

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-8974

Honeywell International Inc.

(Exact name of registrant as specified in its charter)

Delaware

22-2640650

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

101 Columbia Road
P.O. Box 4000
Morristown, New Jersey

07962-2497

(Address of principal executive offices)

(Zip Code)

(973)455-2000

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock

Outstanding at
June 30, 2003

\$1 par value

860,054,513 shares

Honeywell International Inc.

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This report contains certain statements that may be deemed "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. The forward-looking statements included in this report are also subject to a number of material risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting our operations, markets, products, services and prices. Such forward-looking statements are not guarantees of future performance and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Honeywell International Inc.
Consolidated Balance Sheet
(Unaudited)

	June 30, 2003	December 31, 2002
	-----	-----
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,626	\$ 2,021
Accounts, notes and other receivables	3,353	3,264
Inventories	3,055	2,953
Deferred income taxes	1,592	1,296
Other current assets	490	661
	-----	-----
Total current assets	11,116	10,195
Investments and long-term receivables	649	624
Property, plant and equipment - net	4,222	4,055
Goodwill	5,717	5,698
Other intangible assets - net	1,087	1,074
Insurance recoveries for asbestos related liabilities	1,370	1,636
Deferred income taxes	303	533
Prepaid pension benefit cost	2,775	2,675
Other assets	1,294	1,069
	-----	-----
Total assets	\$28,533	\$27,559
	=====	=====
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,093	\$ 1,912
Short-term borrowings	147	60
Commercial paper	188	201
Current maturities of long-term debt	53	109
Accrued liabilities	4,168	4,292
	-----	-----
Total current liabilities	6,649	6,574
Long-term debt	5,042	4,719
Deferred income taxes	512	419
Postretirement benefit obligations other than pensions	1,685	1,684
Asbestos related liabilities	2,394	2,700
Other liabilities	2,512	2,538
SHAREOWNERS' EQUITY		
Capital - common stock issued	958	958
- additional paid-in capital	3,443	3,409
Common stock held in treasury, at cost	(3,674)	(3,783)
Accumulated other nonowner changes	(689)	(1,109)
Retained earnings	9,701	9,450
	-----	-----
Total shareowners' equity	9,739	8,925
	-----	-----
Total liabilities and shareowners' equity	\$28,533	\$27,559
	=====	=====

The Notes to Financial Statements are an integral part of this statement.

Honeywell International Inc.
Consolidated Statement of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(Dollars in millions, except per share amounts)			
Net sales	\$5,749	\$5,651	\$11,148	\$10,850
Costs, expenses and other				
Cost of goods sold	4,514	4,431	8,754	8,504
Selling, general and administrative expenses	762	660	1,465	1,277
(Gain) loss on sale of non-strategic businesses	(31)	166	(31)	41
Business impairment charges	--	--	--	43
Equity in (income) loss of affiliated companies	(6)	(3)	(4)	(10)
Other (income) expense	(24)	(6)	(27)	(22)
Interest and other financial charges	87	88	171	175
	5,302	5,336	10,328	10,008
Income before taxes and cumulative effect of accounting change	447	315	820	842
Tax expense (benefit)	128	(144)	227	7
	319	459	593	835
Income before cumulative effect of accounting change	319	459	593	835
Cumulative effect of accounting change	--	--	(20)	--
	319	459	573	835
Net income	\$ 319	\$ 459	\$ 573	\$ 835
Earnings per share of common stock - basic:				
Income before cumulative effect of accounting change	\$ 0.37	\$ 0.56	\$ 0.69	\$ 1.02
Cumulative effect of accounting change	--	--	(0.02)	--
	\$ 0.37	\$ 0.56	\$ 0.67	\$ 1.02
Net income	\$ 0.37	\$ 0.56	\$ 0.67	\$ 1.02
Earnings per share of common stock - assuming dilution:				
Income before cumulative effect of accounting change	\$ 0.37	\$ 0.56	\$ 0.69	\$ 1.02
Cumulative effect of accounting change	--	--	(0.02)	--
	\$ 0.37	\$ 0.56	\$ 0.67	\$ 1.02
Net income	\$ 0.37	\$ 0.56	\$ 0.67	\$ 1.02
Cash dividends per share of common stock	\$.1875	\$.1875	\$.3750	\$.3750

The Notes to Financial Statements are an integral part of this statement.

Honeywell International Inc.
Consolidated Statement of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2003	2002
	-----	-----
	(Dollars in millions)	
Cash flows from operating activities:		
Net income	\$ 573	\$ 835
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting change	31	--
(Gain) loss on sale of non-strategic businesses	(31)	41
Repositioning and other charges	34	190
Business impairment charges	--	43
Insurance receipts for asbestos related liabilities	477	55
Asbestos related liability payments	(388)	(50)
Depreciation	290	340
Undistributed earnings of equity affiliates	(4)	(23)
Deferred income taxes	134	35
Pension contributions - U.S. plans	(170)	--
Other	65	(251)
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:		
Accounts, notes and other receivables	(80)	(77)
Inventories	(95)	42
Other current assets	18	(26)
Accounts payable	175	(8)
Accrued liabilities	(3)	(19)
	-----	-----
Net cash provided by operating activities	1,026	1,127
	-----	-----
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(276)	(299)
Proceeds from disposals of property, plant and equipment	--	21
Cash paid for acquisitions	(122)	(19)
Proceeds from sales of businesses	90	186
Decrease in short-term investments	--	7
	-----	-----
Net cash (used for) investing activities	(308)	(104)
	-----	-----
Cash flows from financing activities:		
Net increase (decrease) in commercial paper	(13)	237
Net increase (decrease) in short-term borrowings	78	(62)
Proceeds from issuance of common stock	31	34
Payments of long-term debt	(70)	(382)
Cash dividends on common stock	(322)	(306)
	-----	-----
Net cash (used for) financing activities	(296)	(479)
	-----	-----
Effect of foreign exchange rate changes on cash and cash equivalents	183	39
	-----	-----
Net increase in cash and cash equivalents	605	583
Cash and cash equivalents at beginning of year	2,021	1,393
	-----	-----
Cash and cash equivalents at end of period	\$2,626	\$1,976
	=====	=====

The Notes to Financial Statements are an integral part of this statement.

Honeywell International Inc.
Notes to Financial Statements
(Unaudited)
(Dollars in millions, except per share amounts)

NOTE 1. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting only of normal adjustments, necessary to present fairly the financial position of Honeywell International Inc. and its consolidated subsidiaries at June 30, 2003 and the results of operations for the three and six months ended June 30, 2003 and 2002 and cash flows for the six months ended June 30, 2003 and 2002. The results of operations for the three- and six-month periods ended June 30, 2003 should not necessarily be taken as indicative of the results of operations that may be expected for the entire year 2003. Certain prior year amounts have been reclassified to conform with the current year presentation.

The financial information as of June 30, 2003 should be read in conjunction with the financial statements contained in our Annual Report on Form 10-K for 2002.

NOTE 2. In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). SFAS No. 143 requires recognition of the fair value of obligations associated with the retirement of tangible long-lived assets when there is a legal obligation to incur such costs. Upon initial recognition of a liability the cost is capitalized as part of the related long-lived asset and depreciated over the corresponding asset's useful life. SFAS No. 143 primarily impacts our accounting for costs associated with the future retirement of nuclear fuel conversion facilities in our Specialty Materials reportable segment. Upon adoption on January 1, 2003, we recorded an increase in property, plant and equipment, net of \$16 million and recognized an asset retirement obligation of \$47 million. This resulted in the recognition of a non-cash charge of \$31 million (\$20 million after-tax, or \$0.02 per share) that is reported as a cumulative effect of an accounting change. This accounting change is not expected to have a material impact on future results of operations. Pro forma effects for the three- and six-month periods ended June 30, 2002, assuming adoption of SFAS No. 143 as of January 1, 2002, were not material to net income or per share amounts.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). FIN 46 provides guidance on consolidation of variable interest entities and applies immediately to variable interests created after January 31, 2003. FIN 46 will become applicable effective July 1, 2003 for variable interest entities created before February 1, 2003. We do not expect that the adoption of FIN 46 will have a material effect on our consolidated results of operations and financial position.

In November 2002, the Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 provides guidance on when and how to separate elements of an arrangement that may involve the delivery or performance of multiple products, services and rights to use assets into separate units of accounting. The guidance in the consensus is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We will adopt EITF Issue No. 00-21 prospectively in the quarter beginning July 1, 2003. We do not expect that the adoption of EITF Issue No. 00-21 will have a material effect on our consolidated results of operations and financial position.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), which requires us to recognize a

liability for the fair value of an obligation assumed by issuing a guarantee. FIN 45 became effective for guarantees issued or modified on or after January 1, 2003, and did not have a material effect on our consolidated financial position as of June 30, 2003 or our consolidated results of operations for the three and six months ended June 30, 2003. As disclosed in Note 21 to our consolidated financial statements in our 2002 Annual Report on Form 10-K, we have issued or are a party to certain direct and indirect guarantees. At June 30, 2003, except for the fact that we no longer guarantee the debt of Bendix Commercial Vehicle Systems of \$172 million, there has been no material change to these guarantees.

The following table summarizes information concerning our recorded obligations for product warranties and product performance guarantees:

	Six Months Ended June 30, 2003 -----
Beginning of period	\$217
Accruals for warranties/guarantees issued during period	104
Adjustments of pre-existing warranties/guarantees	11
Settlement of warranty/guarantee claims	(80)

End of period	\$252 =====

NOTE 3. We account for our fixed stock option plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25). Under APB No. 25, there is generally no compensation cost recognized for our fixed stock option plans, because the options granted under these plans have an exercise price equal to the market value of the underlying stock at the grant date. Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) allows, but does not require, companies to record compensation cost for fixed stock option plans using a fair value based method. As permitted by SFAS No. 123, we elected to continue to account for compensation cost for our fixed stock option plans using the intrinsic value based method under APB No. 25. The following table sets forth pro forma information as if compensation cost had been determined consistent with the requirements of SFAS No. 123.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	-----	-----	-----	-----
Net income, as reported	\$ 319	\$ 459	\$ 573	\$ 835
Deduct: Total stock-based employee compensation cost determined under fair value method for fixed stock option plans, net of related tax effects	(12)	(16)	(25)	(32)
	-----	-----	-----	-----
Pro forma net income	\$ 307	\$ 443	\$ 548	\$ 803
	=====	=====	=====	=====
Earnings per share of common stock:				
Basic - as reported	\$0.37	\$0.56	\$0.67	\$1.02
	=====	=====	=====	=====
Basic - pro forma	\$0.36	\$0.54	\$0.64	\$0.98
	=====	=====	=====	=====
Earnings per share of common stock:				
Assuming dilution - as reported	\$0.37	\$0.56	\$0.67	\$1.02
	=====	=====	=====	=====
Assuming dilution - pro forma	\$0.36	\$0.54	\$0.64	\$0.98
	=====	=====	=====	=====

Three Months Ended June 30,		Six Months Ended June 30,	
2003	2002	2003	2002

The following sets forth fair value per share information, including related assumptions, used to determine compensation cost consistent with the requirements of SFAS No. 123:

Weighted average fair value per share of options granted during the period (estimated on grant date using Black-Scholes option-pricing model)	\$8.12	\$14.24	\$8.80	\$12.79
Assumptions:				
Historical dividend yield	2.2%	1.9%	2.0%	1.9%
Historical volatility	46.9%	43.9%	46.7%	43.7%
Risk-free rate of return	2.9%	4.4%	2.9%	4.2%
Expected life (years)	5.0	5.0	5.0	5.0

NOTE 4. Accounts, notes and other receivables consist of the following:

	June 30, 2003	December 31, 2002
Trade	\$3,110	\$3,064
Other	405	347
	3,515	3,411
Less - Allowance for doubtful accounts	(162)	(147)
	\$3,353	\$3,264

NOTE 5. Inventories consist of the following:

	June 30, 2003	December 31, 2002
Raw materials	\$1,050	\$ 936
Work in process	840	804
Finished products	1,301	1,361
	3,191	3,101
Less - Progress payments	(16)	(28)
Reduction to LIFO cost basis	(120)	(120)
	\$3,055	\$2,953

NOTE 6. The change in the carrying amount of goodwill for the six months ended June 30, 2003 by reportable segment is as follows:

	Dec. 31, 2002	Acquisitions	(Divestitures)	Currency Translation Adjustment	June 30, 2003
	-----	-----	-----	-----	-----
Aerospace	\$1,644	\$--	\$ --	\$ 7	\$1,651
Automation and Control Solutions	2,678	63	--	11	2,752
Specialty Materials	849	5	(80)	12	786
Transportation Systems	527	--	--	1	528
	-----	-----	-----	-----	-----
	\$5,698	\$68	\$ (80)	\$31	\$5,717
	=====	=====	=====	=====	=====

Intangible assets are comprised of:

	June 30, 2003			December 31, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	-----	-----	-----	-----	-----	-----
Intangible assets with determinable lives:						
Investments in Aerospace customer incentives	\$ 814	\$ (122)	\$ 692	\$ 769	\$ (107)	\$ 662
Patents and trademarks	409	(289)	120	411	(286)	125
Other	417	(179)	238	433	(183)	250
	-----	-----	-----	-----	-----	-----
	1,640	(590)	1,050	1,613	(576)	1,037
Trademark with indefinite life	46	(9)	37	46	(9)	37
	-----	-----	-----	-----	-----	-----
	\$1,686	\$ (599)	\$1,087	\$1,659	\$ (585)	\$1,074
	=====	=====	=====	=====	=====	=====

Amortization expense related to intangible assets was \$31 and \$29 million for the six months ended June 30, 2003 and 2002, respectively. Amortization expense related to intangible assets for 2003 to 2007 is expected to approximate \$60 million each year.

We completed our goodwill and intangible assets impairment testing for our reporting units as of March 31, 2003 and determined that there was no impairment as of that date.

