes a \$125 million cross-default provision and a change-of-control provision.

During the three and nine months ended September 30, 2017, we did not issue or repay any commercial paper, and at September 30, 2017, we had no commercial paper outstanding. Our revolving credit facility supports our outstanding commercial paper balances, and, unless we change the terms of our commercial

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paper program, our aggregate issuance of commercial paper will not exceed the amount of borrowings available under the facility.

Shelf Registration Statement and Significant New Borrowings – In 2016, the Board of Directors reauthorized the issuance of up to \$4.0 billion of debt securities. Under our shelf registration, we may issue, from time to time, any combination of debt securities, preferred stock, common stock, or warrants for debt securities or preferred stock in one or more offerings.

During the nine months ended September 30, 2017, we issued the following unsecured, fixed-rate debt securities under our current shelf registration:

| Date | Description of Securities |
|--------------------|--|
| April 5, 2017 | \$500 million of 3.000% Notes due April 15, 2027 |
| | \$500 million of 4.000% Notes due April 15, 2047 |
| September 19, 2017 | \$500 million of 3.600% Notes due September 15, 2037 |
| | \$500 million of 4.100% Notes due September 15, 2067 |

We used the net proceeds from this offering for general corporate purposes, including the repurchase of common stock pursuant to our share repurchase program. These debt securities include change-of-control provisions. At September 30, 2017, we had remaining authority to issue up to \$1.55 billion of debt securities under our shelf registration.

As of September 30, 2017, we reclassified as long-term debt \$100 million of debt due within one year that we intend to refinance. This reclassification reflects our ability and intent to refinance any short-term borrowings and certain current maturities of long-term debt on a long-term basis.

Receivables Securitization Facility – As of September 30, 2017, and December 31, 2016, we recorded \$200 million and \$0, respectively, of borrowings under our Receivables Facility as secured debt. (See further discussion of our receivables securitization facility in Note 11).

16. Variable Interest Entities

We have entered into various lease transactions in which the structure of the leases contain variable interest entities (VIEs). These VIEs were created solely for the purpose of doing lease transactions (principally involving railroad equipment and facilities) and have no other activities, assets or liabilities outside of the lease transactions. Within these lease arrangements, we have the right to purchase some or all of the assets at fixed prices. Depending on market conditions, fixed-price purchase options available in the leases could potentially provide benefits to us; however, these benefits are not expected to be significant.

We maintain and operate the assets based on contractual obligations within the lease arrangements, which set specific guidelines consistent within the railroad industry. As such, we have no control over activities that could materially impact the fair value of the leased assets. We do not hold the power to direct the activities of the VIEs and, therefore, do not control the ongoing activities that have a significant impact on the economic performance of the VIEs. Additionally, we do not have the obligation to absorb losses of the VIEs or the right to receive benefits of the VIEs that could potentially be significant to the VIEs.

We are not considered to be the primary beneficiary and do not consolidate these VIEs because our actions and decisions do not have the most significant effect on the VIE's performance and our fixed-price purchase options are not considered to be potentially significant to the VIEs. The future minimum lease payments associated with the VIE leases totaled \$2.0 billion as of September 30, 2017.

17. Commitments and Contingencies

Asserted and Unasserted Claims – Various claims and lawsuits are pending against us and certain of our subsidiaries. We cannot fully determine the effect of all asserted and unasserted claims on our consolidated results of operations, financial condition, or liquidity. To the extent possible, we have recorded a liability where asserted and unasserted claims are considered probable and where such claims can be reasonably estimated. We do not expect that any known lawsuits, claims, environmental costs, commitments, contingent liabilities, or guarantees will have a material adverse effect on our consolidated

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results of operations, financial condition, or liquidity after taking into account liabilities and insurance recoveries previously recorded for these matters.

Personal Injury – The cost of personal injuries to employees and others related to our activities is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use an actuarial analysis to measure the expense and liability, including unasserted claims. The Federal Employers' Liability Act (FELA) governs compensation for work-related accidents. Under FELA, damages are assessed based on a finding of fault through litigation or out-of-court settlements. We offer a comprehensive variety of services and rehabilitation programs for employees who are injured at work.

Our personal injury liability is not discounted to present value due to the uncertainty surrounding the timing of future payments. Approximately 95% of the recorded liability is related to asserted claims and approximately 5% is related to unasserted claims at September 30, 2017. Because of the uncertainty surrounding the ultimate outcome of personal injury claims, it is reasonably possible that future costs to settle these claims may range from approximately \$287 million to \$313 million. We record an accrual at the low end of the range as no amount of loss within the range is more probable than any other. Estimates can vary over time due to evolving trends in litigation.

Our personal injury liability activity was as follows:

| | | |
|---|--------|--------|
| Millions, | | |
| for the Nine Months Ended September 30, | 2017 | 2016 |
| Beginning balance | \$ 290 | \$ 318 |
| Current year accruals | 58 | 54 |
| Changes in estimates for prior years | (6) | (30) |
| Payments | (55) | (54) |
| Ending balance at September 30 | \$ 287 | \$ 288 |
| Current portion, ending balance at September 30 | \$ 69 | \$ 62 |

We have insurance coverage for a portion of the costs incurred to resolve personal injury-related claims, and we have recognized an asset for estimated insurance recoveries at September 30, 2017, and December 31, 2016. Any changes to recorded insurance recoveries are included in the above table in the Changes in estimates for prior years category.

Asbestos – We are a defendant in a number of lawsuits in which current and former employees and other parties allege exposure to asbestos. We assess our potential liability using a statistical analysis of resolution costs for

asbestos-related claims. This liability is updated annually and excludes future defense and processing costs. The liability for resolving both asserted and unasserted claims was based on the following assumptions:

- The ratio of future claims by alleged disease would be consistent with historical averages adjusted for inflation.
 - The number of claims filed against us will decline each year.
- The average settlement values for asserted and unasserted claims will be equivalent to historical averages.
 - The percentage of claims dismissed in the future will be equivalent to historical averages.

Our liability for asbestos-related claims is not discounted to present value due to the uncertainty surrounding the timing of future payments. Approximately 19% of the recorded liability related to asserted claims and approximately 81% related to unasserted claims at September 30, 2017.

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Our asbestos-related liability activity was as follows:

| | | |
|---|--------|--------|
| Millions, | | |
| for the Nine Months Ended September 30, | 2017 | 2016 |
| Beginning balance | \$ 111 | \$ 120 |
| Accruals | - | - |
| Payments | (10) | (18) |
| Ending balance at September 30 | \$ 101 | \$ 102 |
| Current portion, ending balance at September 30 | \$ 8 | \$ 7 |

We have insurance coverage for a portion of the costs incurred to resolve asbestos-related claims, and we have recognized an asset for estimated insurance recoveries at September 30, 2017, and December 31, 2016.

We believe that our estimates of liability for asbestos-related claims and insurance recoveries are reasonable and probable. The amounts recorded for asbestos-related liabilities and related insurance recoveries were based on currently known facts. However, future events, such as the number of new claims filed each year, average settlement costs, and insurance coverage issues, could cause the actual costs and insurance recoveries to be higher or lower than the projected amounts. Estimates also may vary in the future if strategies, activities, and outcomes of asbestos litigation materially change; federal and state laws governing asbestos litigation increase or decrease the probability or amount of compensation of claimants; and there are material changes with respect to payments made to claimants by other defendants.

Environmental Costs – We are subject to federal, state, and local environmental laws and regulations. We have identified 317 sites at which we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 33 sites that are the subject of actions taken by the U.S. government, 21 of which are currently on the Superfund National Priorities List. Certain federal legislation imposes joint and several liability for the remediation of identified sites; consequently, our ultimate environmental liability may include costs relating to activities of other parties, in addition to costs relating to our own activities at each site.

