Table 3: COMBINED INTERIM STATEMENT OF OPERATIONS

RESIDEO TECHNOLOGIES, INC.
COMBINED INTERIM STATEMENT OF OPERATIONS
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
	(Dollars in millions except per share data)			
Net sales	$ 1,200	$ 1,152	$ 3,561	$ 3,310
Cost of goods sold	853	816	2,525	2,355
Gross Profit	347	336	1,036	955
Selling, general and administrative expenses	219	214	648	647
Other expense	146	65	322	165
Interest and other charges, net	-	(1)	-	(1)
	365	278	970	811
Income (loss) before taxes	(18)	58	66	144
Tax expense (benefit)	(329)	35	(323)	89
Net income	$ 311	$ 23	$ 389	$ 55
Weighted Average Number of Common Shares Outstanding				
Basic and Diluted (in thousands)	122,967	122,967	122,967	122,967
Per Share Amounts				
Basic and Diluted net income per share	$ 2.53	$ 0.19	$ 3.16	$ 0.45

Table 4: COMBINED INTERIM BALANCE SHEET

RESIDEO TECHNOLOGIES, INC.
COMBINED INTERIM BALANCE SHEET
(unaudited)

	September 30, 2018	December 31, 2017
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 184	$ 56
Due from related parties, current	26	23
Accounts, notes and other receivables – net	783	779
Inventories	603	465
Other current assets	72	69
Total current assets	1,668	1,392
Property, plant and equipment – net	276	265
Goodwill	2,638	2,648
Other intangible assets - net	138	140
Deferred income taxes	4	5
Other assets	18	23
Total assets	$ 4,742	$ 4,473
LIABILITIES		
Current liabilities:		
Accounts payable	$ 850	$ 678
Due to related parties, current	162	60
Accrued liabilities	388	409
Total current liabilities	1,400	1,147
Deferred income taxes	100	377
Other liabilities	557	346
EQUITY		
Invested equity	2,809	2,703
Accumulated other comprehensive (loss)	(124)	(100)
Total equity	2,685	2,603
Total liabilities and equity	$ 4,742	$ 4,473

Table 5: COMBINED INTERIM STATEMENT OF CASH FLOWS

RESIDEO TECHNOLOGIES, INC.
COMBINED INTERIM STATEMENT OF CASH FLOWS
(unaudited)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
	(Dollars in millions)	
Cash flows from operating activities:		
Net income	$ 389	$ 55
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	40	42
Amortization	9	8
Repositioning	5	21
Net payments for repositioning	(9)	(11)
Stock compensation expense	15	12
Pension expense	10	12
Deferred income taxes	(275)	-
Bad debt expense	7	2
Changes in assets and liabilities:		
Accounts, notes and other receivables	(11)	(5)
Inventories	(142)	(90)
Other current assets	(4)	(18)
Other assets	(6)	(2)
Accounts payable	151	120
Accrued liabilities	(15)	(1)
Other Liabilities	211	35
Net cash provided by operating activities	375	180
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(63)	(38)
Proceeds received related to amounts due from related parties	7	13
Issuance related to amounts due from related parties	-	(13)
Net cash used for investing activities	(56)	(38)
Cash flows from financing activities:		
Net (decrease) in invested equity	(300)	(142)
Proceeds received related to amounts due to related parties	1	-
Payments related to amounts due to related parties	(2)	(4)
Net cash flows from cash pooling	115	10
Net cash used for financing activities	(186)	(136)
Effect of foreign exchange rate changes on cash and cash equivalents	(5)	4
Net increase in cash and cash equivalents	128	10
Cash and cash equivalents at beginning of period	56	47
Cash and cash equivalents at end of period	$ 184	$ 57

Table 6: RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME

RESIDEO TECHNOLOGIES, INC.
RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
	(Dollars in millions)			
Net income (GAAP)	**$ 311**	**$ 23**	**$ 389**	**$ 55**
Enviromental expense [(1)]	146	65	322	165
Estimated stand-alone costs [(2)]	-	9	4	13
Stock compensation expense [(3)]	6	4	15	12
Repositioning charges	-	2	5	21
Non-Operating (income) expense [(4)]	-	(1)	1	1
Income tax adjustments [(5)]	(340)	(5)	(366)	(15)
Adjusted Net Income (Non-GAAP)	**123**	**97**	**370**	**252**
Assumed cash payments related to Indemnification and Reimbursement Agreement obligations [(6)]	35	35	105	105
Adjusted Net Income including Environmental indemnification payments (Non-GAAP)	**$ 88**	**$ 62**	**$ 265**	**$ 147**

(1) Represents historical environmental expenses as reported under 100% carryover basis.