NOTE 7. Total nonowner changes in shareowners' equity consist of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	----	----	----	-----
Net income	\$319	\$459	\$573	\$ 835
Foreign exchange translation adjustments	270	242	363	246
Change in fair value of effective cash flow hedges	29	(23)	57	(19)
	-----	-----	-----	-----
	\$618	\$678	\$993	\$1,062
	=====	=====	=====	=====

NOTE 8. Segment financial data follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net Sales				
Aerospace	\$2,161	\$2,204	\$ 4,223	\$ 4,293
Automation and Control Solutions	1,837	1,758	3,554	3,367
Specialty Materials	823	870	1,600	1,628
Transportation Systems	925	805	1,765	1,531
Corporate	3	14	6	31
	-----	-----	-----	-----
	\$5,749	\$5,651	\$11,148	\$10,850
	=====	=====	=====	=====
Segment Profit				
Aerospace	\$ 224	\$ 364	\$ 442	\$ 671
Automation and Control Solutions	177	220	362	427
Specialty Materials	28	34	38	42
Transportation Systems	112	104	187	177
Corporate	(34)	(35)	(66)	(71)
	-----	-----	-----	-----
Total segment profit	507	687	963	1,246
	-----	-----	-----	-----
Gain (loss) on sale of non-strategic businesses	31	(166)	31	(41)
Business impairment charges	--	--	--	(43)
Equity in income of affiliated companies	6	3	4	10
Other income	24	6	27	22
Interest and other financial charges	(87)	(88)	(171)	(175)
Repositioning and other charges included in cost of goods sold and selling, general and administrative expenses	(34)	(127)	(34)	(177)
	-----	-----	-----	-----
Income before taxes and cumulative effect of accounting change	\$ 447	\$ 315	\$ 820	\$ 842
	=====	=====	=====	=====

NOTE 9. The details of the earnings per share calculations for the three- and six-month periods ended June 30, 2003 and 2002 follow:

	Three Months 2003			Six Months 2003		
	Income	Average Shares	Per Share Amount	Income	Average Shares	Per Share Amount
Income Before Cumulative Effect of Accounting Change						
Earnings per share of common stock - basic	\$319	859.9	\$0.37	\$593	858.4	\$0.69
Dilutive securities issuable in connection with stock plans		1.0			0.8	
Earnings per share of common stock - assuming dilution	\$319	860.9	\$0.37	\$593	859.2	\$0.69
Net Income						
Earnings per share of common stock - basic	\$319	859.9	\$0.37	\$573	858.4	\$0.67
Dilutive securities issuable in connection with stock plans		1.0			0.8	
Earnings per share of common stock - assuming dilution	\$319	860.9	\$0.37	\$573	859.2	\$0.67

	Three Months 2002			Six Months 2002		
	Income	Average Shares	Per Share Amount	Income	Average Shares	Per Share Amount
Net Income						
Earnings per share of common stock - basic	\$459	819.4	\$0.56	\$835	818.2	\$1.02
Dilutive securities issuable in connection with stock plans		3.9			3.5	
Earnings per share of common stock - assuming dilution	\$459	823.3	\$0.56	\$835	821.7	\$1.02

The diluted earnings per share calculation excludes the effect of stock options when the options' exercise prices exceed the average market price of the common shares during the period. For the three- and six-month periods ended June 30, 2003, the number of stock options not included in the computations were 43.7 and 44.3 million, respectively. For the three- and six-month periods ended June 30, 2002, the number of stock options not included in the computations were 22.4 and 24.7 million, respectively. These stock options were outstanding at the end of each of the respective periods.

NOTE 10. A summary of repositioning, business impairment and other charges follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Severance	\$ 22	\$ 32	\$ 22	\$ 73
Asset impairments	--	57	--	68
Exit costs	3	10	3	23
Reserve adjustments	(23)	(31)	(23)	(43)
	----	----	----	----
Total net repositioning charge	2	68	2	121
	----	----	----	----
Probable and reasonably estimable environmental liabilities	32	--	32	--
Business impairment charges	--	--	--	43
Customer claims and settlements of contract liabilities	--	29	--	29
Write-offs of receivables, inventories and other assets	--	40	--	40
	----	----	----	----
Total net repositioning, business impairment and other charges	\$ 34	\$137	\$ 34	\$233
	====	====	====	====

The following table summarizes the pretax distribution of total net repositioning, business impairment and other charges by income statement classification:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Cost of goods sold	\$29	\$127	\$29	\$173
Selling, general and administrative expenses	5	--	5	4
Business impairment charges	--	--	--	43
Equity in (income) loss of affiliated companies	--	10	--	13
	---	----	---	----
	\$34	\$137	\$34	\$233
	===	====	===	====

The following table summarizes the pretax impact of total net repositioning, business impairment and other charges by reportable segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Aerospace	\$ (2)	\$ 6	\$ (2)	\$ 6
Automation and Control Solutions	(8)	22	(8)	61
Specialty Materials	7	107	7	132
Transportation Systems	--	2	--	30
Corporate	37	--	37	4
	---	----	---	----
	\$34	\$137	\$34	\$233
	===	====	===	====

In the second quarter of 2003, we recognized a charge of \$25 million mainly for severance costs related to workforce reductions of 448 manufacturing and

administrative positions principally in our Specialty Materials and Aerospace reportable segments. Also, \$23 million of previously established accruals, mainly for severance, were returned to income in the second quarter of 2003, due to fewer employee separations than originally anticipated associated with certain 2002

repositioning actions, resulting in reduced severance liabilities in our Automation and Control Solutions, Aerospace and Specialty Materials reportable segments.

As disclosed in our 2002 Annual Report on Form 10-K, we recognized repositioning charges totaling \$453 million in 2002 (\$99 and \$164 million were recognized in the three- and six-month periods ended June 30, 2002). The components of the charges included severance costs of \$270 million, asset impairments of \$121 million and other exit costs of \$62 million. Severance costs were related to announced workforce reductions of approximately 8,100 manufacturing and administrative positions across all of our reportable segments and our UOP process technology joint venture, of which approximately 5,200 positions have been eliminated as of June 30, 2003. These actions are expected to be substantially completed by December 31, 2003. Also, \$76 million of previously established severance accruals were returned to income in 2002, due to fewer employee separations than originally anticipated and higher than expected voluntary employee attrition resulting in reduced severance liabilities in our Aerospace, Automation and Control Solutions and Specialty Materials reportable segments.

The following table summarizes the status of our total repositioning costs:

	Severance Costs -----	Asset Impairments -----	Exit Costs -----	Total -----
Balance at December 31, 2002	\$325	\$--	\$ 81	\$406
2003 charges	22	--	3	25
2003 usage	(78)	--	(15)	(93)
Adjustments	(20)	--	(3)	(23)
	----	---	----	----
Balance at June 30, 2003	\$249 =====	\$-- ===	\$ 66 =====	\$315 =====

In the second quarter of 2003, we recognized other charges of \$32 million for legacy environmental matters deemed probable and reasonably estimable in the second quarter of 2003 including the matter entitled Interfaith Community Organization, et al. v. Honeywell International Inc., et al. as discussed in Note 12.

In the second quarter of 2002, we recognized other charges consisting of customer claims and settlements of contract liabilities of \$29 million and write-offs of receivables, inventories and other assets of \$40 million. Such charges related mainly to our Advanced Circuits business which was sold in the fourth quarter of 2002, bankruptcy of a customer in our Aerospace reportable segment, and customer claims in our Industry Solutions business.

In the first quarter of 2002, we recognized an impairment charge of \$27 million related to the write-down of property, plant and equipment of our Friction Materials business, which is classified as assets held for disposal in Other Current Assets (a plan of disposal of Friction Materials was adopted in 2001; in January 2003, we entered into a letter of intent to sell this business to Federal-Mogul Corp. - See Note 12). In the first quarter of 2002, we also recognized an asset impairment charge of \$16 million related to the planned shutdown of a chemical manufacturing facility in our Specialty Materials reportable segment.

NOTE 11. In May 2003, we completed the sale of Specialty Materials' Engineering Plastics (Engineering Plastics) business to BASF in exchange for BASF's nylon fiber business and \$90 million in cash. This transaction is not expected to have a material impact on Specialty Materials' sales or segment profit in 2003. The sale of Engineering Plastics resulted in a pretax gain of \$31 million, after-tax \$9 million, including the tax benefits associated with prior capital losses.

In June 2002, we sold Specialty Materials' Pharmaceutical Fine Chemicals (PFC) and Automation and Control's Consumer Products (Consumer Products) businesses for proceeds of approximately \$105 million, mainly cash, resulting in a pretax loss

of \$166 million (after-tax gain of \$98 million). The businesses sold had a higher deductible tax basis than book basis which resulted in an after-tax gain. In March 2002, we completed the disposition of our Bendix Commercial Vehicle Systems (BCVS) business for approximately \$350 million in cash and investment securities resulting in a pretax gain of \$125 million. In January 2002, we had reached an agreement with Knorr-Bremse AG (Knorr) to transfer control of our global interests in BCVS to Knorr.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Shareowner Litigation - Honeywell and seven of its current and former officers were named as defendants in several purported class action lawsuits filed in the United States District Court for the District of New Jersey (the Securities Law Complaints). The Securities Law Complaints principally allege that the defendants violated federal securities laws by purportedly making false and misleading statements and by failing to disclose material information concerning Honeywell's financial performance, thereby allegedly causing the value of Honeywell's stock to be artificially inflated. On January 15, 2002, the District Court dismissed the consolidated complaint against four of Honeywell's current and former officers. The Court has granted plaintiffs' motion for class certification defining the purported class as all purchasers of Honeywell stock between December 20, 1999 and June 19, 2000.

The parties participated in a two day settlement mediation in April 2003 in an attempt to resolve the cases without resort to a trial. The mediation proved unsuccessful in resolving the cases. Discovery in the cases, which had been stayed pending completion of the mediation, has resumed.

We continue to believe that the allegations in the Securities Law Complaints are without merit. Although it is not possible at this time to predict the outcome of these cases, we expect to prevail. However, an adverse outcome could be material to our consolidated financial position or results of operations. As a result of the uncertainty regarding the outcome of this matter no provision has been made in our financial statements with respect to this contingent liability.

ERISA Class Action Lawsuit - In April 2003, Honeywell and several of its current and former officers were named as defendants in a purported class action lawsuit filed in the United States District Court for the District of New Jersey. The complaint principally alleges that the defendants breached their fiduciary duties to participants in the Honeywell Savings and Ownership Plan (the "Savings Plan") by purportedly making false and misleading statements, failing to disclose material information concerning Honeywell's financial performance, and failing to diversify the Savings Plan's assets and monitor the prudence of Honeywell stock as a Savings Plan investment. In July 2003, an amended complaint making similar allegations and naming several current and former officers and directors as defendants was filed in the same district. No answers have been filed and discovery has not commenced. Although it is not possible at this time to predict the outcome of this litigation, we believe that the allegations in these complaints are without merit and we expect to prevail. An adverse litigation outcome could, however, be material to our consolidated financial position or results of operations. As a result of the uncertainty regarding the outcome of this matter, no provision has been made in our financial statements with respect to this contingent liability.

Environmental Matters - We are subject to various federal, state and local government requirements relating to the protection of employee health and safety and the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury to our employees and employees of our customers and that our handling, manufacture, use and disposal of hazardous or toxic substances are in accord with environmental laws and regulations. However,

mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental matters, including past production of products containing toxic substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually at our owned sites, and jointly as a member of industry groups at non-owned sites, to determine the feasibility of various remedial techniques to address environmental matters. It is our policy to record appropriate liabilities for environmental matters when environmental assessments are made or remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. With respect to site contamination, the timing of these accruals is generally no later than the completion of feasibility studies. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of litigation and settlements of personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties.

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations. However, considering our past experience and existing reserves, we do not expect that these matters will have a material adverse effect on our consolidated financial position.

In the matter entitled *Interfaith Community Organization, et al. v. Honeywell International Inc., et al.*, the United States District Court for the District of New Jersey held in May 2003 that a predecessor Honeywell site located in Jersey City, New Jersey constituted an imminent and substantial endangerment and ordered Honeywell to conduct the excavation and transport for offsite disposal of approximately one million tons of chromium residue present at the site. Honeywell strongly disagrees with the court's determinations and has appealed the court's decision. Honeywell is also seeking a stay of aspects of the court's order. The site at issue is one of twenty-one sites located in Jersey City, New Jersey which are the subject of an Administrative Consent Order (ACO) entered into with the New Jersey Department of Environmental Protection (NJDEP) in 1993. Under the ACO, Honeywell agreed to study and remediate these sites in accordance with NJDEP's directions, provided that the total costs of such studies and remediation does not exceed \$60 million. Honeywell has cooperated with the NJDEP under the ACO and believes that decisions regarding site cleanups should be made by NJDEP under the ACO. We are confident that proceeding under the ACO will ensure a safe remediation and allow the property to be placed back into productive use much faster and at a cost significantly less than the remedies required by the court's order. We have not developed a remedial action plan for the excavation and offsite disposal directed under the court's order and therefore are unable to estimate the cost of such actions. At trial, plaintiff's expert testified that the excavation and offsite disposal cost might be \$400 million. However, there are significant variables in the implementation of the court's order and depending on the method of implementation chosen, the estimate could increase or decrease. Provisions have been previously made in our financial statements as to remedial costs consistent with the ACO and during the three months ended June 30, 2003 we provided for additional costs which are likely to be incurred during the pendency of our appeal, which provisions do not assume excavation and offsite removal of chromium from the site. There are alternative outcomes and remedies beyond the scope of the ACO that could result from the remanding, reversal or replacement of the Court's decision and order. At this time, we can neither identify a probable alternative outcome

nor reasonably estimate the cost of an alternative remedy. Although we expect the court's decision and order to be remanded, reversed or replaced, should the remedies prescribed in the court's decision and order ultimately be upheld, such outcome could have a material adverse impact on our consolidated results of operations or operating cash flows in the periods recognized or paid.

Asbestos Matters - Like many other industrial companies, Honeywell is a defendant in personal injury actions related to asbestos. We did not mine or produce asbestos, nor did we make or sell insulation products or other construction materials that have been identified as the primary cause of asbestos related disease in the vast majority of claimants. Rather, we made several products that contained small amounts of asbestos.

Honeywell's Bendix Friction Materials business manufactured automotive brake pads that included asbestos in an encapsulated form. There is a group of potential claimants consisting largely of professional brake mechanics. From 1981 through June 30, 2003, we have resolved over 62,000 Bendix claims at an average indemnity cost per claim of approximately two thousand six hundred dollars. Through the second quarter of 2002, Honeywell had no out-of-pocket costs for these cases since its insurance deductible was satisfied many years ago. Beginning with claim payments made in the third quarter of 2002, Honeywell began advancing indemnity and defense claim costs which amounted to approximately \$50 million in payments in the six months ended June 30, 2003. A substantial portion of this amount is expected to be reimbursed by insurance. There are currently approximately 69,000 claims pending.

On January 30, 2003, Honeywell and Federal-Mogul Corp. (Federal-Mogul) entered into a letter of intent (LOI) pursuant to which Federal-Mogul would acquire Honeywell's automotive Bendix Friction Materials (Bendix) business, with the exception of certain U.S. based assets. In exchange, Honeywell would receive a permanent channeling injunction shielding it from all current and future personal injury asbestos liabilities related to Honeywell's Bendix business.

Federal-Mogul, its U.S. subsidiaries and certain of its United Kingdom subsidiaries voluntarily filed for financial restructuring under Chapter 11 of the U.S. Bankruptcy Code in October 2001. Federal-Mogul will seek to establish one or more trusts under Section 524(g) of the U.S. Bankruptcy Code as part of its reorganization plan, including a trust for the benefit of Bendix asbestos claimants. The reorganization plan to be submitted to the Bankruptcy Court for approval will contemplate that the U.S. Bankruptcy Court in Delaware would issue an injunction in favor of Honeywell that would channel to the Bendix 524(g) trust all present and future asbestos claims relating to Honeywell's Bendix business. The 524(g) trust created for the benefit of the Bendix claimants would receive the rights to proceeds from Honeywell's Bendix related insurance policies and would make these proceeds available to the Bendix claimants. Honeywell would have no obligation to contribute any additional amounts toward the settlement or resolution of Bendix related asbestos claims.