When we identify an environmental issue with respect to property owned, leased, or otherwise used in our business, we perform, with assistance of our consultants, environmental assessments on the property. We expense the cost of the assessments as incurred. We accrue the cost of remediation where our obligation is probable and such costs can be reasonably estimated. Our environmental liability is not discounted to present value due to the uncertainty surrounding the timing of future payments.

Our environmental liability activity was as follows:

| | | |
|---|--------|--------|
| Millions, | | |
| for the Nine Months Ended September 30, | 2017 | 2016 |
| Beginning balance | \$ 212 | \$ 190 |
| Accruals | 31 | 66 |
| Payments | (42) | (48) |
| Ending balance at September 30 | \$ 201 | \$ 208 |
| Current portion, ending balance at September 30 | \$ 56 | \$ 54 |

The environmental liability includes future costs for remediation and restoration of sites, as well as ongoing monitoring costs, but excludes any anticipated recoveries from third parties. Cost estimates are based on information available for each site, financial viability of other potentially responsible parties, and existing technology, laws, and regulations. The ultimate liability for remediation is difficult to determine because of the number of potentially responsible parties, site-specific cost sharing arrangements with other potentially responsible parties, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and the speculative nature of remediation costs. Estimates of liability may vary over time due to changes in federal, state, and local laws governing environmental remediation. Current obligations are not expected to have a material adverse effect on our consolidated results of operations, financial condition, or liquidity.

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Insurance – The Company has a consolidated, wholly-owned captive insurance subsidiary (the captive), that provides insurance coverage for certain risks including FELA claims and property coverage which are subject to reinsurance. The captive entered into annual reinsurance treaty agreements that insure workers compensation, general liability, auto liability and FELA risk. The captive cedes a portion of its FELA exposure through the treaty and assumes a proportionate share of the entire risk. The captive receives direct premiums, which are netted against the Company's premium costs in other expenses in the Condensed Consolidated Statements of Income. The treaty agreements provide for certain protections against the risk of treaty participants' non-performance, and we do not believe our exposure to treaty participants' non-performance is material at this time. In the event the Company leaves the reinsurance program, the Company is not relieved of its primary obligation to the policyholders for activity prior to the termination of the treaty agreements. We record both liabilities and reinsurance receivables using an actuarial analysis based on historical experience in our Condensed Consolidated Statements of Financial Position.

Guarantees – At September 30, 2017, and December 31, 2016, we were contingently liable for \$33 million and \$43 million in guarantees, respectively. The fair value of these obligations as of both September 30, 2017, and December 31, 2016 was \$0. We entered into these contingent guarantees in the normal course of business, and they include guaranteed obligations related to our affiliated operations. The final guarantee expires in 2022. We are not aware of any existing event of default that would require us to satisfy these guarantees. We do not expect that these guarantees will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

Indemnities – We are contingently obligated under a variety of indemnification arrangements, although in some cases the extent of our potential liability is limited, depending on the nature of the transactions and the agreements. Due to uncertainty as to whether claims will be made or how they will be resolved, we cannot reasonably determine the probability of an adverse claim or reasonably estimate any adverse liability or the total maximum exposure under these indemnification arrangements. We do not have any reason to believe that we will be required to make any material payments under these indemnity provisions.

Operating Leases – At September 30, 2017, we had commitments for future minimum lease payments under operating leases with initial or remaining non-cancelable lease terms in excess of one year of approximately \$2.7 billion.

18. Share Repurchase Program

Effective January 1, 2017, our Board of Directors authorized the repurchase of up to 120 million shares of our common stock by December 31, 2020, replacing our previous repurchase program. As of September 30, 2017, we repurchased a total of \$22.0 billion of our common stock since the commencement of our repurchase programs in 2007. The table below represents shares repurchased in the first three quarters of 2017 under our new repurchase program, and shares repurchased in the first three quarters of 2016 under our previous repurchase program.

| | Number of Shares | | Average Price | |
|--|------------------|------------|---------------|----------|
| | Purchased | | Paid | |
| | 2017 | 2016 | 2017 | 2016 |
| First quarter | 7,531,300 | 9,315,807 | \$ 106.55 | \$ 76.49 |
| Second quarter | 7,788,283 | 7,026,100 | 109.10 | 85.66 |
| Third quarter | 11,801,755 | 9,088,613 | 106.69 | 93.63 |
| Total | 27,121,338 | 25,430,520 | \$ 107.34 | \$ 85.15 |
| Remaining number of shares that may be repurchased under current authority | | | 92,878,662 | |

Management's assessments of market conditions and other pertinent factors guide the timing and volume of all repurchases. We expect to fund any share repurchases under this program through cash generated from operations, the sale or lease of various operating and non-operating properties, debt issuances, and cash on hand. Repurchased shares are recorded in treasury stock at cost, which includes any applicable commissions and fees.

From October 1, 2017, through October 25, 2017, we repurchased 3.15 million shares at an aggregate cost of approximately \$356 million.

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19. Related Parties

UPRR and other North American railroad companies jointly own TTX Company (TTX). UPRR has a 36.79% economic and voting interest in TTX while the other North American railroads own the remaining interest. In accordance with ASC 323 Investments - Equity Method and Joint Venture, UPRR applies the equity method of accounting to our investment in TTX.

TTX is a railcar pooling company that owns railcars and intermodal wells to serve North America's railroads. TTX assists railroads in meeting the needs of their customers by providing railcars in an efficient, pooled environment. All railroads have the ability to utilize TTX railcars through car hire by renting railcars at stated rates.

UPRR had \$935 million and \$877 million recognized as investments related to TTX in our Condensed Consolidated Statements of Financial Position as of September 30, 2017, and December 31, 2016, respectively. TTX car hire expenses of \$100 million and \$93 million for the three months ended September 30, 2017, and 2016, respectively, and \$284 million and \$275 million for the nine months ended September 30, 2017 and 2016, respectively, are included in equipment and other rents in our Condensed Consolidated Statements of Income. In addition, UPRR had accounts payable to TTX of \$67 million and \$61 million as of September 30, 2017, and December 31, 2016, respectively.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

RESULTS OF OPERATIONS

Three and Nine Months Ended September 30, 2017, Compared to

Three and Nine Months Ended September 30, 2016

For purposes of this report, unless the context otherwise requires, all references herein to "UPC", "Corporation", "Company", "we", "us", and "our" shall mean Union Pacific Corporation and its subsidiaries, including Union Pacific Railroad Company, which we separately refer to as "UPRR" or the "Railroad".

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and applicable notes to the Condensed Consolidated Financial Statements, Item 1, and other information included in this report. Our Condensed Consolidated Financial Statements are unaudited and reflect all adjustments (consisting only of normal and recurring adjustments) that are, in the opinion of management, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America (GAAP).

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable business segment. Although we provide and analyze revenue by commodity group, we treat the financial results of the Railroad as one segment due to the integrated nature of our rail network.

Available Information

Our Internet website is www.up.com. We make available free of charge on our website (under the "Investors" caption link) our Annual Reports on Form 10-K; our Quarterly Reports on Form 10-Q; eXtensible Business Reporting Language (XBRL) documents; our current reports on Form 8-K; our proxy statements; Forms 3, 4, and 5, filed on behalf of directors and executive officers; and amendments to any such reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act), as soon as reasonably practicable after such

material is electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). We also make available on our website previously filed SEC reports and exhibits via a link to EDGAR on the SEC's Internet site at www.sec.gov. We provide these previously filed reports as a convenience and their contents reflect only information that was true and correct as of the date of the report. We assume no obligation to update this historical information.

