

HONEYWELL INTERNATIONAL INC
Form 8-K
October 25, 2001

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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

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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,

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\$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.

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Honeywell International Inc.
Consolidated Statement of Income (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) | |

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| | | |
|--|-----------|----------|
| 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.

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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) |

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| | | | |
|--------------------------------------|----------|--------|----------|
| 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) |
| | ===== | ===== | ===== |

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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.

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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 |

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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

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