In the fourth quarter of 2002, we recorded a charge of \$167 million consisting of a \$131 million reserve for the sale of Bendix to Federal-Mogul, our estimate of asbestos related liability net of insurance recoveries and costs to complete the anticipated transaction with Federal-Mogul. Completion of the transaction contemplated by the LOI is subject to the negotiation of definitive agreements, the confirmation of Federal-Mogul's plan of reorganization by the Bankruptcy Court, the issuance of a final, non-appealable 524(g) channeling injunction permanently enjoining any Bendix related asbestos claims against Honeywell, and the receipt of all required governmental approvals. We do not believe that completion of such transaction would have a material adverse impact on our consolidated results of operations or financial position.

There can be no assurance, however, that the transaction contemplated by the LOI will be completed. Honeywell presently has approximately \$1.9 billion (excluding coverage previously available from Equitas; see discussion below) of insurance coverage remaining with respect to Bendix related asbestos claims. Although it is impossible to predict the outcome of pending or future claims, in light of our potential exposure, our prior experience in resolving these claims, and our insurance coverage, we do not believe that the Bendix related asbestos claims will have a material adverse effect on our consolidated financial position.

Another source of claims is refractory products (high temperature bricks and cement) sold largely to the steel industry in the East and Midwest by North American Refractories Company (NARCO), a business we owned from 1979 to 1986. Less than 2 percent of NARCO's products contained asbestos.

When we sold the NARCO business in 1986, we agreed to indemnify NARCO with respect to personal injury claims for products that had been discontinued prior to the sale (as defined in the sale agreement). NARCO retained all liability for all other claims. NARCO had resolved approximately 176,000 claims through January 4, 2002, the date NARCO filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code, at an average cost per claim of two thousand two hundred dollars. Of those claims, 43 percent were dismissed on the ground that there was insufficient evidence that NARCO was responsible for the claimant's asbestos exposure. As of the date of NARCO's bankruptcy filing, there were approximately 116,000 remaining claims pending against NARCO, including approximately 7 percent in which Honeywell was also named as a defendant. Since 1983, Honeywell and our insurers have contributed to the defense and settlement costs associated with NARCO claims. We have approximately \$1.5 billion (excluding coverage previously available from Equitas; see discussion below) of insurance remaining that can be specifically allocated to NARCO related liability.

As a result of the NARCO bankruptcy filing, all of the claims pending against NARCO are automatically stayed pending the reorganization of NARCO. In addition, because the claims pending against Honeywell necessarily will impact the liabilities of NARCO, because the insurance policies held by Honeywell are essential to a successful NARCO reorganization, and because Honeywell has offered to commit the value of those policies to the reorganization, the bankruptcy court has temporarily enjoined any claims against Honeywell, current or future, related to NARCO. Although the stay has been extended sixteen times since January 4, 2002, there is no assurance that such stay will remain in effect. In connection with NARCO's bankruptcy filing, we paid NARCO's parent company \$40 million and agreed to provide NARCO with up to \$20 million in financing. We also agreed to pay \$20 million to NARCO's parent company upon the filing of a plan of reorganization for NARCO acceptable to Honeywell, and to pay NARCO's parent company \$40 million, and to forgive any outstanding NARCO indebtedness, upon the confirmation and consummation of such a plan.

As a result of ongoing negotiations with counsel representing NARCO related asbestos claimants regarding settlement of all pending and potential NARCO related asbestos claims against Honeywell, we have reached definitive agreements or agreements in principle with approximately 236,000 claimants, which represents approximately 90 percent of the approximately 260,000 current claimants who are now expected to file a claim as part of the NARCO reorganization process. We are also in discussions with the NARCO Committee of Asbestos Creditors on Trust Distribution Procedures for NARCO. We believe that, as part of the NARCO plan of reorganization, a trust will be established pursuant to these Trust Distribution Procedures for the benefit of all asbestos claimants, current and future. If the trust is put in place and approved by the court as fair and equitable, Honeywell as well as NARCO will be entitled to a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos related claims based on exposure to NARCO products to be made against the federally-supervised trust. As part of its ongoing settlement

negotiations, Honeywell is seeking to cap its annual contributions to the trust with respect to future claims at a level that would not have a material impact on Honeywell's operating cash flows. Given the substantial progress of negotiations between Honeywell and NARCO related asbestos claimants and between Honeywell and the Committee of Asbestos Creditors during the fourth quarter of 2002, Honeywell developed an estimated liability for settlement of pending and future asbestos claims.

During the fourth quarter of 2002, Honeywell recorded a charge of \$1.4 billion for NARCO related asbestos litigation charges, net of insurance recoveries. This charge consists of the estimated liability to settle current asbestos related claims, the estimated liability related to future asbestos related claims through 2018 and obligations to NARCO's parent, net of insurance recoveries of \$1.8 billion.

The estimated liability for current claims is based on terms and conditions, including evidentiary requirements, in definitive agreements or agreements in principle with approximately 90 percent of current claimants. Once finalized, settlement payments with respect to current claims are expected to be made over approximately a four-year period.

The liability for future claims estimates the probable value of future asbestos related bodily injury claims asserted against NARCO over a 15 year period and obligations to NARCO's parent as discussed above. In light of the uncertainties inherent in making long-term projections we do not believe that we have a reasonable basis for estimating asbestos claims beyond 2018 under Statement of Financial Accounting Standard No. 5 "Accounting for Contingencies." Honeywell retained the expert services of Hamilton, Rabinovitz and Alschuler, Inc. (HR&A) to project the probable number and value, including trust claim handling costs, of asbestos related future liabilities. The methodology used to estimate the liability for future claims has been commonly accepted by numerous courts and is the same methodology that is utilized by an expert who is routinely retained by the asbestos claimants committee in asbestos related bankruptcies. The valuation methodology includes an analysis of the population likely to have been exposed to asbestos containing products, epidemiological studies to estimate the number of people likely to develop asbestos related diseases, NARCO claims filing history and the pending inventory of NARCO asbestos related claims.

Honeywell has substantial insurance that reimburses it for portions of the costs incurred to settle NARCO related claims and court judgments as well as defense costs. This coverage is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. At June 30, 2003, a significant portion of this coverage is with London-based insurance companies under a coverage-in-place agreement. See below for discussion of separate Equitas settlement. Coverage-in-place agreements are settlement agreements between policyholders and the insurers specifying the terms and conditions under which coverage will be applied as claims are presented for payment. These agreements govern such things as what events will be deemed to trigger coverage, how liability for a claim will be allocated among insurers and what procedures the policyholder must follow in order to obligate the insurer to pay claims. We conducted an analysis to determine the amount of insurance that we estimate is probable that we will recover in relation to payment of current and projected future claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. Some of our insurance carriers have challenged our right to enter into settlement agreements resolving all NARCO related asbestos claims against Honeywell. However, we believe there is no factual or legal basis for such challenges and we believe that it is probable that we will prevail in the resolution of, or in any litigation that is brought regarding these disputes and as of June 30, 2003, we have recognized approximately \$550 million in probable insurance recoveries from these carriers. We made judgments concerning insurance

coverage that we believe are reasonable and consistent with our historical dealings with our insurers, our knowledge of any pertinent solvency issues surrounding insurers and various judicial determinations relevant to our insurance programs. Based on our analysis, we recorded insurance recoveries that are deemed probable through 2018 of \$1.8 billion. A portion of this insurance has been received, primarily from Equitas, as discussed below.

During the six months ended June 30, 2003, we made asbestos related payments of \$388 million, including legal fees. During the six months ended June 30, 2003, we received \$477 million in insurance reimbursements including \$472 million in cash received from Equitas related to a comprehensive policy buy-back settlement of all insurance claims by Honeywell against Equitas. The settlement resolves all claims by Honeywell against Equitas arising from asbestos claims related to NARCO and Bendix. The coverage amounts discussed above for NARCO and Bendix do not include coverage previously available from Equitas.

Projecting future events is subject to many uncertainties that could cause the NARCO related asbestos liabilities to be higher or lower than those projected and recorded. There is no assurance that ongoing settlement negotiations will be successfully completed, that a plan of reorganization will be proposed or confirmed, that insurance recoveries will be timely or whether there will be any NARCO related asbestos claims beyond 2018. Given the inherent uncertainty in predicting future events, we plan to review our estimates periodically, and update them based on our experience and other relevant factors. Similarly we will reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability or other developments that may impact insurance recoveries.

NARCO and Bendix asbestos related balances are included in the following balance sheet accounts:

	June 30, 2003	December 31, 2002
	-----	-----
Other current assets	\$ 170	\$ 320
Insurance recoveries for asbestos related liabilities	1,370	1,636
	-----	-----
	\$1,540	\$1,956
	=====	=====
Accrued liabilities	\$ 727	\$ 741
Asbestos related liabilities	2,394	2,700
	-----	-----
	\$3,121	\$3,441
	=====	=====

Report of Independent Auditors

To the Board of Directors and Shareowners
of Honeywell International Inc.

We have reviewed the accompanying consolidated balance sheet of Honeywell International Inc. and its subsidiaries as of June 30, 2003, and the related consolidated statement of operations for each of the three-month and six-month periods ended June 30, 2003 and 2002 and the consolidated statement of cash flows for the six-month periods ended June 30, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2002, and the related consolidated statements of operations, of shareowners' equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 6, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2002, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Florham Park, NJ
August 8, 2003

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The "Report of Independent Auditors" included above is not a "report" or "part of a Registration Statement" prepared or certified by an independent accountant within the meanings of Sections 7 and 11 of the Securities Act of 1933, and the accountants' Section 11 liability does not extend to such report.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. RESULTS OF OPERATIONS - SECOND QUARTER 2003 COMPARED WITH SECOND QUARTER 2002

Net sales in the second quarter of 2003 were \$5,749 million, an increase of \$98 million, or 2 percent compared with the second quarter of 2002. The increase in sales is attributable to the following:

Acquisitions	2%
Divestitures	(2)
Price	--
Volume	(2)
Foreign exchange	4
	--
	2%
	==

A discussion of net sales by reportable segment can be found in the Review of Business Segments section below.

Cost of goods sold of \$4,514 million in the second quarter of 2003 increased by \$83 million, or 2 percent compared with the second quarter of 2002. This increase resulted from a \$181 million increase due primarily to the unfavorable impact of foreign exchange, a decrease in sales of higher-margin products and services, primarily in our Aerospace and Automation and Control Solutions reportable segments, and higher pension, product development and other expenses. This increase was partially offset by a decrease of \$98 million in repositioning and other charges.

Selling, general and administrative expenses of \$762 million in the second quarter of 2003 increased by \$102 million, or 15 percent compared with the second quarter of 2002 due mainly to higher pension and other employee benefit costs and the unfavorable impact of foreign exchange.

Pension expense was \$44 million in the second quarter of 2003 compared with pension income of \$39 million in the second quarter of 2002. The increase of \$83 million in pension expense in the second quarter of 2003 compared with the second quarter of 2002 was due principally to a reduction in 2003 in the assumed rate of return on plan assets from 10 to 9 percent, a decrease in the market-related value of our pension plan assets during the period 2000 to 2002 and the systematic recognition of higher net losses. These losses resulted mainly from actual pension plan asset returns below the assumed rate of return during the period 2000 to 2002.

Gain on sale of non-strategic businesses of \$31 million in the second quarter of 2003 represents the pretax gain on the disposition of Specialty Materials' Engineering Plastics (Engineering Plastics) business. Loss on sale of non-strategic businesses of \$166 million in the second quarter of 2002 represented the pretax loss on the dispositions of Specialty Materials' Pharmaceutical Fine Chemicals (PFC) and Automation and Control's Consumer Products (Consumer Products) businesses.

Equity in (income) loss of affiliated companies was income of \$6 million in the second quarter of 2003 compared with income of \$3 million in the second quarter of 2002. The increase of \$3 million in equity income in the second quarter of 2003 compared with the second quarter of 2002 was due mainly to the inclusion of a charge of \$10 million in the prior year's quarter for severance actions by our UOP process technology (UOP) joint venture partially offset by income of \$7 million resulting from exiting a joint venture in our Aerospace reportable segment also in the prior year's quarter.

Other (income) expense, \$24 million of income in the second quarter of 2003, compared with \$6 million of income in the second quarter of 2002. The increase of \$18 million in other income in the second quarter of 2003 compared with the second quarter of 2002 was due mainly to a gain of \$20 million related to the settlement of a patent infringement lawsuit.

Interest and other financial charges of \$87 million in the second quarter of 2003 was basically flat compared with the second quarter of 2002.

Tax expense was \$128 million in the second quarter of 2003 resulting in an effective tax rate of 28.6 percent which was lower than the statutory tax rate of 35 percent principally due to tax benefits on export sales, favorable tax audit settlements and foreign tax planning strategies. Tax (benefit) was (\$144) million in the second quarter of 2002 resulting from the impact of repositioning and other charges and the loss on the dispositions of our PFC and Consumer Products businesses. The businesses sold had a higher deductible tax basis than book basis which resulted in a tax benefit.

Net income was \$319 million, or \$0.37 per share, in the second quarter of 2003 compared with net income of \$459 million, or \$0.56 per share, in the second quarter of 2002. The decrease of \$0.19 per share in the second quarter of 2003 compared with the second quarter of 2002 was primarily due to higher pension expense, including the impact of dilution from the prior year contribution of Honeywell common stock to our U.S. pension plans, lower sales of higher margin products and services, principally in our Aerospace and Automation and Control Solutions reportable segments and higher product development and other expenses.

Review of Business Segments

	Three Months Ended June 30,	
	2003	2002
	-----	-----
Net Sales		
Aerospace	\$2,161	\$2,204
Automation and Control Solutions	1,837	1,758
Specialty Materials	823	870
Transportation Systems	925	805
Corporate	3	14
	-----	-----
	\$5,749	\$5,651
	=====	=====
Segment Profit		
Aerospace	\$ 224	\$ 364
Automation and Control Solutions	177	220
Specialty Materials	28	34
Transportation Systems	112	104
Corporate	(34)	(35)
	-----	-----
Total segment profit	507	687
	-----	-----
Gain (loss) on sale of non-strategic businesses	31	(166)
Equity in income of affiliated companies	6	3
Other income	24	6
Interest and other financial charges	(87)	(88)
Repositioning and other charges included in cost of goods sold and selling, general and administrative expenses	(34)	(127)
	-----	-----
Income before taxes and cumulative effect of accounting change	\$ 447	\$ 315
	=====	=====

Aerospace sales of \$2,161 million in the second quarter of 2003 decreased by \$43 million, or 2 percent compared with the second quarter of 2002 due to continued weakness in sales to our commercial original equipment (OE) and aftermarket customers. Sales to our air transport OE customers decreased by 18 percent reflecting scheduled production declines by our OE customers (primarily Boeing and Airbus) due to reduced aircraft orders by commercial airlines. The airline industry continues to be negatively impacted by general weakness in the economy and the financial difficulties being encountered by certain major carriers. Sales to our business and general aviation OE customers also decreased by 18 percent reflecting a decline in projected deliveries of business jet airplanes due to weakness in fractional demand and corporate profitability. Sales to our commercial air transport aftermarket customers were lower by 5 percent as a decline in sales of commercial spare parts of 16 percent due to lower discretionary spending by the airlines was partially offset by higher sales of repair and overhaul services of 7 percent. Sales to our regional transport aftermarket customers declined by 15 percent due to weak market conditions. The decrease in Aerospace sales in the second quarter of 2003 compared with the second quarter of 2002 was partially offset by an increase in sales to our defense and space customers, with aftermarket sales up by 11 percent and OE sales higher by 5 percent, resulting principally from increased military activity and growth in precision guidance and spare parts. Sales to our business and general aviation aftermarket customers improved by 7 percent largely due to strong repair and overhaul activity and higher sales of spare parts.