Additionally, our corporate governance materials, including By-Laws, Board Committee charters, governance guidelines and policies, and codes of conduct and ethics for directors, officers, and employees are available on our website. From time to time, the corporate governance materials on our website may be updated as necessary to comply with rules issued by the SEC and the New York Stock Exchange or as desirable to promote the effective and efficient governance of our company. Any security holder wishing to receive, without charge, a copy of any of our SEC filings or corporate governance materials should send a written request to: Corporate Secretary, Union Pacific Corporation, 1400 Douglas Street, Omaha, NE 68179.

References to our website address in this report, including references in Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 2, are provided as a convenience and do not constitute, and should not be deemed, an incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this report.

Critical Accounting Policies and Estimates

We base our discussion and analysis of our financial condition and results of operations upon our Condensed Consolidated Financial Statements. The preparation of these financial statements requires estimation and judgment that affect the reported amounts of revenues, expenses, assets, and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. If these estimates differ materially from actual results, the impact on the Condensed Consolidated Financial Statements may be material. Our critical accounting policies are available in Item 7 of our 2016 Annual Report on Form 10-

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K. There have not been any significant changes with respect to these policies during the first nine months of 2017.

RESULTS OF OPERATIONS

Quarterly Summary

We reported earnings of \$1.50 per diluted share on net income of \$1.2 billion in the third quarter of 2017 compared to earnings of \$1.36 per diluted share on net income of \$1.1 billion for the third quarter of 2016. Freight revenues increased 4%, or \$213 million, in the third quarter compared to the same period in 2016. A 5% increase in average revenue per car (ARC) resulting from mix of traffic, core pricing gains, and higher fuel surcharge revenue drove the freight revenue growth and more than offset the 1% decline in volume levels. Growth in shale drilling-related frac sand, steel, and fertilizer shipments was more than offset by declines in crude oil, grain, finished vehicles, and a number of chemical and industrial product commodities impacted by disruptions in the Southern region caused by Hurricane Harvey.

Disruptions from the hurricane negatively impacted earnings by approximately \$0.04 per diluted share, which consists of lost revenue and additional operating expenses. Despite the hurricane impact, we continued to align critical resources with current market demands. While volumes declined 1%, our work force levels decreased 2%, demonstrating continued progress on our resource productivity initiatives. At the end of the third quarter, approximately 800 employees across all crafts were either furloughed or in alternate work status, and approximately 1,000 locomotives were in storage.

As reported to the Association of American Railroads (AAR) in the third quarter 2017, average train speed decreased 2% to 25.4 miles per hour compared to the same period of 2016, largely due to hurricane-related disruptions on our network. Continued implementation and testing of Positive Train Control across a larger portion of our network also negatively impacted overall average train speed. Average terminal dwell time increased 7% to 30.0 hours in the third quarter of 2017 compared to the same period of 2016 as a result of disruptions that negatively impacted network fluidity.

In addition, as referenced in Note 3 to the Condensed Consolidated Financial Statements, our third quarter results reflect the impact of our workforce reduction plan, which includes a pre-tax charge of \$84 million.

Operating Revenues

| Millions | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|------------------|--|----------|--------|---------------------------------------|-----------|--------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Freight revenues | \$ 5,050 | \$ 4,837 | 4 % | \$ 14,750 | \$ 13,769 | 7 % |
| Other revenues | 358 | 337 | 6 | 1,040 | 1,004 | 4 |
| Total | \$ 5,408 | \$ 5,174 | 5 % | \$ 15,790 | \$ 14,773 | 7 % |

We generate freight revenues by transporting freight or other materials from our six commodity groups. Freight revenues vary with volume (carloads) and ARC. Changes in price, traffic mix and fuel surcharges drive ARC. We provide some of our customers with contractual incentives for meeting or exceeding specified cumulative volumes or shipping to and from specific locations, which we record as reductions to freight revenues based on the actual or projected future shipments. We recognize freight revenues as shipments move from origin to destination. We allocate freight revenues between reporting periods based on the relative transit time in each reporting period and recognize expenses as we incur them.

Other revenues include revenues earned by our subsidiaries, revenues from commuter rail operations that we manage, accessorial revenues, which we earn when customers retain equipment owned or controlled by us or when we perform additional services such as switching or storage, and miscellaneous contract revenue. We recognize other revenues as we perform services or meet contractual obligations.

Freight revenues increased 4% during the third quarter of 2017 compared to 2016 resulting from mix of traffic, core pricing gains, and higher fuel surcharge revenue, which more than offset the 1% decline in volume levels.

Year-to-date, freight revenues increased 7% compared to 2016 resulting from mix of traffic, volume growth, core pricing gains, and higher fuel surcharge revenue.

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Each of our commodity groups includes revenue from fuel surcharges. Freight revenues from fuel surcharge programs were \$227 million and \$673 million in the third quarter and year-to-date periods of 2017 compared to \$173 million and \$373 million in the same periods of 2016. Higher fuel surcharge revenue resulted from higher year-over-year fuel prices, partially offset by a lag headwind in fuel surcharge recovery due to the sequential increase in fuel price during the third quarter (it can generally take up to two months for changing fuel prices to affect fuel surcharge recoveries).

Other revenues increased in the third quarter and year-to-date periods of 2017 compared to 2016 due to higher subsidiary revenues, primarily those that broker intermodal and automotive services.

The following tables summarize the year-over-year changes in freight revenues, revenue carloads, and ARC by commodity type:

| Freight Revenues Millions | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|------------------------------|--|----------|--------|---------------------------------------|-----------|--------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Agricultural Products | \$ 914 | \$ 937 | (2) % | \$ 2,763 | \$ 2,664 | 4 % |
| Automotive | 469 | 485 | (3) | 1,486 | 1,483 | - |
| Chemicals | 896 | 875 | 2 | 2,679 | 2,617 | 2 |
| Coal | 711 | 728 | (2) | 1,978 | 1,741 | 14 |
| Industrial Products | 1,079 | 855 | 26 | 3,016 | 2,519 | 20 |
| Intermodal | 981 | 957 | 3 | 2,828 | 2,745 | 3 |
| Total | \$ 5,050 | \$ 4,837 | 4 % | \$ 14,750 | \$ 13,769 | 7 % |

| Revenue Carloads Thousands, | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|--------------------------------|--|------|--------|---|------|--------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Agricultural Products | 232 | 258 | (10) % | 719 | 722 | - % |
| Automotive | 200 | 210 | (5) | 627 | 644 | (3) |
| Chemicals | 259 | 274 | (5) | 785 | 817 | (4) |
| Coal | 331 | 341 | (3) | 920 | 846 | 9 |

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| | | | | | | | |
|---------------------|-------|-------|-----|---|-------|-------|-----|
| Industrial Products | 325 | 283 | 15 | | 918 | 832 | 10 |
| Intermodal [a] | 841 | 838 | - | | 2,452 | 2,435 | 1 |
| Total | 2,188 | 2,204 | (1) | % | 6,421 | 6,296 | 2 % |

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|-------------------------|--|----------|--------|---------------------------------------|----------|--------|
| Average Revenue per Car | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Agricultural Products | \$ 3,951 | \$ 3,637 | 9 % | \$ 3,844 | \$ 3,691 | 4 % |
| Automotive | 2,341 | 2,310 | 1 | 2,370 | 2,302 | 3 |
| Chemicals | 3,457 | 3,201 | 8 | 3,412 | 3,206 | 6 |
| Coal | 2,143 | 2,134 | - | 2,150 | 2,057 | 5 |
| Industrial Products | 3,325 | 3,019 | 10 | 3,287 | 3,028 | 9 |
| Intermodal [a] | 1,166 | 1,141 | 2 | 1,153 | 1,127 | 2 |
| Average | \$ 2,307 | \$ 2,195 | 5 % | \$ 2,297 | \$ 2,187 | 5 % |

[a]Each intermodal container or trailer equals one carload.

