

HONEYWELL INTERNATIONAL INC
Form 8-K
October 25, 2001

=====

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
DATE OF REPORT - October 24, 2001
(Date of earliest event reported)

HONEYWELL INTERNATIONAL INC.
(Exact name of Registrant as specified in its Charter)

DELAWARE
(State or other jurisdiction of
incorporation)

1-8974
(Commission File Number)

22-2640650
(I.R.S. Employee
Identification Number)

101 COLUMBIA ROAD, P.O. BOX 4000, MORRISTOWN, NEW JERSEY
(Address of principal executive offices)

07962-2497
(Zip Code)

Registrant's telephone number, including area code: (973) 455-2000

=====

ITEM 5. OTHER EVENTS.

Honeywell published its third quarter 2001 financial results on October 24, 2001. Honeywell reported free cash flow of \$353 million, and stated that the events of September 11 had resulted in an abrupt and unprecedented decline in the aviation industry. In response, Honeywell has accelerated its cost-reduction actions and further accelerated efforts to improve performance. Census reductions are expected to total 15,800 by the end of the year. Honeywell's income statements for the three- and nine-month periods ended September 30, as well as the results of its business segments, are set forth below:

Honeywell International Inc.
Consolidated Statement of Income (Unaudited)

(In millions except per share amounts)

	Three Months Ended September		

	2001		
	----- Reported -----	----- Adjusted (B) -----	----- Reported -----
Net sales	\$ 5,789	\$ 5,789	\$ 6,287
Costs, expenses and other			
Cost of goods sold	5,368 (A)	4,452	4,452
Selling, general and administrative expenses	803 (A)	738	738
Equity in (income) loss of affiliated companies	17 (A)	(10)	(10)
Other (income) expense	-	-	-
Interest and other financial charges	99	99	99
	----- 6,287	----- 5,279	----- 5,279
Income (loss) before taxes on income	(498)	510	510
Taxes (benefit) on income	(190)	150	150
Net income (loss)	----- \$ (308)	----- \$ 360	----- \$ 360
Earnings (loss) per share of common stock-basic	----- \$ (0.38)	----- \$ 0.44	----- \$ 0.44
Earnings (loss) per share of common stock - assuming dilution (E)	----- \$ (0.38)	----- \$ 0.44	----- \$ 0.44
Weighted average number of shares outstanding-basic	----- 813	----- 813	----- 813
Weighted average number of shares outstanding - assuming dilution (E)	----- 813	----- 816	----- 816

(A) Cost of goods sold, selling, general and administrative expenses, and equity in (income) loss of affiliated companies include provisions of \$916,

Edgar Filing: HONEYWELL INTERNATIONAL INC - Form 8-K

\$65 and \$27 million, respectively, for repositioning and other charges. Total net pretax charges were \$1,008 million (after-tax \$668 million, or \$0.82 per share) which includes \$537 million of net repositioning charges, \$181 million of probable and reasonably estimable legal and environmental claims, \$145 million of write-downs of fixed capital, goodwill and other identifiable intangible assets of our Friction Materials business, \$106 million of write-offs principally related to asset impairments, including receivables and inventory, and \$39 million of loss contracts.

- (B) Excludes the impact from the items in (A) above.
- (C) Cost of goods sold and equity in (income) loss of affiliated companies include provisions of \$361 and \$99 million, respectively, for repositioning and other charges. Total net pretax charges were \$460 million (after-tax \$331 million, or \$0.41 per share) which includes \$86 million of net repositioning charges, \$245 million of write-downs of fixed capital, goodwill and other identifiable intangible assets of our Friction Materials business, \$99 million for costs associated with closing an affiliate's chemical manufacturing operations, and \$30 million of write-offs principally related to asset impairments, including inventory.
- (D) Excludes the impact from the items in (C) above.
- (E) Dilutive securities issuable in connection with stock plans have been excluded from the calculation of reported loss per share because their effect would reduce the loss per share.

3

Honeywell International Inc.
Consolidated Statement of Incomce (Unaudited)

(In millions except per share amounts)

	Nine Months Ended Sep		
	2001		
	Reported	Adjusted (B)	Re
Net sales	\$17,799	\$ 17,799	
Costs, expenses and other			
Cost of goods sold	15,408 (A)	13,510	
Selling, general and administrative expenses	2,408 (A)	2,257	
(Gain) on sale of non-strategic businesses	-	-	
Equity in (income) loss of affiliated companies	205 (A)	5	
Other (income) expense	(18) (A)	(23)	

Edgar Filing: HONEYWELL INTERNATIONAL INC - Form 8-K

Interest and other financial charges	313	313
	-----	-----
	18,316	16,062
	-----	-----
Income (loss) before taxes on income	(517)	1,737
Taxes (benefit) on income	(300)	512
	-----	-----
Net income (loss)	\$ (217)	\$ 1,225
	=====	=====
Earnings (loss) per share of common stock-basic	\$ (0.27)	\$ 1.51
	=====	=====
Earnings (loss) per share of common stock - assuming dilution (F)	\$ (0.27)	\$ 1.50
	=====	=====
Weighted average number of shares outstanding-basic	811	811
	=====	=====
Weighted average number of shares outstanding - assuming dilution (F)	811	816
	=====	=====