Aerospace segment profit of \$224 million in the second quarter of 2003 decreased by \$140 million, or 38 percent compared with the second quarter of 2002 due mainly to lower sales of commercial original equipment and higher-margin

commercial aftermarket spare parts as well as higher pension, research, development and engineering and other expenses.

Automation and Control Solutions sales of \$1,837 million in the second quarter of 2003 increased by \$79 million, or 4 percent compared with the second quarter of 2002 due to the favorable effects of foreign exchange of 6 percent and acquisitions, net of the prior year disposition of our Consumer Products business, of 3 percent, partially offset by the impact of lower prices of 1 percent and lower volumes of 4 percent. Sales increased by 8 percent for our Automation and Control Products business as the effects of acquisitions, mainly Invensys Sensor Systems, foreign exchange and strong sales of fire solutions products more than offset the impact of the prior year disposition of our Consumer Products business and general weakness in the economy. Sales for our Service business increased by 1 percent as the favorable impact from foreign exchange was partially offset by lower volumes due to continued softness in capital spending as well as commercial and residential construction. Sales for our Industry Solutions business were flat.

Automation and Control Solutions segment profit of \$177 million in the second quarter of 2003 decreased by \$43 million, or 20 percent compared with the second quarter of 2002 due mainly to higher pension expense, the decline in higher-margin energy-retrofit and discretionary spot sales in our Service business, and increased research and development and other expenses, mainly in our Automation and Control Products and Service businesses, respectively.

Specialty Materials sales of \$823 million in the second quarter of 2003 decreased by \$47 million, or 5 percent compared with the second quarter of 2002 due largely to the impact from the prior year divestitures of our Advanced Circuits and PFC businesses. The favorable impact of foreign exchange of 3 percent was offset by lower volumes mainly in our Nylon Systems, Performance Products and Fluorines businesses.

Specialty Materials segment profit of \$28 million in the second quarter of 2003 decreased by \$6 million, or 18 percent compared with the second quarter of 2002. This decrease mainly resulted from higher raw material costs (principally natural gas) and higher pension expense, partially offset by the impact of the prior year write-down of property, plant and equipment in several businesses, divestitures of non-strategic businesses and the benefits of cost actions.

Transportation Systems sales of \$925 million in the second quarter of 2003 increased by \$120 million, or 15 percent compared with the second quarter of 2002 due mainly to the favorable impact of foreign exchange of 11 percent and volume growth at our Garrett Engine Boosting Systems business. Sales at our Garrett Engine Boosting Systems business increased by 31 percent due to volume growth of 16 percent as worldwide demand for our turbochargers continued to be strong, and the favorable impact of foreign exchange of 15 percent.

Transportation Systems segment profit of \$112 million in the second quarter of 2003 increased by \$8 million, or 8 percent compared with the second quarter of 2002 due mainly to the effect of higher sales in our Garrett Engine Boosting Systems business partially offset by higher pension, new product development and introduction, facility relocations and other expenses.

B. RESULTS OF OPERATIONS - SIX MONTHS 2003 COMPARED WITH SIX MONTHS 2002

Net sales in the first six months of 2003 were \$11,148 million, an increase of \$298 million, or 3 percent compared with the first six months of 2002. The increase in sales is attributable to the following:

Acquisitions	2%
Divestitures	(2)
Price	--
Volume	(1)
Foreign exchange	4
	--
	3%
	==

A discussion of net sales by reportable segment can be found in the Review of Business Segments section below.

Cost of goods sold of \$8,754 million in the first six months of 2003 increased by \$250 million, or 3 percent compared with the first six months of 2002. This increase resulted from a \$394 million increase due primarily to the unfavorable impact of foreign exchange, a decrease in sales of higher-margin products and services, primarily in our Aerospace and Automation and Control Solutions reportable segments, and higher pension, product development and other expenses. This increase was partially offset by a decrease of \$144 million in repositioning and other charges.

Selling, general and administrative expenses of \$1,465 million in the first six months of 2003 increased by \$188 million, or 15 percent compared with the first six months of 2002 due mainly to higher pension and other employee benefit costs and the unfavorable impact of foreign exchange.

Pension expense was \$88 million in the first six months of 2003 compared with pension income of \$78 million in the first six months of 2002. The increase of \$166 million in pension expense in the first six months of 2003 compared with the first six months of 2002 was due principally to a reduction in 2003 in the assumed rate of return on plan assets from 10 to 9 percent, a decrease in the market-related value of our pension plan assets during the period 2000 to 2002 and the systematic recognition of higher net losses. These losses resulted mainly from actual pension plan asset returns below the assumed rate of return during the period 2000 to 2002.

Gain on sale of non-strategic businesses of \$31 million in the first six months of 2003 represents the pretax gain on the disposition of our Engineering Plastics business. Loss on sale of non-strategic businesses of net \$41 million in the first six months of 2002 represented the pretax loss on the dispositions of our PFC and Consumer Products businesses of \$166 million partially offset by the pretax gain on the disposition of our Bendix Commercial Vehicle Systems (BCVS) business of \$125 million.

Business impairment charges of \$43 million in the first six months of 2002 related to the write-down of property, plant and equipment in our Friction Materials business and the planned shutdown of a manufacturing facility in our Specialty Materials reportable segment. See the repositioning, business impairment and other charges section of this MD&A for further details.

Equity in (income) loss of affiliated companies was income of \$4 million in the first six months of 2003 compared with income of \$10 million in the first six months of 2002. The decrease of \$6 million in equity income in the first six months of 2003 compared with the first six months of 2002 was due mainly to the inclusion of a charge of \$13 million in the prior year's first six months for

severance actions by our UOP joint venture partially offset by income of \$15 million resulting from exiting joint ventures in our Aerospace and Transportation Systems reportable segments also in the prior year's first six months.

Other (income) expense, \$27 million of income in the first six months of 2003, compared with \$22 million of income in the first six months of 2002. The increase of \$5 million in other income in the first six months of 2003 compared with the first six months of 2002 was due mainly to a gain of \$20 million related to the settlement of a patent infringement lawsuit partially offset by a decrease in benefits from foreign exchange hedging resulting from the weakness in the U.S. dollar.

Interest and other financial charges of \$171 million in the first six months of 2003 decreased by \$4 million, or 2 percent compared with the first six months of 2002 due mainly to lower interest rates in the current period.

Tax expense was \$227 million in the first six months of 2003 resulting in an effective tax rate of 27.7 percent which was lower than the statutory tax rate of 35 percent principally due to tax benefits on export sales, favorable tax audit settlements and foreign tax planning strategies. Tax expense was \$7 million in the first six months of 2002 resulting in an effective tax rate of 0.8 percent. This includes the tax benefit of 25.7 percentage points related to repositioning, business impairment and other charges, the gain on the sale of our BCVS business, and the loss on the dispositions of our PFC and Consumer Products businesses. The PFC and Consumer Products businesses had a higher deductible tax basis than book basis which resulted in a tax benefit.

Net income was \$573 million, or \$0.67 per share, in the first six months of 2003 compared with net income of \$835 million, or \$1.02 per share, in the first six months of 2002. The decrease of \$0.35 per share in the first six months of 2003 compared with the first six months of 2002 was primarily due to higher pension expense, including the impact of dilution from the prior year contribution of Honeywell common stock to our U.S. pension plans, lower sales of higher margin products and services, principally in our Aerospace and Automation and Control Solutions reportable segments, higher product development and other expenses and the cumulative effect of a change in accounting related to our adoption of SFAS No. 143 on January 1, 2003.

Review of Business Segments

	Six Months Ended June 30,	
	2003	2002
Net Sales		
Aerospace	\$ 4,223	\$ 4,293
Automation and Control Solutions	3,554	3,367
Specialty Materials	1,600	1,628
Transportation Systems	1,765	1,531
Corporate	6	31
	-----	-----
	\$11,148	\$10,850
	=====	=====
Segment Profit		
Aerospace	\$ 442	\$ 671
Automation and Control Solutions	362	427
Specialty Materials	38	42
Transportation Systems	187	177
Corporate	(66)	(71)
	-----	-----
Total segment profit	963	1,246
	-----	-----
Gain (loss) on sale of non-strategic businesses	31	(41)
Business impairment charges	--	(43)
Equity in income of affiliated companies	4	10
Other income	27	22
Interest and other financial charges	(171)	(175)
Repositioning and other charges included in cost of goods sold and selling, general and administrative expenses	(34)	(177)
	-----	-----
Income before taxes and cumulative effect of accounting change	\$ 820	\$ 842
	=====	=====

Aerospace sales of \$4,223 million in the first six months of 2003 decreased by \$70 million, or 2 percent compared with the first six months of 2002 due to continued weakness in sales to our commercial original equipment (OE) and aftermarket customers. Sales to our air transport OE customers declined by 22 percent reflecting dramatically lower projected deliveries by our OE customers (primarily Boeing and Airbus) due to reduced aircraft orders by commercial airlines. The airline industry continues to be negatively impacted by general weakness in the economy and the financial difficulties being encountered by certain major carriers. Sales to our business and general aviation OE customers decreased by 25 percent reflecting a decline in projected deliveries of business jet airplanes due to weakness in fractional demand and corporate profitability. Sales to our commercial air transport and regional aftermarket customers were lower by 1 and 12 percent, respectively, mainly due to weakness in sales of spare parts. The decrease in Aerospace sales in the first six months of 2003 compared with the first six months of 2002 was partially offset by an increase in sales to our defense and space customers, with aftermarket sales up by 14 percent and OE sales higher by 6 percent, resulting principally from increased military activity and growth in precision guidance and spare parts. Sales to our business and general aviation aftermarket customers were higher by 8 percent largely due to increases in repair and overhaul activity. We currently expect full year 2003 sales to our air transport and business and general aviation OE customers to decline by 15 and 21 percent, respectively, compared with the prior year due to reduced aircraft orders. We currently expect that sales to our commercial aftermarket customers will be down by 3 percent for the full year 2003 compared with the prior year due mainly to the financial difficulties being experienced by the airlines and reduced flying hours.

Aerospace segment profit of \$442 million in the first six months of 2003 decreased by \$229 million, or 34 percent compared with the first six months of 2002 due mainly to lower sales of commercial original equipment and higher-margin commercial aftermarket spare parts as well as higher pension, research, development and engineering and other expenses.

Automation and Control Solutions sales of \$3,554 million in the first six months of 2003 increased by \$187 million, or 6 percent compared with the first six months of 2002 due to the favorable effects of foreign exchange of 6 percent and acquisitions, net of the prior year disposition of our Consumer Products business, of 3 percent, partially offset by the impact of lower prices of 1 percent and lower volumes of 2 percent. Sales increased by 8 percent for our Automation and Control Products business as the effects of foreign exchange and prior year acquisitions, mainly Invensys Sensor Systems, more than offset the impact of the prior year disposition of our Consumer Products business and lower volumes. Sales for our Industry Solutions business increased by 6 percent due to the favorable impact of foreign exchange. Sales for our Service business increased by 1 percent as the favorable impact from foreign exchange was largely offset by a decline in volumes due to softness in capital spending as well as commercial and residential construction.

Automation and Control Solutions segment profit of \$362 million in the first six months of 2003 decreased by \$65 million, or 15 percent compared with the first six months of 2002 due mainly to higher pension expense, the decline in higher-margin energy-retrofit and discretionary spot sales in our Service business, and increased research and development and other expenses, mainly in our Automation and Control Products and Service businesses, respectively.

Specialty Materials sales of \$1,600 million in the first six months of 2003 decreased by \$28 million, or 2 percent compared with the first six months of 2002 due to the impact of the prior year divestitures of our Advanced Circuits and PFC businesses of 7 percent and lower prices of 1 percent partially offset by the favorable impact of foreign exchange of 4 percent and higher volumes of 2 percent.

Specialty Materials segment profit of \$38 million in the first six months of 2003 decreased by \$4 million, or 10 percent compared with the first six months of 2002. This decrease mainly resulted from higher raw material costs (principally natural gas) and higher pension expense, partially offset by the impact of the prior year write-down of property, plant and equipment in several businesses, divestitures of non-strategic businesses and the benefits of cost actions.

Transportation Systems sales of \$1,765 million in the first six months of 2003 increased by \$234 million, or 15 percent compared with the first six months of 2002 due mainly to the favorable impact of foreign exchange of 10 percent and volume growth. This increase resulted mainly from a 30 percent increase in sales for our Garrett Engine Boosting Systems business due to volume growth of 17 percent as worldwide demand for our turbochargers continued to be strong, and the favorable impact of foreign exchange of 13 percent.

Transportation Systems segment profit of \$187 million in the first six months of 2003 increased by \$10 million, or 6 percent compared with the first six months of 2002 as the effect of higher sales in our Garrett Engine Boosting Systems business was partially offset by higher pension, new product development and introduction, facility relocations and other expenses.

C. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Total assets at June 30, 2003 were \$28,533 million, an increase of \$974 million, or 4 percent from December 31, 2002 mainly due to an increase in cash of \$605 million. See details in Consolidated Statement of Cash Flows. The increase in total assets also resulted from foreign currency translation due primarily to the strengthening of the Euro in relation to the U.S. dollar.

Cash provided by operating activities of \$1,026 million during the first six months of 2003 decreased by \$101 million compared with the first six months of 2002 mainly due to lower earnings and a voluntary contribution to our U.S. defined benefit pension plans partially offset by lower spending for severance and an increase in net insurance receipts for asbestos related liabilities.

We made asbestos related payments of \$388 million, including legal fees, in the first six months of 2003 and expect to make additional asbestos related payments of approximately \$215 million during the remainder of 2003. This estimate is based on our experience in the first six months of 2003 regarding the timing of submissions of required evidential data by plaintiffs firms. We had \$477 million of asbestos related insurance recoveries during the first six months of 2003, including the buyout of the NARCO and Bendix Equitas insurance policies in April 2003. We previously anticipated receiving the Equitas payments primarily during the period 2003 through 2007. We expect to receive approximately \$90 million in asbestos related insurance recoveries during the remainder of 2003. These cash flow projections are consistent with our existing asbestos reserves. See Note 12 of Notes to Financial Statements for further details.

Cash used for investing activities of \$308 million during the first six months of 2003 increased by \$204 million compared with the first six months of 2002 due mainly to an increase in spending for acquisitions of \$103 million and lower proceeds from sales of businesses of \$96 million. The increase in spending for acquisitions in the current period mainly relates to the acquisitions of a fire controls and detection technology business and a sensor business by our Automation and Control Solutions reportable segment and a nylon films business by our Specialty Materials reportable segment. The first six months of 2003 included the proceeds from our disposition of our Engineering Plastics business of \$90 million, whereas the first six months of 2002 included the proceeds from the dispositions of our BCVS, PFC and Consumer Products businesses of \$186 million. This increase in cash used for investing activities was partially offset by lower capital spending of \$23 million mainly reflecting the completion in 2002 of a major plant in our Fluorines business. Our total capital spending for the full year 2003 is projected to be approximately \$650 million.