Agricultural Products – Freight revenue from agricultural products shipments decreased 2% in the third quarter of 2017 compared to 2016 due to a 10% decrease in volume, partially offset by core pricing gains, mix of traffic, and higher fuel surcharge revenue. Grain shipments declined 17% in the third quarter compared to 2016 due to a strong South American crop that displaced a portion of domestic exports. For the year-to-date period, freight revenue increased 4% driven by core pricing gains and higher fuel surcharge revenue. Volumes were flat for the year-to-date period as third quarter declines offset growth in the first half of the year driven by strong export demand for wheat.

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Automotive – Freight revenue from automotive shipments in the third quarter decreased 3%, and was flat for the year-to-date period of 2017 compared to 2016. Volume declined in both periods, but was more pronounced in the third quarter compared to 2016. Conversely, higher fuel surcharge revenue and core pricing gains partially offset the lower volumes and negative mix in traffic in both periods. Finished vehicle shipments decreased 9% and 7% in the third quarter and year-to-date periods respectively, resulting from lower domestic sales and reduced vehicle production for certain manufacturers. Automotive parts shipments were flat in the third quarter but grew 2% in the year-to-date period driven by continued growth in truck-to-rail conversions.

Chemicals – Freight revenue from chemical shipments increased 2% in both the third quarter and year-to-date periods of 2017 compared to 2016 primarily due to mix of traffic, core pricing gains and higher fuel surcharge revenue, partially offset by volume declines of 5% and 4% in those same periods. Petroleum shipments declined 20% and 27% respectively, resulting from continued declines in crude oil volumes impacted by low crude oil prices and available pipeline capacity. In addition, plastics and industrial chemical shipments were negatively impacted by disruptions caused by the hurricane, both declining 6% during the third quarter versus 2016. These decreases were partially offset by growth in export fertilizer shipments in both periods compared to 2016.

Coal – Freight revenue from coal shipments decreased 2% in the third quarter of 2017 compared to 2016 due to lower volume resulting from utility outages and more moderate summer weather conditions, partially offset by mix of traffic and higher fuel surcharge revenue. Year-to-date, freight revenue increased 14% compared to 2016 driven by strong volume growth in the first half of the year due to higher year-over-year natural gas prices and lower inventory levels at utilities. Shipments out of the Powder River Basin (PRB) decreased 4% in the third quarter, but grew 8% for the year-to-date period compared to 2016. Shipments out of Colorado and Utah increased 5% and 10% in the third quarter and year-to-date periods respectively, compared to 2016 driven by stronger export demand to Asia and Europe.

Industrial Products – Freight revenue from industrial products shipments increased 26% and 20% respectively, compared to the third quarter and year-to-date periods of 2016 as a result of volume growth, mix of traffic, core pricing gains, and higher fuel surcharge revenue. Increased shale drilling activity and proppant intensity per drilling well drove substantial volume growth in frac sand shipments in both periods compared to 2016. Conversely, rock shipments for both periods declined versus 2016 due to inclement weather in the West in the first half of the year, combined with the hurricane impact and decreased construction activity in South Texas.

Intermodal – Freight revenue from intermodal shipments increased 3% compared to the third quarter and nine-month periods of 2016 due to higher fuel surcharge revenue and slight volume gains. International shipments grew 1% in both periods compared to 2016 driven by increased westbound backhaul shipments. Domestic shipments decreased 1% in the third quarter but were flat in the nine-month period compared to 2016 due to available truck capacity.

Mexico Business – Each of our commodity groups includes revenue from shipments to and from Mexico. Revenue from Mexico business decreased 2% to \$555 million in the third quarter of 2017 compared to 2016 primarily due to a 3% decline in volume resulting from lower grain and auto parts shipments. Core pricing gains and higher fuel surcharge revenue partially offset the reduced volume levels. For the nine-month period, freight revenue increased 3% to \$1,697 million compared to 2016 driven by fuel surcharge revenue and core pricing gains, partially offset by a 1% decline in volume levels.

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Operating Expenses

| Millions | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|----------------------------------|--|----------|--------|---------------------------------------|----------|--------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Compensation and benefits | \$ 1,298 | \$ 1,191 | 9 % | \$ 3,752 | \$ 3,564 | 5 % |
| Purchased services and materials | 615 | 566 | 9 | 1,778 | 1,705 | 4 |
| Depreciation | 528 | 512 | 3 | 1,573 | 1,518 | 4 |
| Fuel | 450 | 392 | 15 | 1,344 | 1,058 | 27 |
| Equipment and other rents | 275 | 282 | (2) | 824 | 857 | (4) |
| Other | 230 | 271 | (15) | 709 | 764 | (7) |
| Total | \$ 3,396 | \$ 3,214 | 6 % | \$ 9,980 | \$ 9,466 | 5 % |

Operating expenses increased \$182 million and \$514 million in the third quarter and year-to-date periods, respectively, compared to 2016 due to expenses related to the third quarter workforce reduction plan, higher fuel prices, contract services, inflation, hurricane-related costs, and depreciation. In addition, volume-related costs also contributed to the increase in year-to-date expenses compared to 2016. Continued productivity gains, lower state and local taxes, and other expenses partially offset these increases in both periods.

Compensation and Benefits – Compensation and benefits include wages, payroll taxes, health and welfare costs, pension costs, other postretirement benefits, and incentive costs. For the third quarter and year-to-date periods, expenses increased 9% and 5% compared to 2016. Expenses associated with the workforce reduction plan and wage and benefit inflation drove the increases, which were partially offset by resource productivity gains. Volume-related costs also contributed to the year-to-date increase in expenses compared to 2016.

Purchased Services and Materials – Expense for purchased services and materials includes the costs of services purchased from outside contractors and other service providers (including equipment maintenance and contract expenses incurred by our subsidiaries for external transportation services); materials used to maintain the Railroad's lines, structures, and equipment; costs of operating facilities jointly used by UPRR and other railroads; transportation and lodging for train crew employees; trucking and contracting costs for intermodal containers; leased automobile maintenance expenses; and tools and supplies. Purchased services and materials increased 9% in the third quarter and 4% in the year-to-date period of 2017 compared to the same periods of 2016. Volume-related costs (including higher subsidiary contract services), hurricane-related contract services costs, and higher freight car repair expense for leased car expirations drove the increases. Lower joint facility expenses and lower locomotive maintenance expense partially offset the higher expenses for the nine-month period compared to 2016.

Depreciation – The majority of depreciation relates to road property, including rail, ties, ballast, and other track material. A higher depreciable asset base, reflecting recent years' higher capital spending, increased depreciation expense in the third quarter and year-to-date periods of 2017 compared to 2016. These increases were partially offset by our recent depreciation studies that resulted in lower depreciation rates for certain asset classes.

Fuel – Fuel includes locomotive fuel and fuel for highway and non-highway vehicles and heavy equipment. Locomotive diesel fuel prices, which averaged \$1.77 per gallon (including taxes and transportation costs) in the third quarter of 2017, compared to \$1.57 per gallon in the same period in 2016, increased expenses by \$50 million. In addition, fuel costs were higher as gross ton-miles increased 2% compared to the same period in 2016. The fuel consumption rate (c-rate), computed as gallons of fuel consumed divided by gross ton-miles in thousands, improved 1% compared to the third quarter of 2016. For the nine-month period, locomotive diesel fuel prices averaged \$1.74 per gallon in 2017 compared to \$1.42 in 2016, increasing expenses by \$236 million.