- (A) Cost of goods sold, selling, general and administrative expenses, and equity in (income) loss of affiliated companies include provisions of \$1,898, \$151 and \$200 million, respectively, for repositioning and other charges. Other (income) expense includes a net provision of \$5 million, consisting of \$6 million for a charge related to the early extinguishment of debt, offset by a \$1 million credit recognized upon the adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS No. 133), effective for Honeywell as of January 1, 2001. Total net pretax charges, including the impact of adopting SFAS No. 133, were \$2,254 million (after-tax \$1,442 million, or \$1.78 per share).
- (B) Excludes the impact from the items in (A) above.
- (C) Cost of goods sold and equity in (income) loss of affiliated companies include provisions of \$457 and \$99 million, respectively, for repositioning and other charges. Total net pretax charges were \$556 million (after-tax \$390 million, or \$0.49 per share).
- (D) Represents the pretax gain on the sale of the former Honeywell Inc. TCAS product line of \$112 million (after-tax \$71 million, or \$0.09 per share).
- (E) Excludes the impact from the items in (C) and (D) above.
- (F) Dilutive securities issuable in connection with stock plans have been excluded from the calculation of reported loss per share because their effect would reduce the loss per share.

Edgar Filing: HONEYWELL INTERNATIONAL INC - Form 8-K

Honeywell International Inc.
Segment Data

(Dollars in Millions)

Nets Sale -----	Periods Ended September 30 -----		
	Three Months		Nine
	2001	2000	2001
Aerospace	\$2,372	\$2,458	\$7,315
Automation and Control Solutions	1,780	1,861	5,309
Specialty Materials	775	1,014	2,563
Transportation and Power Systems	851	866	2,577
Corporate	11	17	35
Total	\$5,789	\$6,216	\$17,799

Segment Profit -----	Periods Ended September 30 -----		
	Three Months		Nine
	2001	2000	2001
Aerospace	\$ 393	\$ 565	\$ 1,348
Automation and Control Solutions	192	277	566
Specialty Materials	(19)	98	57
Transportation and Power Systems	65	41	178
Corporate	(32)	(40)	(117)
Total Segment Profit	599	941	2,032
Gain on sale of non-strategic businesses	-	-	-
Equity in income (loss) of affiliated companies	10	31	(5)

Edgar Filing: HONEYWELL INTERNATIONAL INC - Form 8-K

Other income	-	35	23
Interest and other financial charges	(99)	(125)	(313)
Repositioning and other charges	(1,008)	(460)	(2,254)
	-----	-----	-----
Income (loss) before taxes on income	\$ (498)	\$ 422	\$ (517)
	=====	=====	=====

5

The following table sets forth the historical ratios of earnings to fixed charges of Honeywell for the periods indicated:

Nine Months Ended September 30,		Year Ended December 31,				
----- 2001 -----	2000 -----	----- 2000 -----	1999 -----	1998 -----	1997 -----	1996 -----
0.26(d)	5.73(c)	5.24(b)	6.74(a)	8.05	7.20	6.65

The ratio of earnings to fixed charges is generally computed by dividing the sum of net income, income taxes and fixed charges (net of capitalized interest) less undistributed equity income by fixed charges. Fixed charges represent gross interest and amortization of debt discount and expense and the interest factor of all rentals, consisting of an appropriate interest factor on operating leases.

- (a) Included in earnings for 1999 were merger, repositioning and other charges, a gain on the sale of our Laminate Systems business and a gain on the sale of our investment in AMP Incorporated common stock resulting in a net pretax charge of \$913 million. Excluding such charge, the ratio of earnings to fixed charges would have been 9.12.
- (b) Included in earnings for 2000 were repositioning, environmental and other charges and asset impairments, and a gain on the sale of the TCAS product line of Honeywell Inc. resulting in a net pretax charge \$854 million. Excluding such charge, the ratio of earnings to fixed charges would have been 6.66.
- (c) Included in earnings for the nine months 2000 were repositioning and other charges and asset impairments, and a gain on the sale of the TCAS product line of Honeywell Inc. resulting in a net pretax charge \$444 million. Excluding such charge, the ratio of earnings to fixed charges would have been 6.72.
- (d) Included in earnings for the nine months 2001 were repositioning and other charges, asset impairments and legal and environmental claims resulting in a net pretax charge \$2,254 million. Excluding such charge, the ratio of earnings to fixed charges would have been 5.86.

Edgar Filing: HONEYWELL INTERNATIONAL INC - Form 8-K

As at September 30, 2001, Honeywell had (in millions):

Cash and cash equivalents	\$ 1,324
Total Assets	25,332
Short-term borrowings and commercial paper	1,556
Current maturities of long-term debt	408
Long-term debt	3,519
Total debt	5,483
Total shareowners' equity	9,252

6

SIGNATURE

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 hereunto duly authorized.

Date: October 24, 2001

Honeywell International Inc.

By /s/ Victor P. Patrick

Victor P. Patrick
Vice President, Secretary and
Deputy General Counsel

7