We continuously assess the relative strength of each business in our portfolio as to strategic fit, market position, profit and cash flow contribution in order to upgrade our combined portfolio and identify business units that will most benefit from increased investment. We identify acquisition candidates that will further our strategic plan and strengthen our existing core businesses. We also identify business units that do not fit into our long-term strategic plan based on their market position, relative profitability or growth potential. These business units are considered for potential divestiture, restructuring or other repositioning actions subject to regulatory constraints.

Cash used for financing activities of \$296 million during the first six months of 2003 decreased by \$183 million compared with the first six months of 2002 due mainly to a decrease in scheduled repayments of long-term debt in the current period partially offset by lower net borrowings of short-term debt. Total debt of \$5,430 million at June 30, 2003 was \$341 million, or 7 percent higher than at December 31, 2002 principally reflecting the assumption of \$268

million of debt associated with the purchase of assets under leases qualifying as variable interest entities and higher short-term borrowings.

Repositioning, Business Impairment and Other Charges

A summary of repositioning, business impairment and other charges follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Severance	\$ 22	\$ 32	\$ 22	\$ 73
Asset impairments	--	57	--	68
Exit costs	3	10	3	23
Reserve adjustments	(23)	(31)	(23)	(43)
	----	----	----	----
Total net repositioning charge	2	68	2	121
	----	----	----	----
Probable and reasonably estimable environmental liabilities	32	--	32	--
Business impairment charges	--	--	--	43
Customer claims and settlements of contract liabilities	--	29	--	29
Write-offs of receivables, inventories and other assets	--	40	--	40
	----	----	----	----
Total net repositioning, business impairment and other charges	\$ 34	\$137	\$ 34	\$233
	====	====	====	====

The following table summarizes the pretax distribution of total net repositioning, business impairment and other charges by income statement classification:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Cost of goods sold	\$29	\$127	\$29	\$173
Selling, general and administrative expenses	5	--	5	4
Business impairment charges	--	--	--	43
Equity in (income) loss of affiliated companies	--	10	--	13
	----	----	----	----
	\$34	\$137	\$34	\$233
	====	====	====	====

In the second quarter of 2003, we recognized a charge of \$25 million mainly for severance costs related to workforce reductions of 448 manufacturing and administrative positions mainly in our Specialty Materials and Aerospace reportable segments. Also, \$23 million of previously established accruals, mainly for severance, were returned to income in the second quarter of 2003, due to fewer employee separations than originally anticipated associated with certain 2002 repositioning actions, resulting in reduced severance liabilities in our Automation and Control Solutions, Aerospace and Specialty Materials reportable segments.

As disclosed in our 2002 Annual Report on Form 10-K, we recognized repositioning charges totaling \$453 million in 2002 (\$99 and \$164 million were recognized in the three- and six-month periods ended June 30, 2002). The components of the charges included severance costs of \$270 million, asset impairments of \$121 million and other exit costs of \$62 million. Severance costs were related to announced workforce reductions of approximately 8,100 manufacturing and administrative positions across all of our reportable segments and our UOP process technology joint venture, of which approximately 5,200 positions have been eliminated as of June 30, 2003. These actions are expected to be substantially

completed by December 31, 2003. Also, \$76 million of previously established severance accruals were returned to income in 2002, due to fewer employee separations than originally anticipated and higher than expected voluntary employee attrition resulting in reduced severance liabilities in our Aerospace, Automation and Control Solutions and Specialty Materials reportable segments.

These repositioning actions are expected to generate incremental pretax savings of approximately \$400 million in 2003 compared with 2002 principally from planned workforce reductions and facility consolidations. Cash expenditures for severance and other exit costs necessary to execute these actions were \$93 million in the six months ended June 30, 2003 and were funded through operating cash flows. Cash spending for severance and other exit costs necessary to execute the 2003 and remaining 2002 repositioning actions will approximate \$300 million in 2003 and will be funded mainly through operating cash flows.

In the second quarter of 2003, we recognized other charges of \$32 million for legacy environmental matters deemed probable and reasonably estimable in the second quarter of 2003 including the matter entitled Interfaith Community Organization, et al. v. Honeywell International Inc., et al. as discussed in Note 12 of Notes to Financial Statements.

In the second quarter of 2002, we recognized other charges consisting of customer claims and settlements of contract liabilities of \$29 million and write-offs of receivables, inventories and other assets of \$40 million. Such charges related mainly to our Advanced Circuits business which was sold in the fourth quarter of 2002, bankruptcy of a customer in our Aerospace reportable segment, and customer claims in our Industry Solutions business.

In the first quarter of 2002, we recognized an impairment charge of \$27 million related to the write-down of property, plant and equipment of our Friction Materials business, which is classified as assets held for disposal in Other Current Assets (a plan of disposal of Friction Materials was adopted in 2001; in January 2003, we entered into a letter of intent to sell this business to Federal-Mogul Corp. - See Note 12 of Notes to Financial Statements). In the first quarter of 2002, we also recognized an asset impairment charge of \$16 million related to the planned shutdown of a chemical manufacturing facility in our Specialty Materials reportable segment.

The following table summarizes the pretax impact of total net repositioning, business impairment and other charges by reportable segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Aerospace	\$ (2)	\$ 6	\$ (2)	\$ 6
Automation and Control Solutions	(8)	22	(8)	61
Specialty Materials	7	107	7	132
Transportation Systems	--	2	--	30
Corporate	37	--	37	4
	---	----	---	----
	\$34	\$137	\$34	\$233
	===	====	===	====

D. OTHER MATTERS

Critical Accounting Policies

As disclosed in the Defined Benefit Pension Plans section of our Critical Accounting Policies in Management's Discussion and Analysis of Financial Condition and Results of Operations of our 2002 Annual Report on Form 10-K, the key assumptions in determining pension expense are our expected return on plan assets and the discount rate. Assuming our pension fund assets earn a 9 percent rate of return in the year ending December 31, 2003, the discount rate decreases to 6.25 percent at December 31, 2003 (assumed rate based on current market conditions), and there are no additional plan contributions beyond the \$170 million contributed in April 2003, pension expense would increase by approximately \$0.30 per share for the year ending December 31, 2004. Such increase in pension expense in 2004 compared with 2003 would be principally due to a decrease in the market-related value of pension plan assets and the systematic recognition of unrecognized net losses mainly resulting from actual pension plan asset returns below the assumed rate of return during the period 2000 to 2002, as well as lower interest rates.

Future pension plan contributions are dependent upon actual plan asset returns and interest rates. Assuming that actual plan returns are consistent with our assumed plan return rate of 9 percent in 2003 and beyond, and the discount rate is 6.25 percent, we would not be required to make any contributions in 2003 or 2004.

Recent Accounting Pronouncements

See Note 2 of Notes to Financial Statements for a discussion of recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See our 2002 Annual Report on Form 10-K (Item 7A). At June 30, 2003, there has been no material change in this information.

ITEM 4. CONTROLS AND PROCEDURES

Honeywell management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that such disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q in alerting them on a timely basis to material information relating to Honeywell required to be included in Honeywell's periodic filings under the Exchange Act. There have been no changes that have materially affected, or are reasonably likely to materially affect, Honeywell's internal control over financial reporting that have occurred during the period covered by this Quarterly Report on Form 10-Q.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Shareowner Litigation - Honeywell and seven of its current and former officers were named as defendants in several purported class action lawsuits filed in the United States District Court for the District of New Jersey (the

Securities Law Complaints). The Securities Law Complaints principally allege that the defendants violated federal securities laws by purportedly making false and misleading statements and by failing to disclose material information concerning Honeywell's financial performance, thereby allegedly causing the value of Honeywell's stock to be artificially inflated. On January 15, 2002, the District Court dismissed the consolidated complaint against four of Honeywell's current and former officers. The Court has granted plaintiffs' motion for class certification defining the purported class as all purchasers of Honeywell stock between December 20, 1999 and June 19, 2000.

The parties participated in a two day settlement mediation in April 2003 in an attempt to resolve the cases without resort to a trial. The mediation proved unsuccessful in resolving the cases. Discovery in the cases, which had been stayed pending completion of the mediation, has resumed.

We continue to believe that the allegations in the Securities Law Complaints are without merit. Although it is not possible at this time to predict the outcome of these cases, we expect to prevail. However, an adverse outcome could be material to our consolidated financial position or results of operations. As a result of the uncertainty regarding the outcome of this matter no provision has been made in our financial statements with respect to this contingent liability.

ERISA Class Action Lawsuit - In April 2003, Honeywell and several of its current and former officers were named as defendants in a purported class action lawsuit filed in the United States District Court for the District of New Jersey. The complaint principally alleges that the defendants breached their fiduciary duties to participants in the Honeywell Savings and Ownership Plan (the "Savings Plan") by purportedly making false and misleading statements, failing to disclose material information concerning Honeywell's financial performance, and failing to diversify the Savings Plan's assets and monitor the prudence of Honeywell stock as a Savings Plan investment. In July 2003, an amended complaint making similar allegations and naming several current and former officers and directors as defendants was filed in the same district. No answers have been filed and discovery has not commenced. Although it is not possible at this time to predict the outcome of this litigation, we believe that the allegations in these complaints are without merit and we expect to prevail. An adverse litigation outcome could, however, be material to our consolidated financial position or results of operations. As a result of the uncertainty regarding the outcome of this matter, no provision has been made in our financial statements with respect to this contingent liability.

Environmental Matters - We are subject to various federal, state and local government requirements relating to the protection of employee health and safety and the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury to our employees and employees of our customers and that our handling, manufacture, use and disposal of hazardous or toxic substances are in accord with environmental laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental matters, including past production of products containing toxic substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually at our owned sites, and jointly as a member of industry groups at non-owned sites, to determine the feasibility of various remedial techniques to address environmental matters. It is our policy to record appropriate liabilities for environmental matters when environmental

assessments are made or remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. With respect to site contamination, the timing of these accruals is generally no later than the completion of feasibility studies. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of litigation and settlements of personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties.

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations. However, considering our past experience and existing reserves, we do not expect that these matters will have a material adverse effect on our consolidated financial position.

In the matter entitled *Interfaith Community Organization, et al. v. Honeywell International Inc., et al.*, the United States District Court for the District of New Jersey held in May 2003 that a predecessor Honeywell site located in Jersey City, New Jersey constituted an imminent and substantial endangerment and ordered Honeywell to conduct the excavation and transport for offsite disposal of approximately one million tons of chromium residue present at the site. Honeywell strongly disagrees with the court's determinations and has appealed the court's decision. Honeywell is also seeking a stay of aspects of the court's order. The site at issue is one of twenty-one sites located in Jersey City, New Jersey which are the subject of an Administrative Consent Order (ACO) entered into with the New Jersey Department of Environmental Protection (NJDEP) in 1993. Under the ACO, Honeywell agreed to study and remediate these sites in accordance with NJDEP's directions, provided that the total cost of such studies and remediation does not exceed \$60 million. Honeywell has cooperated with the NJDEP under the ACO and believes that decisions regarding site cleanups should be made by NJDEP under the ACO. We are confident that proceeding under the ACO will ensure a safe remediation and allow the property to be placed back into productive use much faster and at a cost significantly less than the remedies required by the court's order. We have not developed a remedial action plan for the excavation and offsite disposal directed under the court's order and therefore are unable to estimate the cost of such actions. At trial, plaintiff's expert testified that the excavation and offsite disposal cost might be \$400 million. However, there are significant variables in the implementation of the court's order and depending on the method of implementation chosen, the estimate could increase or decrease. Provisions have been previously made in our financial statements as to remedial costs consistent with the ACO and during the three months ended June 30, 2003 we provided for additional costs which are likely to be incurred during the pendency of our appeal, which provisions do not assume excavation and offsite removal of chromium from the site. There are alternative outcomes and remedies beyond the scope of the ACO that could result from the remanding, reversal or replacement of the Court's decision and order. At this time, we can neither identify a probable alternative outcome nor reasonably estimate the cost of an alternative remedy. Although we expect the court's decision and order to be remanded, reversed or replaced, should the remedies prescribed in the court's decision and order ultimately be upheld, such outcome could have a material adverse impact on our consolidated results of operations or operating cash flows in the periods recognized or paid.

Asbestos Matters - Like many other industrial companies, Honeywell is a defendant in personal injury actions related to asbestos. We did not mine or produce asbestos, nor did we make or sell insulation products or other construction materials that have been identified as the primary cause of asbestos related disease in the vast majority of claimants. Rather, we made several products that contained small amounts of asbestos.

Honeywell's Bendix Friction Materials business manufactured automotive brake pads that included asbestos in an encapsulated form. There is a group of potential claimants consisting largely of professional brake mechanics. From 1981 through June 30, 2003, we have resolved over 62,000 Bendix claims at an average indemnity cost per claim of approximately two thousand six hundred dollars. Through the second quarter of 2002, Honeywell had no out-of-pocket costs for these cases since its insurance deductible was satisfied many years ago. Beginning with claim payments made in the third quarter of 2002, Honeywell began advancing indemnity and defense claim costs which amounted to approximately \$50 million in payments in the six months ended June 30, 2003. A substantial portion of this amount is expected to be reimbursed by insurance. There are currently approximately 69,000 claims pending.

On January 30, 2003, Honeywell and Federal-Mogul Corp. (Federal-Mogul) entered into a letter of intent (LOI) pursuant to which Federal-Mogul would acquire Honeywell's automotive Bendix Friction Materials (Bendix) business, with the exception of certain U.S. based assets. In exchange, Honeywell would receive a permanent channeling injunction shielding it from all current and future personal injury asbestos liabilities related to Honeywell's Bendix business.

Federal-Mogul, its U.S. subsidiaries and certain of its United Kingdom subsidiaries voluntarily filed for financial restructuring under Chapter 11 of the U.S. Bankruptcy Code in October 2001. Federal-Mogul will seek to establish one or more trusts under Section 524(g) of the U.S. Bankruptcy Code as part of its reorganization plan, including a trust for the benefit of Bendix asbestos claimants. The reorganization plan to be submitted to the Bankruptcy Court for approval will contemplate that the U.S. Bankruptcy Court in Delaware would issue an injunction in favor of Honeywell that would channel to the Bendix 524(g) trust all present and future asbestos claims relating to Honeywell's Bendix business. The 524(g) trust created for the benefit of the Bendix claimants would receive the rights to proceeds from Honeywell's Bendix related insurance policies and would make these proceeds available to the Bendix claimants. Honeywell would have no obligation to contribute any additional amounts toward the settlement or resolution of Bendix related asbestos claims.

In the fourth quarter of 2002, we recorded a charge of \$167 million consisting of a \$131 million reserve for the sale of Bendix to Federal-Mogul, our estimate of asbestos related liability net of insurance recoveries and costs to complete the anticipated transaction with Federal-Mogul. Completion of the transaction contemplated by the LOI is subject to the negotiation of definitive agreements, the confirmation of Federal-Mogul's plan of reorganization by the Bankruptcy Court, the issuance of a final, non-appealable 524(g) channeling injunction permanently enjoining any Bendix related asbestos claims against Honeywell, and the receipt of all required governmental approvals. We do not believe that completion of such transaction would have a material adverse impact on our consolidated results of operations or financial position.