Equipment and Other Rents – Equipment and other rents expense primarily includes rental expense that the Railroad pays for freight cars owned by other railroads or private companies; freight car, intermodal, and locomotive leases; and office and other rentals. Equipment and other rents expense decreased 2% and 4%, respectively, compared to the same periods in 2016, mainly driven by lower locomotive and freight

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car lease expense (less equipment under lease). Increased car rent expense due to volume growth in certain markets partially offset these decreases in both periods.

Other – Other expenses include state and local taxes; freight, equipment and property damage; utilities, insurance, personal injury, environmental, employee travel, telephone and cellular, computer software, bad debt and other general expenses. Other costs decreased 15% in the third quarter and 7% in the nine-month period compared to 2016 due to lower state and local taxes, lower environmental expense, and higher bad debt expense in 2016 resulting from a customer bankruptcy. Conversely, increased costs associated with destroyed equipment owned by third parties and higher personal injury expense partially offset these decreases in both periods compared to 2016.

Non-Operating Items

| Millions | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|------------------|--|-------|--------|---------------------------------------|---------|--------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Other income | \$ 151 | \$ 29 | F % | \$ 261 | \$ 152 | 72 % |
| Interest expense | (180) | (184) | (2) | (531) | (524) | 1 |
| Income taxes | (789) | (674) | 17 | (2,106) | (1,846) | 14 |

Other Income – Other income increased in the third quarter of 2017 as a result of a \$65 million gain on a litigation settlement for back rent and a \$57 million real estate sale gain, both recognized in the third quarter of 2017. Year-to-date, other income increased as a result of higher gains on real estate sales and increased rental income compared to 2016.

Interest Expense – Interest expense decreased in the third quarter of 2017 compared to 2016 due to \$8 million of debt exchange costs recognized in 2016, partially offset by an increased weighted-average debt level of \$16.0 billion in 2017 compared to \$15.4 billion in 2016. The effective interest rate was 4.5% and 4.7% in the third quarter of 2017 and 2016, respectively. Year-to-date, interest expense increased due to an increased weighted-average debt level of \$15.6 billion in 2017 from \$15.0 billion in 2016, partially offset by a lower effective interest rate of 4.6% compared to 4.7%.

Income Taxes – Income taxes were higher in the third quarter and year-to-date periods of 2017 compared to 2016, resulting from higher pre-tax income and an increase in the State of Illinois corporate income tax rate effective July 1,

2017, increasing our tax expense by \$33 million in the third quarter of 2017. Our effective tax rates for the third quarter of 2017 and 2016 were 39.8% and 37.3%, respectively. For the nine-month periods of 2017 and 2016, our effective tax rates were 38.0% and 37.4%, respectively.

OTHER OPERATING/PERFORMANCE AND FINANCIAL STATISTICS

We report a number of key performance measures weekly to the AAR. We provide this data on our website at www.up.com/investor/aar-stb_reports/index.htm.

Operating/Performance Statistics

Railroad performance measures are included in the table below:

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|--------------------------------------|--|--------|---------|---------------------------------------|--------|----------|
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Average train speed (miles per hour) | 25.4 | 26.0 | (2) % | 25.5 | 26.6 | (4) % |
| Average terminal dwell time (hours) | 30.0 | 28.0 | 7 % | 29.6 | 27.9 | 6 % |
| Gross ton-miles (billions) | 229.8 | 224.6 | 2 % | 671.5 | 633.1 | 6 % |
| Revenue ton-miles (billions) | 119.0 | 117.5 | 1 % | 347.9 | 325.0 | 7 % |
| Operating ratio | 62.8 | 62.1 | 0.7 pts | 63.2 | 64.1 | (0.9)pts |
| Employees (average) | 42,056 | 42,756 | (2) % | 42,127 | 43,154 | (2) % |

Average Train Speed – Average train speed is calculated by dividing train miles by hours operated on our main lines between terminals. Average train speed, as reported to the AAR, decreased 2% and 4% in the third quarter and year-to-date periods of 2017, respectively, compared to the same periods in 2016 as

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disruptions across our network, including the impact of the hurricane, negatively impacted network fluidity. Continued implementation and testing of Positive Train Control across a larger portion of our network also negatively impacted overall average train speed.

Average Terminal Dwell Time – Average terminal dwell time is the average time that a rail car spends at our terminals. Lower average terminal dwell time improves asset utilization and service. Average terminal dwell time in the third quarter and year-to-date periods of 2017 increased 7% and 6%, respectively, compared to the same periods of 2016 resulting from network disruptions which negatively impacted network fluidity.

Gross and Revenue Ton-Miles – Gross ton-miles are calculated by multiplying the weight of loaded and empty freight cars by the number of miles hauled. Revenue ton-miles are calculated by multiplying the weight of freight by the number of tariff miles. Gross ton-miles and revenue ton-miles increased 2% and 1%, respectively, during the third quarter of 2017 compared to 2016, despite a 1% decrease in carloadings. Changes in commodity mix drove the variances in year-over-year increases between gross ton-miles, revenue ton-miles and carloads.

Operating Ratio – Operating ratio is our operating expenses reflected as a percentage of operating revenue. Our third quarter operating ratio of 62.8% increased 0.7 points mainly driven by costs associated with the workforce reduction plan, which had a negative 1.6 point impact on our third quarter operating ratio. Base business operations and productivity gains more than offset inflation, other cost hurdles and additional expenses related to the hurricane. Year-to-date, our operating ratio was 63.2%, improving 0.9 points compared to 2016, despite a negative 0.5 point headwind resulting from the workforce reduction plan.

Employees – Employee levels decreased 2% in both the third quarter and nine-month periods of 2017 compared to the same periods in 2016. Productivity gains, a smaller capital workforce, and fewer management and administrative personnel drove the reduction and, for the year-to-date period, more than offset the 2% volume growth.

Debt to Capital / Adjusted Debt to Capital

| Millions, Except Percentages | Sep. 30, 2017 | Dec. 31, 2016 |
|------------------------------|---------------|---------------|
| Debt (a) | \$ 16,833 | \$ 15,007 |
| Equity | 19,151 | 19,932 |
| Capital (b) | \$ 35,984 | \$ 34,939 |

Debt to capital (a/b) 46.8% 43.0%

| Millions, Except Percentages | Sep. 30, 2017 | Dec. 31, 2016 |
|--|---------------|---------------|
| Debt | \$ 16,833 | \$ 15,007 |
| Net present value of operating leases | 2,186 | 2,435 |
| Unfunded pension and OPEB, net of taxes of \$256 and \$261 | 417 | 436 |
| Adjusted debt (a) | 19,436 | 17,878 |
| Equity | 19,151 | 19,932 |
| Adjusted capital (b) | \$ 38,587 | \$ 37,810 |
| Adjusted debt to capital (a/b) | 50.4% | 47.3% |

Adjusted debt to capital is a non-GAAP financial measure under SEC Regulation G and Item 10 of SEC Regulation S-K, and may not be defined and calculated by other companies in the same manner. We believe this measure is important to management and investors in evaluating the total amount of leverage in our capital structure, including off-balance sheet lease obligations, which we generally incur in connection with financing the acquisition of locomotives and freight cars and certain facilities. Operating leases were discounted using 4.6% at September 30, 2017, and 4.7% at December 31, 2016. The discount rate reflects our year-to-date effective interest rate. We monitor the ratio of adjusted debt to capital as we manage our capital structure to balance cost-effective and efficient access to the capital markets with the Corporation's overall cost of capital. Adjusted debt to capital should be considered in addition to, rather than as a

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substitute for, debt to capital. The tables above provide reconciliations from debt to capital to adjusted debt to capital.

LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

| | | |
|---|----------|----------|
| Cash Flows | | |
| Millions, | | |
| for the Nine Months Ended September 30, | 2017 | 2016 |
| Cash provided by operating activities | \$ 5,398 | \$ 5,467 |
| Cash used in investing activities | (2,260) | (2,819) |
| Cash used in financing activities | (2,568) | (2,130) |
| Net change in cash and cash equivalents | \$ 570 | \$ 518 |

Operating Activities

In the first nine months of 2017, cash provided by operating activities decreased compared to the same period of 2016 due to the timing of tax payments in 2016 related to bonus depreciation on capital spending. The decrease was mostly offset by higher income in the first nine months of 2017 compared to 2016.

Investing Activities

A reduction in purchased short-term investments and capital investments lowered cash used in investing activities in the first nine months of 2017 compared to the same period in 2016.

The table below details cash capital investments:

| | | |
|--|----------|----------|
| Millions, | | |
| for the Nine Months Ended September 30, | 2017 | 2016 |
| Rail and other track material | \$ 482 | \$ 486 |
| Ties | 371 | 397 |
| Ballast | 178 | 184 |
| Other [a] | 342 | 345 |
| Total road infrastructure replacements | 1,373 | 1,412 |
| Line expansion and other capacity projects | 57 | 104 |
| Commercial facilities | 119 | 111 |
| Total capacity and commercial facilities | 176 | 215 |
| Locomotives and freight cars [b] | 430 | 638 |
| Positive train control | 262 | 263 |
| Technology and other | 138 | 76 |
| Total cash capital investments | \$ 2,379 | \$ 2,604 |

[a]Other includes bridges and tunnels, signals, other road assets, and road work equipment.

[b]Locomotives and freight cars include lease buyouts of \$173 million in 2017 and \$70 million in 2016.

Capital Plan

As previously stated, we expect our 2017 capital plan to be approximately \$3.1 billion, which may be revised if business conditions or the regulatory environment affect our ability to generate sufficient returns on these investments.

Financing Activities

Cash used in financing activities increased \$438 million in the first nine months of 2017 compared to the same period of 2016 driven by a \$782 million increase in shares repurchased, partially offset by a \$402 million increase in debt issued.

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See Note 15 of the Condensed Consolidated Financial Statements for a description of all our outstanding financing arrangements and significant new borrowings.

Free Cash Flow – Free cash flow is defined as cash provided by operating activities less cash used in investing activities and dividends paid.

Free cash flow is not considered a financial measure under GAAP by SEC Regulation G and Item 10 of SEC Regulation S-K and may not be defined and calculated by other companies in the same manner. We believe free cash flow is important to management and investors in evaluating our financial performance and measures our ability to generate cash without additional external financing. Free cash flow should be considered in addition to, rather than as a substitute for, cash provided by operating activities. The following table reconciles cash provided by operating activities (GAAP measure) to free cash flow (non-GAAP measure):

| | | |
|---|----------|----------|
| Millions, | | |
| for the Nine Months Ended September 30, | 2017 | 2016 |
| Cash provided by operating activities | \$ 5,398 | \$ 5,467 |
| Cash used in investing activities | (2,260) | (2,819) |
| Dividends paid | (1,460) | (1,382) |
| Free cash flow | \$ 1,678 | \$ 1,266 |

Share Repurchase Program

Effective January 1, 2017, our Board of Directors authorized the repurchase of up to 120 million shares of our common stock by December 31, 2020, replacing our previous repurchase program. As of September 30, 2017, we repurchased a total of \$22.1 billion of our common stock since the commencement of our repurchase programs in 2007. The table below represents shares repurchased in 2017 under our new repurchase program, and shares repurchased in 2016 under our previous repurchase program.

| | Number of Shares Purchased | | Average Price Paid | |
|---------------|----------------------------|-----------|--------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| First quarter | 7,531,300 | 9,315,807 | \$ 106.55 | \$ 76.49 |

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| | | | | |
|--|------------|------------|------------|----------|
| Second quarter | 7,788,283 | 7,026,100 | 109.10 | 85.66 |
| Third quarter | 11,801,755 | 9,088,613 | 106.69 | 93.63 |
| Total | 27,121,338 | 25,430,520 | \$ 107.34 | \$ 85.15 |
| Remaining number of shares that may be repurchased under current authority | | | 92,878,662 | |

Management's assessments of market conditions and other pertinent factors guide the timing and volume of all repurchases. We expect to fund any share repurchases under this program through cash generated from operations, the sale or lease of various operating and non-operating properties, debt issuances, and cash on hand. Repurchased shares are recorded in treasury stock at cost, which includes any applicable commissions and fees.

From October 1, 2017, through October 25, 2017, we repurchased 3.15 million shares at an aggregate cost of approximately \$356 million.

Off-Balance Sheet Arrangements, Contractual Obligations, and Commercial Commitments

As described in the notes to the Condensed Consolidated Financial Statements and as referenced in the tables below, we have contractual obligations and commercial commitments that may affect our financial condition. However, based on our assessment of the underlying provisions and circumstances of our contractual obligations and commercial commitments, including material sources of off-balance sheet and structured finance arrangements, there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur that would have a material adverse effect on our consolidated results of operations, financial condition, or liquidity. In addition, our commercial obligations, financings, and commitments are customary transactions that are similar to those of other comparable corporations, particularly within the transportation industry.

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The following tables identify material obligations and commitments as of September 30, 2017:

| Contractual Obligations Millions | Total | Oct. 1 Payments Due by Dec. 31, through Dec. 31, | | | | | | After | |
|-------------------------------------|-----------|--|----------|----------|----------|----------|-----------|--------|-------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | 2021 | 2021 | Other |
| Debt [a] | \$ 29,002 | \$ 384 | \$ 1,274 | \$ 1,314 | \$ 1,473 | \$ 1,098 | \$ 23,459 | \$ - | |
| Operating leases [b] | 2,699 | 68 | 395 | 357 | 294 | 257 | 1,328 | - | |
| Capital lease obligations [c] | 1,068 | 18 | 170 | 156 | 165 | 142 | 417 | - | |
| Purchase obligations [d] | 3,330 | 811 | 1,440 | 383 | 311 | 246 | 107 | 32 | |
| Other postretirement benefits [e] | 430 | 12 | 47 | 47 | 47 | 47 | 230 | - | |
| Income tax contingencies [f] | 170 | - | 12 | - | - | - | - | 158 | |
| Total contractual obligations | \$ 36,699 | \$ 1,293 | \$ 3,338 | \$ 2,257 | \$ 2,290 | \$ 1,790 | \$ 25,541 | \$ 190 | |

[a]Excludes capital lease obligations of \$884 million, as well as unamortized discount and deferred issuance costs of (\$897) million. Includes an interest component of \$12,156 million.

[b] Includes leases for locomotives, freight cars, other equipment, and real estate.

[c]Represents total obligations, including interest component of \$184 million.

[d]Purchase obligations include locomotive maintenance contracts; purchase commitments for fuel purchases, locomotives, ties, ballast, and rail; and agreements to purchase other goods and services. For amounts where we cannot reasonably estimate the year of settlement, they are included in the Other column.

[e]Includes estimated other postretirement, medical, and life insurance payments and payments made under the unfunded pension plan for the next ten years.