(2) Represents the difference between our estimate of Selling, general and administrative costs as a stand-alone company and historical allocated costs, which includes corporate depreciation charges. The preliminary estimates at this time for the costs on a stand-alone basis would be approximately $265 million on an annual basis, which replaces the historical allocations on a carve-out basis of presentation.

(3) Stock compensation expense adjustment includes only non-cash expenses.

(4) Non-operating (income) expense adjustment excludes net interest (income).

(5) Represents the tax effect of pre-tax items excluded from Adjusted Net Income and the removal of discrete tax items, including the income tax impacts of the Tax Act. The tax effect of pre-tax items excluded from Adjusted Net Income is computed using the statutory rate related to the jurisdiction that was impacted by the adjustment after taking into account the impact of permanent differences and valuation allowances.

(6) On a going forward basis, pursuant to the Indemnification and Reimbursement Agreement, we will be responsible to indemnify Honeywell in amounts equal to 90% of payments, which include amounts billed, with respect to certain environmental claims, remediation and, to the extent arising after the Spin-Off, hazardous exposure or toxic tort claims, in each case including consequential damages in respect of specified properties contaminated through historical business operations, including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell’s net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales; such payments will be subject to a cap of $140 million in respect of liabilities arising in any given year (exclusive of any late payment fees up to 5% per annum).

Table 7: RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

RESIDEO TECHNOLOGIES, INC.
RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Net income (GAAP)	$ 311	$ 23	$ 389	$ 55
Net interest (income) expense	-	-	(1)	(2)
Tax expense (benefit)	(329)	35	(323)	89
Depreciation	13	14	40	42
Amortization	3	3	9	8
EBITDA (Non-GAAP)	**(2)**	**75**	**114**	**192**
Enviromental expense (1)	146	65	322	165
Estimated stand-alone costs (2)	2	11	9	18
Stock compensation expense (3)	6	4	15	12
Non-Operating (income) expense (4)	-	(1)	1	1
Repositioning charges	-	2	5	21
Adjusted EBITDA (Non-GAAP)	**152**	**156**	**466**	**409**
Assumed cash payments related to Indemnification and Reimbursement Agreement obligations (5)	35	35	105	105
Adjusted EBITDA including Enviromental indemnification payments (Non-GAAP)	**$ 117**	**$ 121**	**$ 361**	**$ 304**

(1) Represents historical environmental expenses as reported under 100% carryover basis.

(2) Represents the difference between our estimate of Selling, general and administrative costs as a stand-alone company and historical allocated costs, which excludes corporate depreciation charges. The preliminary estimates at this time for the costs on a stand-alone basis would be approximately $265 million on an annual basis, which replaces the historical allocations on a carve-out basis of presentation.

(3) Stock compensation expense adjustment includes only non-cash expenses.

(4) Non-operating (income) expense adjustment excludes net interest (income).

(5) On a going forward basis, pursuant to the Indemnification and Reimbursement Agreement, we will be responsible to indemnify Honeywell in amounts equal to 90% of payments, which include amounts billed, with respect to certain environmental claims, remediation and, to the extent arising after the Spin-Off, hazardous exposure or toxic tort claims, in each case including consequential damages in respect of specified properties contaminated through historical business operations, including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales; such payments will be subject to a cap of $140 million in respect of liabilities arising in any given year (exclusive of any late payment fees up to 5% per annum).

Table 8: RECONCILIATION OF SEGMENT PROFIT TO COMBINED INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES

RESIDEO TECHNOLOGIES, INC.