There can be no assurance, however, that the transaction contemplated by the LOI will be completed. Honeywell presently has approximately \$1.9 billion (excluding coverage previously available from Equitas; see discussion below) of insurance coverage remaining with respect to Bendix related asbestos claims. Although it is impossible to predict the outcome of pending or future claims, in light of our potential exposure, our prior experience in resolving these claims, and our insurance coverage, we do not believe that the Bendix related asbestos claims will have a material adverse effect on our consolidated financial position.

Another source of claims is refractory products (high temperature bricks and cement) sold largely to the steel industry in the East and Midwest by North American Refractories Company (NARCO), a business we owned from 1979 to 1986. Less than 2 percent of NARCO's products contained asbestos.

When we sold the NARCO business in 1986, we agreed to indemnify NARCO with respect to personal injury claims for products that had been discontinued prior to the sale (as defined in the sale agreement). NARCO retained all liability for all other claims. NARCO had resolved approximately 176,000 claims through January 4, 2002, the date NARCO filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code, at an average cost per claim of two thousand two hundred dollars. Of those claims, 43 percent were dismissed on the ground that there was insufficient evidence that NARCO was responsible for the claimant's asbestos exposure. As of the date of NARCO's bankruptcy filing, there were approximately 116,000 remaining claims pending against NARCO, including approximately 7 percent in which Honeywell was also named as a defendant. Since 1983, Honeywell and our insurers have contributed to the defense and settlement costs associated with NARCO claims. We have approximately \$1.5 billion (excluding coverage previously available from Equitas; see discussion below) of insurance remaining that can be specifically allocated to NARCO related liability.

As a result of the NARCO bankruptcy filing, all of the claims pending against NARCO are automatically stayed pending the reorganization of NARCO. In addition, because the claims pending against Honeywell necessarily will impact the liabilities of NARCO, because the insurance policies held by Honeywell are essential to a successful NARCO reorganization, and because Honeywell has offered to commit the value of those policies to the reorganization, the bankruptcy court has temporarily enjoined any claims against Honeywell, current or future, related to NARCO. Although the stay has been extended sixteen times since January 4, 2002, there is no assurance that such stay will remain in effect. In connection with NARCO's bankruptcy filing, we paid NARCO's parent company \$40 million and agreed to provide NARCO with up to \$20 million in financing. We also agreed to pay \$20 million to NARCO's parent company upon the filing of a plan of reorganization for NARCO acceptable to Honeywell, and to pay NARCO's parent company \$40 million, and to forgive any outstanding NARCO indebtedness, upon the confirmation and consummation of such a plan.

As a result of ongoing negotiations with counsel representing NARCO related asbestos claimants regarding settlement of all pending and potential NARCO related asbestos claims against Honeywell, we have reached definitive agreements or agreements in principle with approximately 236,000 claimants, which represents approximately 90 percent of the approximately 260,000 current claimants who are now expected to file a claim as part of the NARCO reorganization process. We are also in discussions with the NARCO Committee of Asbestos Creditors on Trust Distribution Procedures for NARCO. We believe that, as part of the NARCO plan of reorganization, a trust will be established pursuant to these Trust Distribution Procedures for the benefit of all asbestos claimants, current and future. If the trust is put in place and approved by the court as fair and equitable, Honeywell as well as NARCO will be entitled to a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos related claims based on exposure to NARCO products to be made against the federally-supervised trust. As part of its ongoing settlement negotiations, Honeywell is seeking to cap its annual contributions to the trust with respect to future claims at a level that would not have a material impact on Honeywell's operating cash flows. Given the substantial progress of negotiations between Honeywell and NARCO related asbestos claimants and between Honeywell and the Committee of Asbestos Creditors during the fourth quarter of 2002, Honeywell developed an estimated liability for settlement of pending and future asbestos claims.

During the fourth quarter of 2002, Honeywell recorded a charge of \$1.4 billion for NARCO related asbestos litigation charges, net of insurance recoveries. This charge consists of the estimated liability to settle current asbestos related claims, the estimated liability related to future asbestos related claims through 2018 and obligations to NARCO's parent, net of insurance recoveries of \$1.8 billion.

The estimated liability for current claims is based on terms and conditions, including evidentiary requirements, in definitive agreements or agreements in principle with approximately 90 percent of current claimants. Once finalized, settlement payments with respect to current claims are expected to be made over approximately a four-year period.

The liability for future claims estimates the probable value of future asbestos related bodily injury claims asserted against NARCO over a 15 year period and obligations to NARCO's parent as discussed above. In light of the uncertainties inherent in making long-term projections we do not believe that we have a reasonable basis for estimating asbestos claims beyond 2018 under Statement of Financial Accounting Standard No. 5 "Accounting for Contingencies." Honeywell retained the expert services of Hamilton, Rabinovitz and Alschuler, Inc. (HR&A) to project the probable number and value, including trust claim handling costs, of asbestos related future liabilities. The methodology used to estimate the liability for future claims has been commonly accepted by numerous courts and is the same methodology that is utilized by an expert who is routinely retained by the asbestos claimants committee in asbestos related bankruptcies. The valuation methodology includes an analysis of the population likely to have been exposed to asbestos containing products, epidemiological studies to estimate the number of people likely to develop asbestos related diseases, NARCO claims filing history and the pending inventory of NARCO asbestos related claims.

Honeywell has substantial insurance that reimburses it for portions of the costs incurred to settle NARCO related claims and court judgments as well as defense costs. This coverage is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. At June 30, 2003, a significant portion of this coverage is with London-based insurance companies under a coverage-in-place agreement. See below for discussion of separate Equitas settlement. Coverage-in-place agreements are settlement agreements between policyholders and the insurers specifying the terms and conditions under which coverage will be applied as claims are presented for payment. These agreements govern such things as what events will be deemed to trigger coverage, how liability for a claim will be allocated among insurers and what procedures the policyholder must follow in order to obligate the insurer to pay claims. We conducted an analysis to determine the amount of insurance that we estimate is probable that we will recover in relation to payment of current and projected future claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. Some of our insurance carriers have challenged our right to enter into settlement agreements resolving all NARCO related asbestos claims against Honeywell. However, we believe there is no factual or legal basis for such challenges and we believe that it is probable that we will prevail in the resolution of, or in any litigation that is brought regarding these disputes and as of June 30, 2003, we have recognized approximately \$550 million in probable insurance recoveries from these carriers. We made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings with our insurers, our knowledge of any pertinent solvency issues surrounding insurers and various judicial determinations relevant to our insurance programs. Based on our analysis, we recorded insurance recoveries that are deemed probable through 2018 of \$1.8 billion. A portion of this insurance has been received, primarily from Equitas, as discussed below.

During the six months ended June 30, 2003, we made asbestos related payments of \$388 million, including legal fees. During the six months ended June 30, 2003, we received \$477 million in insurance reimbursements including \$472 million in cash received from Equitas related to a comprehensive policy buy-back settlement of all insurance claims by Honeywell against Equitas. The settlement resolves all claims by Honeywell against Equitas arising from asbestos claims related to NARCO and

Bendix. The coverage amounts discussed above for NARCO and Bendix do not include coverage previously available from Equitas.

Projecting future events is subject to many uncertainties that could cause the NARCO related asbestos liabilities to be higher or lower than those projected and recorded. There is no assurance that ongoing settlement negotiations will be successfully completed, that a plan of reorganization will be proposed or confirmed, that insurance recoveries will be timely or whether there will be any NARCO related asbestos claims beyond 2018. Given the inherent uncertainty in predicting future events, we plan to review our estimates periodically, and update them based on our experience and other relevant factors. Similarly we will reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability or other developments that may impact insurance recoveries.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits. See the Exhibit Index on page 40 of this Quarterly Report on Form 10-Q.
- (b) Reports on Form 8-K. The following reports on Form 8-K were filed during the three months ended June 30, 2003.
 - 1. On April 17, 2003, a report was filed which furnished, under Item 12, a press release reporting our earnings for the first quarter of 2003.

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.

Honeywell International Inc.

Date: August 8, 2003

By: /s/ John J. Tus

John J. Tus
Vice President and Controller
(on behalf of the Registrant
and as the Registrant's
Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number -----	Description -----
2	Omitted (Inapplicable)
3	Omitted (Inapplicable)
4	Omitted (Inapplicable)
10.2*	Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc., as amended and restated (filed herewith)
10.3*	Stock Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit C to Honeywell's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934) and Supplement I dated as of March 1, 1999, Supplement II dated as of February 28, 2002, and Supplement III dated as of May 30, 2003 (filed herewith)
10.6*	Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries, as amended and restated (filed herewith)
10.8*	Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates, as amended and restated (filed herewith)
10.25*	2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (incorporated by reference to Exhibit A to Honeywell's Proxy Statement dated March 17, 2003, filed pursuant to Rule 14a-6 of the Securities and Exchange Act of 1934)
10.26*	Letter between David J. Anderson and Honeywell International Inc. dated June 12, 2003 (filed herewith)
11	Computation of Per Share Earnings**
12	Computation of Ratio of Earnings to Fixed Charges (filed herewith)
15	Independent Auditors' Acknowledgment Letter as to the incorporation of their report relating to unaudited interim financial statements (filed herewith)
18	Omitted (Inapplicable)
19	Omitted (Inapplicable)
22	Omitted (Inapplicable)

EXHIBIT INDEX (continued)

Exhibit Number	Description
23	Omitted (Inapplicable)
24	Omitted (Inapplicable)
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
99	Omitted (Inapplicable)

* The Exhibits identified above with an asterisk (*) are management contracts or compensatory plans or arrangements.

** Data required by Statement of Financial Accounting Standards No. 128, "Earnings per Share", is provided in Note 9 to the condensed consolidated financial statements in this report.

Deferred Compensation Plan for Non-Employee Directors
of Honeywell International Inc.
(As Amended and Restated Effective May 30, 2003)

1. Eligibility

Each member of the Board of Directors (the "Board") of Honeywell International Inc. (the "Corporation") who is not an employee of the Corporation or any of its subsidiaries (a "Director") is eligible to participate in the Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc. (the "Plan").

2. Definitions

(a) Committee. The Corporate Governance Committee of the Board or any successor.

(b) Common Stock. The publicly traded common stock of the Corporation or any successor.

(c) Compensation. All amounts payable for services as a Director, including amounts payable for services as a member or chairman of a committee of the Board.

(d) Elective Deferrals. Compensation deferred by a Director under the Plan after December 31, 1996 (other than Non-Elective Deferrals and Lump-Sum Compensation, as defined below).

(e) Lump-Sum Compensation. A one-time lump-sum amount for each Director serving on December 31, 1996 who elected such amount in satisfaction of any benefits under the Retirement Plan for Non-Employee Directors of AlliedSignal Inc. (the "Retirement Plan"), which amount is automatically deferred under the Plan.

(f) Non-Elective Deferrals. Effective January 1 of each year after 2003, \$60,000 of annual Compensation for Directors not eligible for a benefit under the Retirement Plan, which amount is automatically deferred under the Plan, provided, however, that (i) with respect to each Director who is a member of the Board on January 1, 2003, a one-time amount equal to \$20,000 of annual Compensation for each such Director who is a member of the Board on July 1,

2003 shall be automatically deferred under the Plan effective as of July 1, 2003, and (ii) with respect to each Director who first became a member of the Board during 2003, a one-time amount equal to the product of (x) \$60,000 and (y) the ratio of full months of service as a Board member in 2003 to twelve (12) shall be automatically deferred under the Plan effective as of the date that such Director's term begins.

(g) Pre-1997 Elective Deferrals. Compensation deferred by a Director under the Plan prior to January 1, 1997.

(h) Retirement. As used in the Plan, the term "retirement" or "retire" shall include any termination of a Director's Board service except, in the case of Lump-Sum Compensation, any termination which the Board determines to have resulted from gross cause. "Gross cause" means fraud, misappropriation or intentional misconduct damaging to the property or business of the Corporation or any of its subsidiaries, or commission of a crime.

(i) Secretary. The Secretary of the Corporation.

3. Investment Options

Amounts deferred under the Plan shall be invested as described below.

(a) Pre-1997 Elective Deferrals. These amounts have been credited to a deferred compensation account (the "Director's Account") either (i) in cash with interest as described in paragraphs 5(b) and (c) below or (ii) in shares of Common Stock, as elected by the Director, and will remain in the form elected until paid out.

(b) Elective Deferrals. A Director may elect to have these amounts credited to the Director's Account in cash (i) with interest as described in paragraph 5(c) below or (ii) which is valued as if invested in one or more of the funds available for investments by participants in the Honeywell Savings and Ownership Plan I as described in paragraph 5(g) below. All such amounts will be paid out in cash.

(c) Non-Elective Deferrals. These amounts will be credited to the Director's Account on January 1 of each year in the form of equivalent shares of Common Stock, calculated based on the mean between the highest and lowest sales prices of the Common Stock as reported on the New York Stock Exchange Composite Tape for the immediately preceding December 31 (or, if there were no sales on such day, for the last preceding day on which there were sales) and valued as described in paragraph 5(f) below. For any person who becomes a

Director after January 1, a pro rata portion of the annual amount based on the number of days remaining in the calendar year will be credited to the Director's Account on the Director's first day of service in the form of equivalent shares of Common Stock, calculated based on such mean for the first day of service (or, if there were no sales on such day, for the last preceding day on which there were sales). All such amounts will be paid out in cash after retirement from the Board.

(d) Lump-Sum Compensation. This amount will be credited to the Director's Account, effective January 1, 1997, either (i) 100% in the form of equivalent shares of Common Stock, calculated based on the mean between the highest and lowest sales prices of the Common Stock as reported on the New York Stock Exchange Composite Tape for December 31, 1996 and valued as described in paragraph 5(f) below, or (ii) 50% in the form of equivalent shares of Common Stock, calculated and valued as described in (i), and 50% in cash with interest at the rate of 10% per annum, as elected by the Director prior to January 1, 1997. All such amounts will be paid out in cash after retirement from the Board.

4. Participation

(a) Elective Deferrals.

(i) Time of Election. Prior to the beginning of any calendar year, each Director who is not then participating in the Plan (other than by virtue of Non-Elective Deferrals and/or Lump-Sum Compensation) may elect to participate in the Plan by directing that all or any part of the Director's Compensation which otherwise would have been payable currently for services as a Director during such calendar year shall be credited to the Director's Account as Elective Deferrals. Any person who shall become a Director during any calendar year may elect, within thirty (30) days following the date the Director's term begins, to defer payment of all or any part of the Director's Compensation for the remainder of such calendar year.

(ii) Form and Duration of Election. An election to make Elective Deferrals shall be made by written notice executed by the Director and filed with the Secretary. Such election shall continue in effect for succeeding calendar years unless the Director terminates such election by written notice filed with the Secretary. Any such termination shall become effective as of the end of the calendar year in which such notice is given and only with respect to Compensation payable for services as a Director thereafter. Amounts credited to the Director's Account prior to the effective

date of termination shall not be affected by such termination and shall be distributed only in accordance with the terms of the Plan.