[f]Future cash flows for income tax contingencies reflect the recorded liabilities and assets for unrecognized tax benefits, including any interest or penalties, as of September 30, 2017. For amounts where the year of settlement is uncertain, they are included in the Other column.

| Other Commercial Commitments Millions | Total | Amount of Commitment Oct. 1 Expiration by Dec. 31, through Dec. 31, | | | | | | After | |
|--|----------|--|------|----------|------|------|------|-------|--|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | 2021 | 2021 | |
| Credit facilities [a] | \$ 1,700 | \$ - | \$ - | \$ 1,700 | \$ - | \$ - | \$ - | \$ - | |

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| | | | | | | | |
|---|----------|------|-------|----------|------|------|------|
| Receivables securitization facility [b] | 650 | - | - | 650 | - | - | - |
| Guarantees [c] | 33 | - | 11 | 7 | 5 | 5 | 5 |
| Standby letters of credit [d] | 20 | 7 | 13 | - | - | - | - |
| Total commercial commitments | \$ 2,403 | \$ 7 | \$ 24 | \$ 2,357 | \$ 5 | \$ 5 | \$ 5 |

[a] None of the credit facility was used as of September 30, 2017.

[b] \$200 million of the receivables securitization facility was utilized as of September 30, 2017, which is accounted for as debt. The full program matures in July 2019.

[c] Includes guaranteed obligations related to our affiliated operations.

[d] None of the letters of credit were drawn upon as of September 30, 2017.

OTHER MATTERS

Asserted and Unasserted Claims – Various claims and lawsuits are pending against us and certain of our subsidiaries. We cannot fully determine the effect of all asserted and unasserted claims on our consolidated results of operations, financial condition, or liquidity. To the extent possible, we have recorded a liability where asserted and unasserted claims are considered probable and where such claims can be reasonably estimated. We do not expect that any known lawsuits, claims, environmental costs, commitments, contingent liabilities, or guarantees will have a material adverse effect on our consolidated results of operations, financial condition, or liquidity after taking into account liabilities and insurance recoveries previously recorded for these matters.

Indemnities – We are contingently obligated under a variety of indemnification arrangements, although in some cases the extent of our potential liability is limited, depending on the nature of the transactions and the agreements. Due to uncertainty as to whether claims will be made or how they will be resolved, we cannot reasonably determine the probability of an adverse claim or reasonably estimate any adverse liability.

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or the total maximum exposure under these indemnification arrangements. We do not have any reason to believe that we will be required to make any material payments under these indemnity provisions.

Accounting Pronouncements – See Note 2 to the Condensed Consolidated Financial Statements.

Labor Agreements - The U.S. Class I railroads have been in collective bargaining with rail labor unions since January 2015. On October 5, 2017, six rail unions making up the Coordinated Bargaining Group (CBG) reached a Tentative National Agreement with the railroads, which would be effective January 1, 2015 through December 31, 2019. Collectively, the CBG represents nearly 60% of U.S. railroad employees in collective bargaining.

CAUTIONARY INFORMATION

Certain statements in this report, and statements in other reports or information filed or to be filed with the SEC (as well as information included in oral statements or other written statements made or to be made by us), are, or will be, forward-looking statements as defined by the Securities Act of 1933 and the Exchange Act. These forward-looking statements and information include, without limitation, the statements and information set forth under the caption “Liquidity and Capital Resources” in Item 2 regarding our capital plan and statements under the caption “Off-Balance Sheet Arrangements, Contractual Obligations, and Commercial Commitments.” Forward-looking statements and information also include any other statements or information in this report regarding: expectations as to operational or service improvements; expectations regarding the effectiveness of steps taken or to be taken to improve operations, service, infrastructure improvements, and transportation plan modifications; expectations as to cost savings, revenue growth, and earnings; the time by which goals, targets, or objectives will be achieved; projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, future economic performance, and general economic conditions; proposed new products and services; estimates of costs relating to environmental remediation and restoration; estimates and expectations regarding tax matters, expectations that claims, litigation, environmental costs, commitments, contingent liabilities, labor negotiations or agreements, or other matters will not have a material adverse effect on our consolidated results of operations, financial condition, or liquidity and any other similar expressions concerning matters that are not historical facts.

Forward-looking statements and information reflect the good faith consideration by management of currently available information, and may be based on underlying assumptions believed to be reasonable under the circumstances. However, such information and assumptions (and, therefore, such forward-looking statements and information) are or may be subject to variables or unknown or unforeseeable events or circumstances over which management has little or no influence or control. The Risk Factors in Item 1A of our 2016 Annual Report on Form 10-K, filed February 3, 2017, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements, and this report, including this Item 2, should be read in conjunction with these Risk Factors. To the extent circumstances require or we deem it otherwise

necessary, we will update or amend these risk factors in a Form 10-Q or Form 8-K. Information regarding new risk factors or material changes to our risk factors, if any, is set forth in Item 1A of Part II of this report. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times that, or by which, such performance or results will be achieved. Forward-looking information is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect thereto or with respect to other forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the Quantitative and Qualitative Disclosures About Market Risk previously disclosed in our 2016 Annual Report on Form 10-K.

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Item 4. Controls and Procedures

As of the end of the period covered by this report, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, including the Corporation's Chief Executive Officer (CEO) and Executive Vice President and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based upon that evaluation, the CEO and the CFO concluded that, as of the end of the period covered by this report, the Corporation's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Additionally, the CEO and CFO determined that there were no changes to the Corporation's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in legal proceedings, claims, and litigation that occur in connection with our business. We routinely assess our liabilities and contingencies in connection with these matters based upon the latest available information and, when necessary, we seek input from our third-party advisors when making these assessments. Consistent with SEC rules and requirements, we describe below material pending legal proceedings (other than ordinary routine litigation incidental to our business), material proceedings known to be contemplated by governmental authorities, other proceedings arising under federal, state, or local environmental laws and regulations (including governmental proceedings involving potential fines, penalties, or other monetary sanctions in excess of \$100,000), and such other pending matters that we may determine to be appropriate.

Environmental Matters

On January 21, 2016, California Air Resources Board (CARB) sent UPRR a notice of violation alleging that it had failed to report all information required by the Drayage Truck Rule. The CARB Drayage Truck Rule requires UPRR, as an operator of an intermodal railyard, to submit quarterly reports with detailed information, such as the vehicle identification number, about all trucks entering its intermodal railyard that are not compliant with the rule. UPRR reached an agreement resolving the notice of violation, which includes that payment of a fine of \$525,000. UPRR executed the settlement agreement and paid the fine on August 15, 2017.

We receive notices from the EPA and state environmental agencies alleging that we are or may be liable under federal or state environmental laws for remediation costs at various sites throughout the U.S., including sites on the Superfund National Priorities List or state superfund lists. We cannot predict the ultimate impact of these proceedings and suits because of the number of potentially responsible parties involved, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and the speculative nature of remediation costs.

Information concerning environmental claims and contingencies and estimated remediation costs is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Environmental, Item 7 of our 2016 Annual Report on Form 10-K.

Other Matters

Antitrust Litigation - As we reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, 20 rail shippers (many of whom are represented by the same law firms) filed virtually identical antitrust

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lawsuits in various federal district courts against us and four other Class I railroads in the U.S. Currently, UPRR and three other Class I railroads are the named defendants in the lawsuit. The original plaintiff filed the first of these claims in the U.S. District Court in New Jersey on May 14, 2007. The number of complaints reached a total of 30. These suits allege that the named railroads engaged in pricefixing by establishing common fuel surcharges for certain rail traffic.

In addition to suits filed by direct purchasers of rail transportation services, a few of the suits involved plaintiffs alleging that they are or were indirect purchasers of rail transportation and sought to represent a purported class of indirect purchasers of rail transportation services that paid fuel surcharges. These complaints added allegations under state antitrust and consumer protection laws. On November 6, 2007, the Judicial Panel on Multidistrict Litigation ordered that all of the rail fuel surcharge cases be transferred to Judge Paul Friedman of the U.S. District Court in the District of Columbia for coordinated or consolidated pretrial proceedings. Following numerous hearings and rulings, Judge Friedman dismissed the complaints of the indirect purchasers, which the indirect purchasers appealed. On April 16, 2010, the U.S. Court of Appeals for the District of Columbia affirmed Judge Friedman's ruling dismissing the indirect purchasers' claims based on various state laws.

