

Honeywell

THE MARKET

Honeywell offers technologies and solutions in four main business sectors: aerospace, automation and control solutions, specialty materials, and transportation and power systems.

ACHIEVEMENTS

Sales in 2002 for Honeywell's four business sectors totaled \$22 billion. The list of Honeywell's customers reads like a Who's Who of global business leaders: Airbus, Alcoa, BASF, Boeing, Chevron-Texaco, Cisco, DaimlerChrysler, DuPont, General Motors, Procter & Gamble, Sun Microsystems, and Wal-Mart are just a few of the companies that depend on the expertise of Honeywell's employees and the quality of its systems, services, and products for their success.

Over the years, Honeywell and its predecessors and affiliates have been at the forefront of technology in a wide variety of areas — everything from cockpits, clocks, kilns, and chemicals to space exploration, sensors, and advanced circuits. Honeywell is one of the 30 companies included in the Dow Jones Industrial Average, a reflection of the significant contribution that Honeywell makes to the world's economic landscape.

HISTORY

Today's Honeywell emerged in fall 1999 from the merger of two global leaders, AlliedSignal and Honeywell Inc., but the company's history goes back more than a century.

The Honeywell Connection — Honeywell's heritage dates to 1885, when Albert Butz patented the furnace regulator and alarm. In 1886, he formed the Butz Thermo-Electric Regulator Company in Minneapolis, Minnesota, and the company introduced the "damper flapper," a device that automatically controlled the dampers on a coal-fire stove. The device was the first in a long line of complex closed-loop sensor and control systems that fueled Honeywell's growth for generations.

In 1904, Mark Honeywell, a young engineer in Wabash, Indiana, was perfecting a heat generator as part of his plumbing and heating business. In 1906, he formed the Honeywell Heating Specialty Company, specializing in hot water heat generators. Minneapolis Heat Regulator and Honeywell Heating Specialty merged in 1927 to



form Minneapolis-Honeywell Regulator Company, with W. R. Sweatt as chairman and Mark Honeywell as president.

In 1957, Minneapolis-Honeywell Regulator Company purchased a fire detection and alarm firm, the first of many acquisitions that would build its security business into a global leader today.

In 1986, the company significantly enhanced its position in the aerospace industry with the purchase of Sperry Aerospace, making Honeywell the world's leading integrator of avionics systems.

The AlliedSignal Connection — AlliedSignal is the second major component of today's Honeywell.

During World War I, the United States faced critical shortages of products such as dyes and drugs. In response to this situation, *Washington Post* publisher Eugene Meyer and scientist William Nichols formed the Allied Chemical & Dye Corporation in 1920, which unified five American chemical companies. In 1928, Allied opened a synthetic ammonia plant and soon became the world's leading producer of that chemical.

In 1958, the company was renamed Allied Chemical Corp. and moved its headquarters from Times Square in New York City to Morristown, New Jersey.

In 1981, under its new name, Allied Corporation purchased the Bendix Corporation, an aerospace and automotive company.

In 1985, Allied merged with the Signal Companies, which operated in the aerospace, automotive, and engineered-materials industries. Signal was originally a California-based oil company that later merged with the Garrett Corporation, a Los Angeles-based aerospace company.

In mid-1991, a new AlliedSignal CEO, Lawrence A. Bossidy, was hired from General Electric. Bossidy and a revamped management team began a comprehensive transformation of AlliedSignal. The name was changed to AlliedSignal in 1993 to reinforce the one-company image and to continue to drive the integration to its businesses.

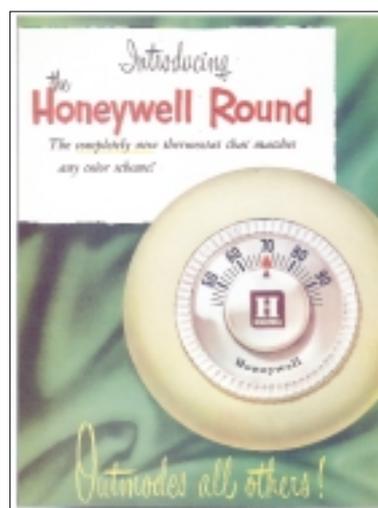
The new Honeywell embodies the best of its AlliedSignal and Honeywell heritages. In 2002, David M. Cote was named to succeed Bossidy as chairman and CEO. Under Cote's leadership the company focuses on five key initiatives: Growth, Productivity, Cash, People, and the Enablers — DigitalWorks and Six Sigma. Central to the company's growth initiative is to do for its customers every day an absolutely superb job in quality, delivery, value, and technology.

THE PRODUCT

To understand the scope of Honeywell's operations, consider some of the products and services that Honeywell offers:

Aerospace: Honeywell is the world's premier supplier of aircraft engines and systems, avionics and other products and services for airliners, regional and business aircraft, military aircraft, and spacecraft. Its aerospace products include engines, auxiliary power units, flight control systems, environmental control systems, spare parts, and support and services for space and communications facilities.

Automation and Control Solutions: Honeywell's Automation and Control Solutions is a global leader in providing product and service solutions to create efficient, safe, and comfortable environments, and to help business and industry improve productivity and profitability. Its products range



from heating, ventilation, humidification and air-conditioning equipment controls, and security and fire alarm systems, to automation systems and sensors, switches, and control products for industrial applications.