(iii) Adjustment of Future Deferrals. Prior to the beginning of any calendar year, a Director participating in the Plan may file another written notice with the Secretary electing to change the amount of Elective Deferrals to be credited to the Director's Account for services as a Director commencing with such calendar year. Amounts credited to the Director's Account prior to the effective date of such change shall not be affected by such change and shall be distributed only in accordance with the terms of the Plan.

(iv) Adjustment of Investment Options. A Director may elect to change the investment options with respect to those portions of the Director's Account applicable to Elective Deferrals which are valued as if invested in one or more of the funds available for investments by participants in the Honeywell Savings and Ownership Plan I. Any such election to reallocate amounts among the investment funds shall be made by written notice executed by the Director and filed with the Secretary, may be made no more often than once each calendar quarter during the 30-day period beginning on the third business day following an earnings release by the Corporation, and shall be effective on the first business day following receipt by the Secretary.

(b) Non-Elective Deferrals. No participation election is required for Non-Elective Deferrals since the crediting of such amounts to the Director's Account will be automatic.

(c) Lump-Sum Compensation. No participation election is required for Lump-Sum Compensation since the crediting of such amounts to the Director's Account, in accordance with the irrevocable investment option elected by the Director prior to January 1, 1997, will be automatic.

5. The Director's Account

(a) All Compensation which a Director has elected to defer under the Plan shall be credited to the Director's Account consistent with the Director's investment options, as described in paragraph 3. All credits shall be made as unfunded book entries and the Director shall not have any interest in any amounts credited to the Director's Account until distributed in accordance with the Plan.

(b) Amounts credited to the Director's Account in cash for services as a Director during 1993 or any prior calendar year shall accrue amounts equivalent to interest commencing on the date such amounts would otherwise have been paid, at a rate per annum for each calendar quarter fixed by the Treasurer of the Corporation at the commencement of such calendar quarter based upon the sum of (i) the average quoted rate for three-month U.S. Treasury Bills for the last full week of the preceding calendar quarter, and (ii) a rate per annum of three percent.

(c) Amounts credited to the Director's Account in cash for services as a Director during 1994 or any subsequent calendar year, other than cash amounts referred to in Paragraph 5(g), Lump-Sum Compensation and Non-Elective Deferrals, shall accrue amounts equivalent to interest commencing on the date such amounts would otherwise have been paid, at the same rates per annum as those fixed for deferrals with respect to the relevant calendar years under the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees, as amended from time to time.

(d) Amounts credited to the Director's Account in cash as a result of the conversion of shares or equivalent shares to cash pursuant to paragraph 7(a) shall accrue amounts equivalent to interest commencing on the date of such conversion, at the higher of the two rates provided under paragraphs 5(b) and (c), regardless of the calendar year or years to which the underlying deferral of shares or equivalent shares relates. The determination of which rate is higher shall be made each calendar quarter and, for purposes of such determination, the rate provided under paragraph 5(c) for cash amounts deferred with respect to the then current calendar year shall be compared to the rate provided under paragraph 5(b) for the then current calendar quarter.

(e) Amounts determined pursuant to this paragraph 5 shall be compounded at the end of each calendar quarter and credited to the Director's Account. Amounts credited to the Director's Account in cash shall continue to accrue amounts equivalent to interest in accordance with paragraphs 5(b), (c) or (d) until distributed in accordance with the Plan.

(f) Amounts credited to the Director's Account in shares or equivalent shares of Common Stock shall accrue amounts equivalent to cash or stock dividends as declared by the Board. For Pre-1997 Elective Deferrals, such equivalent amounts shall continue to accrue amounts equivalent to interest or dividends. For Non-Elective Deferrals and Lump-Sum Compensation, such equivalent amounts shall be credited to the Director's Account as if reinvested in Common Stock. Amounts credited to the Director's Account in equivalent shares of Common Stock shall be valued on the same basis as investments by

participants in the Honeywell Common Stock Fund under the Honeywell Savings and Ownership Plan I, as indicated in paragraph 5(g).

(g) Amounts credited to the Director's Account in cash but which are valued as if invested in one or more of the funds available for investment by participants in the Honeywell Savings and Ownership Plan I shall be valued on the same basis as investments by participants in such funds (excluding any charge for expenses and, with respect to the Honeywell Common Stock Fund, excluding any liquidity reserves and assuming reinvestment of dividend equivalents).

6. Distribution from Accounts

(a) Form of Election.

(i) Pre-1997 Elective Deferrals. The aggregate amount of Pre-1997 Elective Deferrals credited to a Director's Account shall be distributed in accordance with the Director's distribution election in effect at the time such amounts were credited to the Director's Account, as modified (A) effective January 1, 1997 by a Director's special one-time election to take advantage of the Federal Source Tax Law (4 U.S.C. 'SS'114), or (B) effective January 1, 2002, by any Director's election filed pursuant to paragraphs 6(d) and (e) and otherwise consistent with the form and timing restrictions established from time to time by the Committee and consistent with those set forth in below. If no distribution election was in effect, such amounts shall be paid on the first business day of the calendar year immediately following the year in which the Director ceases to be a Director.

(ii) Elective Deferrals. At the time a Director makes a participation election pursuant to paragraph 4(a), the Director shall also file with the Secretary a written election with respect to the distribution of the aggregate amount credited to the Director's Account pursuant to such participation election. A Director may elect to receive such amount in one lump-sum payment or in a number of approximately equal installments (provided the payout period does not exceed 15 years). The Director may also elect to have the lump-sum payment or the first installment paid (A) on the first business day of the calendar year immediately following the year in which the Director ceases to be a Director, (B) on the first business day of such calendar year as the Director may elect, or (C) as soon as practicable following the Director's death. Except in the case of the Director's death, in which event paragraph 8 shall govern, subsequent installments shall be paid on the first business day of each succeeding installment period until the entire amount credited to the Director's Account shall have been paid.

Absent such an election, except in the case of death, the amount of Elective Deferrals in the Director's Account shall be paid on the first business day of the calendar year immediately following the year in which the Director ceases to be a Director.

(iii) Lump-Sum Compensation. The aggregate amount credited to a Director's Account as Lump-Sum Compensation shall be distributed in accordance with the distribution election filed by the Director with the Secretary prior to January 1, 1997 or in accordance with any distribution election filed by the Director under paragraph 6(d) or (e). Such distribution election shall have included an election to receive such amount in one lump-sum payment or in a number of approximately equal installments (provided the payout period does not exceed 15 years), and an election to have the lump-sum payment or the first installment paid (A) on the first business day of the calendar year immediately following the year in which the Director ceases to be a Director, (B) on the first business day of a calendar year which is such number of years following retirement as the Director may elect, or (C) as soon as practicable following the Director's death. Except in the case of the Director's death, in which event paragraph 8 shall govern, subsequent installments shall be paid on the first business day of each succeeding installment period until the entire amount credited to the Director's Account shall have been paid. Absent such an election, except in the case of death, the amount of Lump-Sum Compensation in the Director's Account shall be paid on the first business day of the calendar year immediately following the year in which the Director ceases to be a Director.

(iv) Non-Elective Deferrals. Although no participation election is required for Non-Elective Deferrals, each Director prior to the beginning of any calendar year may file with the Secretary a written election with respect to the distribution of the aggregate amount of Non-Elective Deferrals credited to the Director's Account for the next calendar year. Any person who shall become a Director during any calendar year may file with the Secretary before the Director's term begins a written election with respect to the distribution of the aggregate amount of Non-Elective Deferrals credited to the Director's Account for the remainder of such calendar year. Any such election shall continue in effect for Non-Elective Deferrals credited to the Director's Account in succeeding calendar years, unless the Director files a new written election prior to the beginning of any calendar year. A Director may elect to receive such amount in one lump-sum payment or in a number of approximately equal installments (provided the payout period does not exceed 15 years). The Director may also elect to have the lump-sum payment or the first installment paid (A) on the first

business day of the calendar year immediately following the year in which the Director ceases to be a Director of the Corporation, (B) on the first business day of a calendar year which is such number of years following retirement as the Director may elect, or (C) as soon as practicable following the Director's death. Except in the case of the Director's death, in which event paragraph 8 shall govern, subsequent installments shall be paid on the first business day of each succeeding installment period until the entire amount credited to the Director's Account shall have been paid. Absent such an election, except in the case of death, the amount of Non-Elective Deferrals credited to the Director's Account shall be paid on the first business day of the calendar year immediately following the year in which the Director ceases to be a Director.

(b) Adjustment of Method of Distribution of Future Deferrals.

Whether or not a Director has filed a notice pursuant to paragraph 4(a)(iii) electing to change the amount of Elective Deferrals to be credited to the Director's Account, a Director participating in the Plan may, prior to the beginning of any calendar year, file another written notice with the Secretary electing to change the method of distribution of the aggregate amount of Elective Deferrals credited to the Director's Account for services as a Director commencing with such calendar year. Amounts credited to the Director's Account prior to the effective date of such change shall not be affected by such change.

(c) Aggregate Amounts. References to the aggregate amounts credited to the Director's Account include accrued amounts equivalent to interest and dividends.

(d) Changes to Distribution Elections. Notwithstanding the preceding provisions of this paragraph 6, a Director may file a new distribution election with the Secretary with respect to amounts previously credited to the Director's Account (other than with respect to such amounts that are currently payable to the Director in the form of installments). Any new election shall be for a form of payment consistent with the respective payment provisions of paragraph 6(a). The Committee shall reserve the right to accept or reject any such distribution election request by the Director and any such election shall be subject to such restrictions and limitations as the Committee shall determine in its sole discretion, provided that any new distribution election shall generally be required to be filed with the Secretary at least twelve (12) months prior to any scheduled payment date.

If all or a portion of a Director's Account is determined to be includible in the Director's gross income and subject to income tax at any time prior to the time such Account would otherwise be paid, the Director's Account or that portion

of the Director's Account shall be distributed to the Director without regard to any provision of the Plan to the contrary. For this purpose, an amount is determined to be includible in the Director's gross income upon the earliest of: (i) a final determination by the Internal Revenue Service addressed to the Director which is not appealed, (ii) a final determination by the United States Tax Court or any other federal court affirming an IRS determination, or (iii) an opinion addressed to the Committee by the tax counsel for the Committee that, by reason of the Code, Treasury Regulations, published Internal Revenue Service rulings, court decisions or other substantial precedent, the amount is subject to federal income tax prior to payment.

(e) Accelerated Distribution Election. Notwithstanding the preceding provisions of this paragraph 6, a Director may request an immediate withdrawal of all or a portion of such Director's Account at any time, provided, however, that such a request and distribution shall be subject to a penalty and such other restrictions or conditions as may be established by the Committee from time to time, including a restriction that amounts described in paragraph 6(a)(iii) and (iv) shall not be subject to withdrawal prior to the date that the Director ceases to be a Director of the Corporation for any reason. Effective January 1, 2002, the penalty shall be six percent (6%) of the amount requested to be distributed, provided, however, that with respect to amounts credited to the Director's Account in cash as determined under paragraph 5(b), (c) and (d), the penalty shall be the difference between (i) six percent (6%), and (ii) fifty percent (50%) of the amount, if any, by which ten percent (10%) exceeds the interest rate on 10-year U.S. Treasury Bonds on the first business day of the calendar quarter during which the withdrawal request is made.

7. Change in Control

(a) Conversion of Shares. Notwithstanding anything to the contrary in the Plan, shares of Common Stock and equivalent shares of Common Stock credited to a Director's Account shall be converted to cash, as soon as practicable following a Change in Control but in no event later than 90 days after the Change in Control, in an amount equal to the total number of shares or equivalent shares of Common Stock, and fractional interests thereof, credited to the Director's Account, multiplied by the Multiplication Factor. "Multiplication Factor" shall mean (A) in the case of an acquisition of Common Stock described in paragraph 7(d)(i), the Acquisition Price per Share, (B) in the event of the occurrence of an Offer as defined in paragraph 7(d)(ii), the Offer Price per Share, (C) in the case of an event described in paragraph 7(d)(iii), the Merger Price per Share, or (D) in the case of a change in the composition of the Board as described in paragraph 7(d)(iv), the highest Fair Market Value per Share of the Common Stock for any day during (i) the ninety-day period ending on or within 89

days following the date of the Change in Control which the Committee, in its sole discretion, shall select prior to the Change in Control, or (ii) if the Committee shall not have selected a ninety-day period pursuant to clause (i) of this sentence prior to the Change in Control, the ninety-day period ending on the 45th day following the date of the Change in Control. "Acquisition Price per Share" shall mean the greater of (A) the highest price per share stated on the Schedule 13D or any amendment thereto filed by the holder of 30% or more of the Corporation's voting power which gives rise to the Change in Control, and (B) the highest Fair Market Value per Share of Common Stock during the ninety-day period ending on the date the Change in Control occurs. "Offer Price per Share" shall mean the greater of (A) the highest price per share of Common Stock paid in any Offer, which Offer is in effect at any time during the ninety-day period ending on the date on which the Change in Control occurs, or (B) the highest Fair Market Value per Share of Common Stock during such ninety-day period. Any securities or property which are part or all of the consideration paid for shares of Common Stock in the Offer shall be valued in determining the Offer Price per Share at the higher of (A) the valuation placed on such securities or property by the corporation, person or other entity making such Offer or (B) the valuation placed on such securities or property by the Committee. "Merger Price per Share" shall mean the greater of (A) the fixed or formula price for the acquisition of shares of Common Stock occurring pursuant to such event described in paragraph 7(d)(iii) if such fixed or formula price is determinable on the date on which the Change in Control occurs, and (B) the highest Fair Market Value per Share of Common Stock during the ninety-day period ending on the date on which the Change in Control occurs. Any securities or property which are part or all of the consideration paid for shares of Common Stock pursuant to such event shall be valued in determining the Merger Price per Share at the higher of (A) the valuation placed on such securities or property by the corporation, person or other entity which is a party with the Corporation to an event described in paragraph 7(d)(iii), or (B) the valuation placed on such securities or property by the Committee. For purposes of this paragraph (7)(a), "Fair Market Value per Share of Common Stock" for any day shall be the mean between the highest and lowest sales prices of Common Stock as reported on the New York Stock Exchange Composite Tape for such day.

(b) Interest Equivalents. Notwithstanding anything to the contrary in the Plan, in the event of a Change in Control (i) the Plan may not be amended to reduce the formulas contained in paragraph 5 which determine the rate at which amounts equivalent to interest accrue with respect to cash amounts credited to a Director's Account, including cash amounts attributable to the conversion of shares or equivalent shares in a Director's Account pursuant to paragraph 7(a), and (ii) the Plan Administrator referred to in paragraph 10(c) shall fix rates under the formulas contained in paragraph 5 in lieu of the Treasurer of the Corporation.

(c) Payment on a Change in Control. In the event of a Change in Control, the aggregate amount credited to the Director's Account under the Plan shall be paid in one lump-sum payment as soon as practicable following the Change in Control but in no event more than 90 days after the Change in Control, provided, however, that any election with respect to Pre-1997 Elective Deferrals in which a Director did not elect a lump-sum payment on a Change in Control shall remain in effect. A Director may elect a method of distribution of his Account upon a Change in of Control that is different than the method described in the preceding sentence (provided such method of distribution would be a form of payment permitted under paragraph 6(a)). Any such election shall be made at a time prior to a Change in Control as specified by the Committee and shall be subject to such restrictions and limitations as the Committee shall determine from time to time.