On June 21, 2012, Judge Friedman issued a decision that certified a class of plaintiffs with eight named plaintiff representatives. The decision included in the class all shippers that paid a rate-based fuel surcharge to any one of the defendant railroads for rate-unregulated rail transportation from July 1, 2003, through December 31, 2008. On July 5, 2012, the defendant railroads filed a petition with the U.S. Court of Appeals for the District of Columbia requesting that the court review the class certification ruling. On August 9, 2013, the Circuit Court vacated the class certification decision and remanded the case to the district court to reconsider the class certification decision in light of a recent Supreme Court case and incomplete consideration of errors in the expert report of the plaintiffs. On October 31, 2013, Judge Friedman approved a schedule agreed to by all parties for consideration of the class certification issue on remand. After reviewing an intervening case, supplemental expert materials and related briefing from the parties, Judge Friedman scheduled and completed a new class certification hearing during the week of September 26, 2016. On October 10, 2017, the parties received a ruling from Judge Friedman denying class certification.

As we reported in our Current Report on Form 8-K, filed on June 10, 2011, the Railroad received a complaint filed in the U.S. District Court for the District of Columbia on June 7, 2011, by Oxbow Carbon & Minerals LLC and related entities (Oxbow). The parties are currently conducting discovery in this matter. For additional information on Oxbow, please refer to Item 3. Legal Proceedings, under Other Matters, Antitrust Litigation in our most recently filed Annual Report on Form 10-K for the year ended December 31, 2016.

We continue to deny the allegations that our fuel surcharge programs violate the antitrust laws or any other laws. We believe that these lawsuits are without merit, and we will vigorously defend our actions. Therefore, we currently believe that these matters will not have a material adverse effect on any of our results of operations, financial condition, and liquidity.

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in our 2016 Annual Report on Form 10-K.

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

Purchases of Equity Securities – The following table presents common stock repurchases during each month for the third quarter of 2017:

| Period | Total Number of Shares Purchased [a] | Average Price Paid Per Share or Program [b] | Total Number of Shares Purchased as Part of a Publicly Announced Plan | Maximum Number of Shares That May Be Purchased Under Current Authority [b] |
|------------------------|--|--|---|---|
| Jul. 1 through Jul. 31 | 3,033,053 | \$ 106.34 | 3,031,855 | 101,648,562 |
| Aug. 1 through Aug. 31 | 5,285,956 | 104.10 | 5,285,900 | 96,362,662 |
| Sep. 1 through Sep. 30 | 3,491,195 | 110.93 | 3,484,000 | 92,878,662 |
| Total | 11,810,204 | \$ 106.69 | 11,801,755 | N/A |

[a] Total number of shares purchased during the quarter includes 8,449 shares delivered or attested to UPC by employees to pay stock option exercise prices, satisfy excess tax withholding obligations for stock option exercises or vesting of retention units, and pay withholding obligations for vesting of retention shares.

[b] Effective January 1, 2017, our Board of Directors authorized the repurchase of up to 120 million shares of our common stock by December 31, 2020, replacing our previous repurchase program. These repurchases may be made on the open market or through other transactions. Our management has sole discretion with respect to determining the timing and amount of these transactions.

Dividend Restrictions – Our revolving credit facility includes a debt-to-net worth covenant (discussed in Note 15 of the Condensed Consolidated Financial Statements) that, under certain circumstances, restricts the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends was \$10.7 billion and \$12.4 billion at September 30, 2017, and December 31, 2016, respectively.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

| Exhibit No. | Description |
|---------------------------------------|--|
| Filed with this Statement 10 | <u>Supplemental Pension Plan (409A Non-Grandfathered Component) for Officers and Managers of Union Pacific Corporation and Affiliates, as amended and restated in its entirety effective as of January 1, 1989, including all amendments adopted through September 30, 2017.</u> |
| 12(a) | <u>Ratio of Earnings to Fixed Charges for the Three Months Ended September 30, 2017 and 2016.</u> |
| 12(b) | <u>Ratio of Earnings to Fixed Charges for the Nine Months Ended September 30, 2017 and 2016.</u> |
| 31(a) | <u>Certifications Pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to</u> |

| | |
|-------|---|
| | <u>Section 302 of the</u> <u>Sarbanes-Oxley Act</u> <u>of 2002 – Lance M.</u> <u>Fritz.</u> |
| 31(b) | <u>Certifications</u> <u>Pursuant to Rule</u> <u>13a-14(a), of the</u> <u>Exchange Act, as</u> <u>Adopted pursuant to</u> <u>Section 302 of the</u> <u>Sarbanes-Oxley Act</u> <u>of 2002 - Robert M.</u> <u>Knight, Jr.</u> |
| 32 | <u>Certifications</u> <u>Pursuant to 18</u> <u>U.S.C. Section</u> <u>1350, as Adopted</u> <u>pursuant to Section</u> <u>906 of the</u> <u>Sarbanes-Oxley Act</u> <u>of 2002 – Lance M.</u> <u>Fritz and Robert M.</u> <u>Knight, Jr.</u> |
| 101 | eXtensible Business Reporting Language (XBRL) documents submitted electronically: 101.INS (XBRL Instance Document), 101.SCH (XBRL Taxonomy Extension Schema Document), 101.CAL (XBRL Calculation Linkbase Document), 101.LAB (XBRL Taxonomy Label Linkbase Document), 101.DEF (XBRL Taxonomy Definition Linkbase Document) and 101.PRE (XBRL Taxonomy Presentation |

Linkbase
Document). The
following financial
and related
information from
Union Pacific
Corporation's
Quarterly Report on
Form 10-Q for the
period ended
September 30, 2017
(filed with the SEC
on October 26,
2017), is formatted
in XBRL and
submitted
electronically
herewith: (i)
Condensed
Consolidated
Statements of
Income for the
periods ended
September 30, 2017
and 2016, (ii)
Condensed
Consolidated
Statements of
Comprehensive
Income for the
periods ended
September 30, 2017
and 2016, (iii)
Condensed
Consolidated
Statements of
Financial Position
at September 30,
2017 and December
31, 2016, (iv)
Condensed
Consolidated
Statements of Cash
Flows for the
periods ended
September 30, 2017
and 2016, (v)
Condensed
Consolidated
Statements of
Changes in

| | |
|---------------------------|--|
| | Common Shareholders' Equity for the periods ended September 30, 2017 and 2016, and (vi) the Notes to the Condensed Consolidated Financial Statements. |
| Incorporated by Reference | |
| 3(a) | <u>Restated Articles of Incorporation of UPC, as amended and restated through June 27, 2011, and as further amended May 15, 2014, are incorporated herein by reference to Exhibit 3(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.</u> |
| 3(b) | <u>By-Laws of UPC, as amended, effective November 19, 2015, are incorporated herein by reference to Exhibit 3.2 to the Corporation's Current Report on Form 8-K dated November 19, 2015.</u> |
| 4(a) | <u>Form of 3.600% Note due 2037 is incorporated by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated September 19, 2017.</u> |
| 4(b) | <u>Form of 4.100% Note due 2067 is incorporated by</u> |

reference to Exhibit
4.2 to the
Corporation's
Current Report on
Form 8-K dated
September 19,
2017.

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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.

Dated: October 26, 2017

UNION PACIFIC CORPORATION (Registrant)

By /s/ Robert M. Knight, Jr.
Robert M. Knight, Jr.
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

By /s/ Todd M. Rynaski
Todd M. Rynaski
Vice President and Controller
(Principal Accounting Officer)