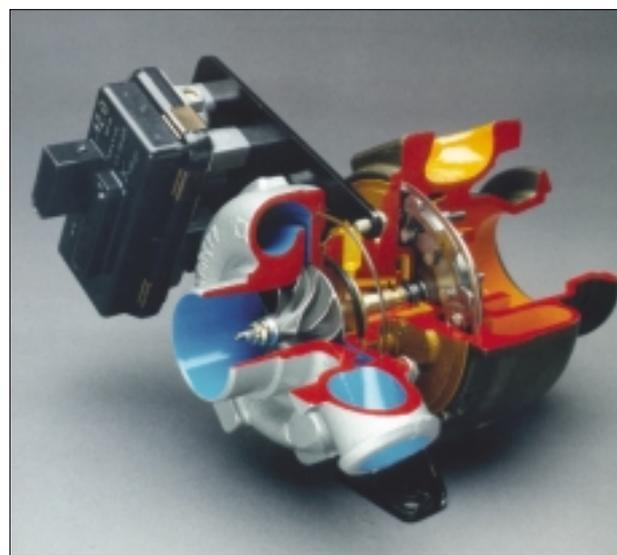
Specialty Materials: Honeywell's Specialty Materials division is a world leader in high-performance specialty materials, such as nylon, polyester, polyethylene, fluorocarbons, and specialty chemicals. Honeywell is one of the top-five providers of materials and solutions to the electronics industry.

Transportation and Power Systems: Honeywell is the world's leading innovator of automotive turbochargers, and is also the producer of some of the best-known consumer automotive product brands, such as Prestone® antifreeze/coolant, Autolite® platinum spark plugs, Holt Lloyd's Teflon®, Simoniz® premium car care products, and FRAM® automotive filters.

RECENT DEVELOPMENTS

In a company like Honeywell, product innovation is not just a slogan. It's the way the company looks at its mission; staying on top of the customers' needs is the pathway to success.

- Honeywell's Primus Epic® integrated avionics system will now display Jeppesen® navigation data, including electronic aeronautical charts, obstacle data, geopolitical boundaries, and airport information. With Primus Epic's Interactive Navigation (INAV), pilots will be able to view aircraft position, terrain, weather, and traffic on a moving map display in the cockpit. The first implementations of Primus Epic with INAV will debut in the PlaneView™ cockpit in the Gulfstream G500 and the EASy cockpit in the Dassault Falcon 900EX.
- Honeywell's Field Automation Service Technology (FAST) initiative equipped 1,400 North American building systems service technicians



with handheld computers to automate dispatching and record-keeping, with a view toward improving service across the United States.

- Japan's Institute of Space and Astronautical Science chose Honeywell to provide wheel assemblies to stabilize, position, and control its Solar-B exploratory spacecraft.
- Honeywell's Spectra® composite material was selected by C&D Aerospace, TIMCO, and AIM Aviation, Inc. as the primary ballistic protection material for new fortified doors for aircraft



cockpits. Spectra® fiber is one of the world's strongest and lightest synthetic fibers, being pound-for-pound 10 times stronger than steel.

- Sales of Honeywell's Garrett turbochargers are growing 65 percent in Asia as car and truck manufacturers rely on the technology for its ability to enhance fuel economy without sacrificing performance.
- Honeywell's global home-automation capabilities allow homeowners to manage indoor climate controls, fire and security systems, Web cameras, lights, and appliances from home or remotely.

PROMOTION

Consumers around the world can literally wrap their hand around the most recognizable of Honeywell's products: the T-86, the Honeywell Round™ thermostat. This simple and elegant control device is found in more homes than any other thermostat in the world. Continuously produced since 1953, the Round continues to symbolize the modern home and serves as an icon for one of the world's most respected companies.

BRAND VALUES

In a world that's becoming more complicated and uncertain all the time, Honeywell is meeting challenges. Supplying superior products is important — and Honeywell does it well. But what Honeywell does best is solve customers' problems.

Great customer relationships drive performance and create growth opportunities — and Honeywell's are improving all the time. Honeywell's leading technologies, problem-solving expertise, and performance

zeal continue to build bonds with consumers as well as the best companies in every industry Honeywell serves.

When it comes to productivity, Honeywell is a one-of-a-kind double play. For years, customers have turned to Honeywell for technology solutions that make their companies more effective, efficient, and profitable. But that's only half the story. Inside Honeywell, Six Sigma is more than a company priority; it's a way of life. The Honeywell repair and overhaul facility in Singapore uses

Lean Manufacturing techniques to increase efficiency and customer satisfaction. Holt-Lloyd employees in Europe reduced inventory by \$2 million with improved forecasting processes. The Software Solutions Lab in Bangalore earned the Software Engineering Institute's highest capability rating — Level 5 — and India's Rajiv Gandhi quality prize. In 2000, Honeywell also won Australia's top business excellence award, which has standards so high that no one else has earned it in almost a decade.

Honeywell's people are the company's greatest differentiator. Performance really matters here; all employees have tough goals and are held accountable to them.

In the end, it's all about performance. Honeywell has worked hard to build a culture that emphasizes results and gives its people the skills, resources, and motivation to focus on what's important: satisfying customers, meeting or exceeding commitments, and driving innovation and productivity across the company.

THINGS YOU DIDN'T KNOW ABOUT HONEYWELL

- Honeywell employs more than 100,000 people in nearly 100 countries.
- Honeywell is among the world's leading patent holders. The company was granted 500 new patents in 2001 alone. Two of Honeywell's patents are for items almost taken for granted today: the autofocus device on cameras and the autopilot mechanism on commercial air carriers.
- At one time, the Minneapolis-Honeywell Regulator Company was the largest producer of high-quality jeweled clocks.
- Honeywell has electrical and mechanical products and components on more than 300,000 commercial and military aircraft worldwide. The company has also been on every human space mission since the beginning of the space program and holds a 100 percent mission success record.