RECONCILIATION OF SEGMENT PROFIT TO COMBINED INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Products segment profit	$ 92	$ 90	$ 290	$ 239
Distributions segment profit	39	38	113	102
Total segment profit	**$ 131**	**$ 128**	**$ 403**	**$ 341**
Pension expense	(3)	(4)	(10)	(12)
Repositioning	-	(2)	(5)	(21)
Other expense	(146)	(65)	(322)	(165)
Interest and other charges, net	-	1	-	1
Income (loss) before taxes	**$ (18)**	**$ 58**	**$ 66**	**$ 144**

Table 9: RECONCILIATION OF ORGANIC SALES % CHANGE

RESIDEO TECHNOLOGIES, INC.
RECONCILIATION OF ORGANIC SALES % CHANGE

	September 30, 2018	
	Three Months Ended	Nine Months Ended
	(Dollars in millions)	
Products sales growth		
Net products sales growth (GAAP)	$ 7	$ 106
% Change	1%	7%
Exclude: Foreign currency translation	-1%	2%
Organic growth (Non-GAAP)	2%	5%
Distribution sales growth		
Net distribution sales growth (GAAP)	$ 41	$ 145
% Change	6%	8%
Exclude: Foreign currency translation	-1%	1%
Organic growth (Non-GAAP)	7%	7%
Total sales growth		
Total sales growth (GAAP)	$ 48	$ 251
% Change	4%	8%
Exclude: Foreign currency translation	-1%	2%
Organic growth (Non-GAAP)	5%	6%

Table 10: ADJUSTED EBITDA INCLUDING ENVIRONMENTAL INDEMNIFICATION PAYMENTS LESS CAPEX

RESIDEO TECHNOLOGIES, INC.

ADJUSTED EBITDA INCLUDING ENVIRONMENTAL INDEMNIFICATION PAYMENTS LESS CAPEX

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in millions except per share data)			
Cash flows from operating activities (GAAP)	**$ 117**	**$ 111**	**$ 375**	**$ 180**
Tax expense (benefit)	(329)	35	(323)	89
Net interest (income) expense	-	-	(1)	(2)
Deferred income tax	252	(1)	275	-
Change in operating assets and liabilities	(33)	(63)	(184)	(39)
Other non-cash expense (1)	(9)	(7)	(28)	(36)
EBITDA (Non-GAAP)	**(2)**	**75**	**114**	**192**
Enviromental expense (2)	146	65	322	165
Estimated stand-alone costs (3)	2	11	9	18
Stock compensation expense (4)	6	4	15	12
Non-Operating (income) expense (5)	-	(1)	1	1
Repositioning charges	-	2	5	21
Adjusted EBITDA (Non-GAAP)	**152**	**156**	**466**	**409**
Assumed cash payments related to Indemnification and Reimbursement Agreement obligations (6)	35	35	105	105
Adjusted EBITDA including Environmental indemnification payments (Non-GAAP)	**117**	**121**	**361**	**304**
Less Capex	40	16	63	38
Adjusted EBITDA including Environmental indemnification payments less Capex (Non-GAAP)	**$ 77**	**$ 105**	**$ 298**	**$ 266**

(1) Includes non-cash stock compensation, pension, bad debt and repositioning expenses.

(2) Represents historical environmental expenses as reported under 100% carryover basis.

(3) Represents the difference between our estimate of Selling, general and administrative costs as a stand-alone company and historical allocated costs, which excludes corporate depreciation charges. The preliminary estimates at this time for the costs on a stand-alone basis would be approximately $265 million on an annual basis, which replaces the historical allocations on a carve-out basis of presentation.

(4) Stock compensation expense adjustment includes only non-cash expenses.

(5) Non-operating (income) expense adjustment excludes net interest (income).

(6) On a going forward basis, pursuant to the Indemnification and Reimbursement Agreement, we will be responsible to indemnify Honeywell in amounts equal to 90% of payments, which include amounts billed, with respect to certain environmental claims, remediation and, to the extent arising after the Spin-Off, hazardous exposure or toxic tort claims, in each case including consequential damages in respect of specified properties contaminated through historical business operations, including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales; such payments will be subject to a cap of $140 million in respect of liabilities arising in any given year (exclusive of any late payment fees up to 5% per annum).

Table 11: RECONCILATION OF PRO FORMA NET INCOME TO PRO FORMA ADJUSTED EBITDA[(1)]

RESIDEO TECHNOLOGIES, INC.
RECONCILIATION OF PRO FORMA NET INCOME TO PRO FORMA ADJUSTED EBITDA
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Dollars in millions except per share data)			
Net income (Pro Forma)	**$ 51**	**$ 15**	**$ 109**	**$ 30**
Net interest (income) expense	15	17	48	48
Tax expense (benefit)	(76)	25	(78)	62
Depreciation	13	14	40	42
Amortization	3	3	9	8
EBITDA (Non-GAAP Pro Forma)	**6**	**74**	**128**	**190**
Environmental expense (1)	132	59	290	149
Estimated stand-alone costs (2)	2	11	9	18
Stock compensation expense (3)	6	4	15	12
Non-Operating (income) expense (4)	(1)	(2)	(2)	(2)
Repositioning charges	-	2	5	21
Adjusted EBITDA (Non-GAAP Pro Forma)	**145**	**148**	**445**	**388**
Assumed cash payments related to Indemnification and Reimbursement Agreement obligations (5)	35	35	105	105
Adjusted EBITDA including Environmental indemnification payments (Non-GAAP Pro Forma)	**$ 110**	**$ 113**	**$ 340**	**$ 283**

(1) Represents environmental expenses under indemnification agreement on a 90% basis.

(2) Represents the difference between our estimate of Selling, general and administrative costs as a stand-alone company and historical allocated costs, which excludes corporate depreciation charges. The preliminary estimates at this time for the costs on a stand-alone basis would be approximately $265 million on an annual basis, which replaces the historical allocations on a carve-out basis of presentation.

(3) Stock compensation expense adjustment includes only non-cash expenses.

(4) Non-operating (income) expense adjustment excludes net interest (income).

(5) On a going forward basis, pursuant to the Indemnification and Reimbursement Agreement, we will be responsible to indemnify Honeywell in amounts equal to 90% of payments, which include amounts billed, with respect to certain environmental claims, remediation and, to the extent arising after the Spin-Off, hazardous exposure or toxic tort claims, in each case including consequential damages in respect of specified properties contaminated through historical business operations, including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales; such payments will be subject to a cap of $140 million in respect of liabilities arising in any given year (exclusive of any late payment fees up to 5% per annum).

Table 12: UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018[1]

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(Dollars in millions)

	Historical As Reported	Pro Forma Adjustments(1)	Notes	As Adjusted
Net sales	$ 3,561	$ -		$ 3,561
Cost of goods sold	2,525	-		2,525
Gross Profit	1,036	-		1,036
Selling, general and administrative expenses	648	21	a	669
Other expense	322	(32)	b	290
Interest and other charges, net	-	46	c, d, e	46
Income (loss) before taxes	66	(35)		31
Tax expense (benefit)	(323)	245	f	(78)
Net income	$ 389	$ (280)		$ 109

(1) The change in our cost structure related to our company becoming an independent, publicly traded company is not reflected above.

a) Reflects the impact of the Trademark License Agreement with Honeywell in respect of certain Products segment sales.

b) Reflects the impact of the Indemnification and Reimbursement Agreement with Honeywell pursuant to which we will have an obligation to make cash payments to Honeywell in amounts equal to 90% of Honeywell's certain environmental-related liabilities, net of recoveries, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities. The amount payable by the Company in respect of such liabilities arising in any given calendar year will be subject to a cap of $140 million (exclusive of any late payment fees up to 5% per annum).

Accordingly, Other expense, net will decrease $32 million for nine months ended September 30, 2018, which is the difference between historical expense as reported under 100% carryover basis for such environmental expenses and the indemnified expense pursuant to the Indemnification and Reimbursement Agreement. The adjustment assumes that cash payments made by Honeywell related to indemnified environmental liabilities during a given year will not exceed $156 million in which case the cap on payments ($156 million x 90% = $140 million) to be made by Resideo to Honeywell would not be exceeded.

c) Adjustments reflect interest expense and commitment fees related to indebtedness in an aggregate principal amount of $1,225 million in connection with the consummation of the Spin-Off and that was used primarily to repay an obligation incurred as part of the separation from Honeywell. The adjustments reflects that the indebtedness comprise loan facilities in an aggregate principal amount of $825 million and senior unsecured notes in an aggregate principal amount of $400 million and a revolving credit facility in an aggregate undrawn amount of $350 million. Total interest expense will increase by $50 million for the nine months ended September 30, 2018.

d) Reflects the impact of the settlement of cash pooling and short-term notes receivables and payables.

e) Reflects an estimate of interest costs and expected return on plan assets for the defined benefit pension plans.

f) For nine months ended September 30, 2018, income tax expense increased by $245 million. This includes adjustments to the provisional tax amounts related to the deemed repatriation transition tax and taxes on undistributed earnings of an increase of $262 million, which is offset by a decrease of $17 million as a result of the income tax effects on adjustments included in pro forma notes a), c), d) and e).

Table 13: UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS FOR THE QUARTER ENDED SEPTEMBER 30, 2018(1)

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE QUARTER ENDED SEPTEMBER 30, 2018
(Dollars in millions)

	Historical As Reported	Pro Forma Adjustments(1)	Notes	As Adjusted
Net sales	$ 1,200	$ -		$ 1,200
Cost of goods sold	853	-		853
Gross Profit	347	-		347
Selling, general and administrative expenses	219	7	a	226
Other expense	146	(14)	b	132
Interest and other charges, net	-	14	c, d, e	14
Income (loss) before taxes	(18)	(7)		(25)
		-		-
Tax expense (benefit)	(329)	253	f	(76)
		-		-
Net income	$ 311	$ (260)		$ 51

(1) The change in our cost structure related to our company becoming an independent, publicly traded company is not reflected above.

a) Reflects the impact of the Trademark License Agreement with Honeywell in respect of certain Products segment sales.

b) Reflects the impact of the Indemnification and Reimbursement Agreement with Honeywell pursuant to which we will have an obligation to make cash payments to Honeywell in amounts equal to 90% of Honeywell's certain environmental-related liabilities, net of recoveries, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities. The amount payable by the Company in respect of such liabilities arising in any given calendar year will be subject to a cap of $140 million (exclusive of any late payment fees up to 5% per annum).

Accordingly, Other expense, net will decrease $14 million for three months ended September 30, 2018, which is the difference between historical expense as reported under 100% carryover basis for such environmental expenses and the indemnified expense pursuant to the Indemnification and Reimbursement Agreement. The adjustment assumes that cash payments made by Honeywell related to indemnified environmental liabilities during a given year will not exceed $156 million in which case the cap on payments ($156 million x 90% = $140 million) to be made by Resideo to Honeywell would not be exceeded.

c) Adjustments reflect interest expense and commitment fees related to indebtedness in an aggregate principal amount of $1,225 million in connection with the consummation of the Spin-Off and that was used primarily to repay an obligation incurred as part of the separation from Honeywell. The adjustments reflects that the indebtedness comprise loan facilities in an aggregate principal amount of $825 million and senior unsecured notes in an aggregate principal amount of $400 million and a revolving credit facility in an aggregate undrawn amount of $350 million. Total interest expense will increase by $17 million for the three months ended September 30, 2018.

d) Reflects the impact of the settlement of cash pooling and short-term notes receivables and payables.

e) Reflects an estimate of interest costs and expected return on plan assets for the defined benefit pension plans.

f) For three months ended September 30, 2018, income tax expense increased by $253 million. This includes adjustments to the provisional tax amounts related to the deemed repatriation transition tax and taxes on undistributed earnings of an increase of $259 million, which is offset by a decrease of $6 million as a result of the income tax effects on adjustments included in pro forma notes a), c), d) and e).

Table 14: UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017[(1)]

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(Dollars in millions)

	Historical As Reported	Pro Forma Adjustments(1)	Notes	As Adjusted
Net sales	$ 3,310	$ -		$ 3,310
Cost of goods sold	2,355	-		2,355
Gross Profit	955	-		955
Selling, general and administrative expenses	647	21	a	668
Other expense	165	(16)	b	149
Interest and other charges, net	(1)	47	c, d, e	46
Income (loss) before taxes	144	(52)		92
				-
Tax expense (benefit)	89	(27)	f	62
				-
Net income	$ 55	$ (25)		$ 30

(1) The change in our cost structure related to our company becoming an independent, publicly traded company is not reflected above.

a) Reflects the impact of the Trademark License Agreement with Honeywell in respect of certain Products segment sales.

b) Reflects the impact of the Indemnification and Reimbursement Agreement with Honeywell pursuant to which we will have an obligation to make cash payments to Honeywell in amounts equal to 90% of Honeywell's certain environmental-related liabilities, net of recoveries, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities. The amount payable by the Company in respect of such liabilities arising in any given calendar year will be subject to a cap of $140 million (exclusive of any late payment fees up to 5% per annum).
Accordingly, Other expense, net will decrease $16 million for nine months ended September 30, 2017, which is the difference between historical expense as reported under 100% carryover basis for such environmental expenses and the indemnified expense pursuant to the Indemnification and Reimbursement Agreement. The adjustment assumes that cash payments made by Honeywell related to indemnified environmental liabilities during a given year will not exceed $156 million in which case the cap on payments ($156 million x 90% = $140 million) to be made by Resideo to Honeywell would not be exceeded.

c) Adjustments reflect interest expense and commitment fees related to indebtedness in an aggregate principal amount of $1,225 million in connection with the consummation of the Spin-Off and that was used primarily to repay an obligation incurred as part of the separation from Honeywell. The adjustment reflects that the indebtedness comprise loan facilities in an aggregate principal amount of $825 million and senior unsecured notes in an aggregate principal amount of $400 million and a revolving credit facility in an aggregate undrawn amount of $350 million. Total interest expense will increase by $51 million for the nine months ended September 30, 2017.

d) Reflects the impact of the settlement of cash pooling and short-term notes receivables and payables.

e) Reflects an estimate of interest costs and expected return on plan assets for the defined benefit pension plans.

f) For nine months ended September 30, 2017, income tax expense decreased by $27 million, which are the result of the income tax effects on adjustments included in pro forma notes a), c), d) and e).

Table 15: UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS FOR THE QUARTER ENDED SEPTEMBER 30, 2017[1]

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE QUARTER ENDED SEPTEMBER 30, 2017
(Dollars in millions)

	Historical As Reported	Pro Forma Adjustments(1)	Notes	As Adjusted
Net sales	$ 1,152	$ -		$ 1,152
Cost of goods sold	816	-		816
Gross Profit	336	-		336
Selling, general and administrative expenses	214	8	a	222
Other expense	65	(6)	b	59
Interest and other charges, net	(1)	16	c, d, e	15
Income (loss) before taxes	58	(18)		40
		-		-
Tax expense (benefit)	35	(10)	f	25
		-		-
Net income	$ 23	$ (8)		$ 15

(1) The change in our cost structure related to our company becoming an independent, publicly traded company is not reflected above.

a) Reflects the impact of the Trademark License Agreement with Honeywell in respect of certain Products segment sales.

b) Reflects the impact of the Indemnification and Reimbursement Agreement with Honeywell pursuant to which we will have an obligation to make cash payments to Honeywell in amounts equal to 90% of Honeywell's certain environmental-related liabilities, net of recoveries, in each case related to legacy elements of the Business, including the legal costs of defending and resolving such liabilities. The amount payable by the Company in respect of such liabilities arising in any given calendar year will be subject to a cap of $140 million (exclusive of any late payment fees up to 5% per annum).

Accordingly, Other expense, net will decrease $6 million for three months ended September 30, 2017, which is the difference between historical expense as reported under 100% carryover basis for such environmental expenses and the indemnified expense pursuant to the Indemnification and Reimbursement Agreement. The adjustment assumes that cash payments made by Honeywell related to indemnified environmental liabilities during a given year will not exceed $156 million in which case the cap on payments ($156 million x 90% = $140 million) to be made by Resideo to Honeywell would not be exceeded.

c) Adjustments reflect interest expense and commitment fees related to indebtedness in an aggregate principal amount of $1,225 million in connection with the consummation of the Spin-Off and that was used primarily to repay an obligation incurred as part of the separation from Honeywell. The adjustment reflects that the indebtedness comprise loan facilities in an aggregate principal amount of $825 million and senior unsecured notes in an aggregate principal amount of $400 million and a revolving credit facility in an aggregate undrawn amount of $350 million. Total interest expense will increase by $17 million for the three months ended September 30, 2017.

d) Reflects the impact of the settlement of cash pooling and short-term notes receivables and payables.

e) Reflects an estimate of interest costs and expected return on plan assets for the defined benefit pension plans.

f) For three months ended September 30, 2017, income tax expense decreased by $10 million, which are the result of the income tax effects on adjustments included in pro forma notes a), c), d) and e).