(d) Definition of Change in Control. For purposes of the Plan, a Change in Control is deemed to occur at the time (i) when any entity, person or group (other than the Corporation, any subsidiary or any savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) which theretofore beneficially owned less than 30% of the Common Stock then outstanding acquires shares of Common Stock in a transaction or series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (ii) of the purchase of shares of Common Stock pursuant to a tender offer or exchange offer (other than an offer by the Corporation) for all, or any part of, the Common Stock ("Offer"), (iii) of a merger in which the Corporation will not survive as an independent, publicly owned corporation, a consolidation, or a sale, exchange or other disposition of all or substantially all of the Corporation's assets, (iv) of a substantial change in the composition of the Board during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the stockholders of the Corporation, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (v) of any transaction or other event which the Committee, in its discretion, determines to be a Change in Control for purposes of the Plan.

8. Distribution on Death

If a Director should die before all amounts credited to the Director's Account shall have been paid in accordance with the Director's prior elections, the balance in such Account (including all unpaid installments if installment payments had been elected by the Director under paragraph 6) shall be paid as

soon as practicable following the Director's death to the beneficiary designated in writing by the Director and filed with the Secretary of the Corporation. The payable balance shall be paid to the estate of the Director if (a) no such designation has been made or (b) the designated beneficiary shall have predeceased the Director and no further designation has been made. A Director may change the designated beneficiary at any time during the Director's lifetime by filing a subsequent designation in writing with the Secretary of the Corporation.

9. Payment in the Event of Hardship

Upon receipt of a request from a Director or a Director's designated beneficiary, delivered in writing to the Secretary, the Committee may cause the Corporation to accelerate payment promptly of all or any part of the unpaid balance credited to the Director's Account (other than amounts credited as Lump-Sum Compensation and Non-Elective Deferrals) if it finds in its sole discretion that continued deferral of such amount would result in hardship to the Director or the person otherwise entitled to receive it. For this purpose, "hardship" means an unanticipated financial emergency that is caused by an event beyond the control of the Director or other person entitled to receive payment and that would result in severe financial hardship to such person if acceleration of payment were not permitted.

10. Miscellaneous

(a) The right of a Director to receive any amount credited to the Director's Account shall not be transferable or assignable by the Director, except by will or by the laws of descent and distribution. To the extent that any person acquires a right to receive any amount credited to a Director's Account hereunder, such right shall be no greater than that of an unsecured general creditor of the Corporation. Except as expressly provided herein, any person having an interest in any amount credited to a Director's Account under the Plan shall not be entitled to payment until the date the amount is due and payable. No person shall be entitled to anticipate any payment by assignment, alienation, sale, pledge, encumbrance or transfer in any form or manner prior to actual or constructive receipt thereof.

(b) The Corporation shall not be required to reserve or otherwise set aside funds or shares of Common Stock for the payment of its obligations hereunder. With respect to Pre-1997 Elective Deferrals, the Corporation shall make available as and when required a sufficient number of shares of Common Stock to meet the needs of the Plan. To the extent that registration of such shares under the Securities Act of 1933 shall be required prior to their resale, the Corporation undertakes to either file a registration statement relating to such

shares or include such shares in another registration statement to be filed within a reasonable time.

(c) Prior to a Change in Control, the Committee shall interpret the Plan and make all determinations deemed necessary or desirable for the Plan's implementation. The determination of the Committee shall be conclusive. The Committee may obtain such advice or assistance as it deems appropriate from persons not serving on the Committee. The Senior Vice President responsible for Human Resources or other appropriate officer of the Corporation shall, prior to any Change in Control, name as Plan Administrator any person or entity (including, without limitation, a bank or trust company). Following a Change in Control, the Plan Administrator shall interpret the Plan and make all determinations deemed necessary or desirable for the Plan's implementation. The determination of the Plan Administrator shall be conclusive. The Corporation shall provide the Plan Administrator with such records and information as are necessary for the proper administration of the Plan. The Plan Administrator shall rely on such records and other information as the Plan Administrator shall in its judgment deem necessary or appropriate in determining the eligibility of a Director and the amount payable to a Director under the Plan.

(d) The Board may at any time amend or terminate the Plan provided that no amendment or termination shall impair the rights of a Director with respect to amounts then credited to the Director's Account.

(e) Each Director participating in the Plan will receive a statement at least quarterly indicating the amounts credited to the Director's Account as of the end of the preceding calendar quarter.

(f) If adjustments are made to outstanding shares of Common Stock as a result of stock dividends, split-ups, recapitalizations, mergers, consolidations and the like, an appropriate adjustment will also be made in the number of shares or equivalent shares of Common Stock credited to the Director's Account.

Supplement I to
Stock Plan for Non-Employee Directors of
AlliedSignal Inc.

As a result of the September 15, 1997 two-for-one split of the Company's Common Stock, the following adjustments were made to the Stock Plan for Non-Employee Directors of AlliedSignal Inc. (the "Plan") in accordance with Section 11 of the Plan, effective September 15, 1997 (references are to sections of the Plan):

* * *

3. Eligibility and Grants

The references in the second and third sentences to 1,500 Restricted Shares were adjusted to 3,000 Restricted Shares, the reference in the third sentence to 3,000 Restricted Shares was adjusted to 6,000 Restricted Shares, and the reference in the fourth sentence to 1,000 shares was adjusted to 2,000 shares.

4. Shares Available

The reference to 225,000 shares was adjusted to 450,000 shares.

Dated as of March 1, 1999

Supplement II to
Stock Plan for Non-Employee Directors of
Honeywell International Inc.

WHEREAS, Honeywell International Inc. (formerly AlliedSignal Inc. and hereinafter, the "Corporation") has adopted the Stock Plan for Non-Employee Directors of Honeywell International Inc., as amended effective April 25, 1994 (the "Plan"); and

WHEREAS, pursuant to Section 12 of the Plan, the Board of Directors of the Corporation has the right to amend the Plan; and

WHEREAS, the Board of Directors of the Corporation has delegated its authority to amend the Plan to the Governance Committee of the Board of Directors of the Corporation, which deems it advisable to amend the Plan;

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Section 1 of the Plan shall be amended to provide that references in the Plan to the "Company" are references to Honeywell International Inc., rather than references to AlliedSignal Inc.
2. Section 9(c) of the Plan shall be amended by adding a new sentence to read as follows:

"Notwithstanding the preceding sentence, in the event a Participant ceases to be a non-employee director of the Company for involuntary reasons other than disability, death, or retirement (other than on account of a failure to be elected as a non-employee director by the shareholders of the Company following nomination by the Board prior to a Change in Control as described in Section 14), the Participant's Options may be exercised, to the extent the Participant was entitled to do so at termination of the Participant's directorship, for a period of three years after such termination, but in no case later than the date on which the Option terminates."

3. A new Section 14 shall be added to the Plan, as follows:

"14. Change in Control

(a) Notwithstanding anything to the contrary in the Plan or an award agreement issued under the Plan, upon the occurrence of a Change in Control (as defined below), each Options issued under the Plan shall become fully vested and exercisable and all restrictions shall lapse with respect to each Restricted Share issued under the Plan. In the event that the service of an eligible director on the Board terminates for any reason following the occurrence of a Change in Control, such termination of service shall be treated as a retirement for purposes of Section 9(b) of the Plan.

(b) For purposes of the Plan, Change in Control shall mean means (i) the purchase of the Common Stock pursuant to a tender offer or exchange offer (other than an offer by the Company) for all, or any part of, the outstanding Common Stock, (ii) an acquisition of Common Stock by any entity person or group (other than the Company or any subsidiary of the Company or any savings, pension or other benefit plan for the benefit of employees of the Company or its subsidiaries) which theretofore beneficially owned less than 30% of the Common Stock then outstanding which results in such entity, person or group directly or indirectly beneficially owning 30% or more of the outstanding Common Stock, (iii) a merger in which the Company will not survive as an independent publicly owned corporation, a consolidation, or a sale, exchange or other disposition of all or substantially all of the Company's assets, or (iv) a substantial change in the composition of the Board of Directors during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board of Directors cease for any reason to constitute at least a majority thereof, unless the election, or nomination for election by the Company's shareowners, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period."

Dated as of February 28, 2002

Supplement III to
Stock Plan for Non-Employee Directors of
Honeywell International Inc.

Pursuant to Section 12 of the Stock Plan for Non-Employee Directors of Honeywell International Inc. (the "Corporation"), as amended effective February 8, 2002 (the "Plan"), and in accordance with a resolution adopted by the Board of Directors of the Corporation (upon the recommendation of its Corporate Governance Committee) on May 30, 2003, Section 3 of the Plan is hereby amended by substituting "5,000 shares" in the fourth sentence thereof for "2,000 shares."

Dated as of May 30, 2003

SUPPLEMENTAL NON-QUALIFIED SAVINGS PLAN FOR HIGHLY COMPENSATED
EMPLOYEES OF HONEYWELL INTERNATIONAL INC. AND ITS SUBSIDIARIES
(Career Band 6 and above)
(As Amended and Restated as of April 3, 2002)

1. Eligibility

Those highly compensated employees ("HCEs") of Honeywell International Inc. (the "Corporation") and its subsidiaries within the meaning of Section 414(q) of the Internal Revenue Code of 1986 (the "Code") in Career Band 6 and above who are eligible to participate in any of the qualified (as determined under Code Section 401(a)) savings plans maintained by the Corporation or its subsidiaries, other than any such plan maintained by Pittway Corporation and its affiliates or by Honeywell Inc. prior to April 1, 2000, (the "Qualified Savings Plans") are eligible to participate in the Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries (Career Band 6 and above) (the "Plan").

2. Definitions

Capitalized terms not otherwise defined in the Plan have the respective meanings set forth in the applicable Qualified Savings Plans.

3. Participation

(a) Time and Form of Election. Any eligible employee may become a participant in the Plan (a "Participant") as of the beginning of the next available pay period, by executing a written or electronic notice of election to participate and filing such notice with the Plan Administrator (as defined in Section 10(a)) prior to the beginning of such pay period. Such notice may direct that a portion (determined in accordance with paragraph 4(a)) of the base annual salary exclusive of shift differentials, overtime or other premium pay, bonus, incentive or other extra compensation, but inclusive of severance pay (unless otherwise specifically excluded by the severance pay plan) or salary deferred under this Plan or otherwise ("Base Annual Salary"), which would have been payable to such Participant during such pay period and succeeding pay periods, in lieu of such payment, be credited to a deferred compensation account maintained under the Plan as an unfunded book entry stated as a cash balance (the "Participant's Account"). Amounts so credited to the Participant's Account shall constitute "Participant Deferred Contributions." A Participant's election to direct that a portion of his or her Base Annual Salary be credited to the Participant's Account shall continue in effect until the Participant terminates such election, the Participant is no longer an HCE or the Participant is no longer eligible to contribute to the Qualified Savings Plans. Any such termination shall be effective only with respect to the Participant's Base Annual Salary payable after the end of the pay period in which one of the events in the preceding sentence occurs. Amounts credited to the Participant's Account prior to the effective date of the termination of the election shall not be

affected and shall be distributed only in accordance with the terms of the Plan and Participant's distribution election thereunder.

(b) Change or Resumption of Amount Deferred. A Participant may elect at any time to modify the amount of Base Annual Salary to be credited to the Participant's Account under the Plan, which modification shall be effective for the next available pay period following his or her election. Amounts credited to the Participant's Account prior to the effective date of such change shall not be affected by such change and shall be distributed only in accordance with the terms of the Plan.

4. Contributions to Participants' Accounts

(a) Participant Deferred Contributions. Unless the Plan Administrator shall have established a lesser amount, a Participant may elect to defer an aggregate amount equal to the difference between (i) a full percentage of such Participant's Base Annual Salary from 1% to the maximum percentage permitted under the Qualified Savings Plans and Code Section 415(c)(1)(B) for Before-Tax Contributions by an individual who is not an HCE and who is eligible to participate in the Qualified Savings Plans, without regard to any other limitations which may apply under the Code and without regard to any After-Tax Contributions which might be made under the Qualified Savings Plans, and (ii) the full amount of Before-Tax Contributions made by such Participant under the Qualified Savings Plans; provided, however, that a Participant who elects to defer any amount hereunder shall be required to make the maximum Before-Tax Contributions permissible under the Qualified Savings Plans for the applicable Plan Year (after giving effect to deferrals under the Plan or otherwise).

(b) Plan Employer Contributions. There shall be credited to the Participant's Account employer contributions under the Plan ("Plan Employer Contributions") in an aggregate amount equal to (i) minus (ii), where (i) is 50% (for participants entitled to a 50% Employer Contribution in the Qualified Savings Plans) or 100% (for participants entitled to a 100% Employer Contribution in the Qualified Savings Plans) of the lesser of (x) 8% of the Participant's Base Annual Salary, or (y) the sum of the Participant's Participant Contributions under the Qualified Savings Plans and Participant Deferred Contributions under the Plan, expressed as a percentage of Base Annual Salary, and (ii) is the total amount of Employer Contributions made with respect to the Participant under the Qualified Savings Plans; provided, however, that in no event shall the combined Plan Employer Contributions and Employer Contributions made with respect to the Participant exceed 8% of the Participant's Base Annual Salary, and provided, further, that Plan Employer Contributions shall not be made with respect to a Participant during any period of suspension of Employer Contributions with respect to such Participant under the terms of the Qualified Savings Plans, whether or not such Participant continues to make Participant Contributions under the Qualified Savings Plans during the period of such suspension. Notwithstanding the preceding sentence, there shall be credited to the Participant's Account an amount equal to the product of (i) the number of whole shares of common stock of Honeywell International Inc. ("Common Stock") credited to such Participant's Account under Section 5(b) on December 29, 2000, and (ii) \$0.08 (such product rounded to the nearest full dollar). The amount determined under the preceding sentence shall be credited to the Participant's Account as Plan Employer Contributions in accordance with Section 5(a) and shall be credited to such Account no later than December 31, 2000.

(c) Vesting. Participant Deferred Contributions, Plan Employer Contributions (collectively "Total Contribution Amounts") and all amounts accrued with respect to Total

Contribution Amounts in accordance with Section 5, shall be vested at the time such amounts are credited to the Participant's Account.

(d) All Contributions Prorated. Total Contribution Amounts shall be credited to a Participant's Account each pay period.

5. The Participant's Account

(a) Crediting of Participant's Accounts. Participant Deferred Contributions shall be credited to the Participant's Account under the Plan as unfunded book entries stated as cash balances. Participant Deferred Contributions credited to the Participant's Account prior to January 1, 1994 or after the Participant has terminated employment shall accrue amounts (to be posted each Valuation Date) equivalent to interest, compounded daily, at a rate based upon the cost to the Corporation of borrowing at a fixed rate for a 15-year term. Such rate shall be determined annually by the Chief Financial Officer of the Corporation in consultation with the Treasurer of the Corporation. Participant Deferred Contributions credited to the Participant's Account on or after January 1, 1994, but before a Participant terminates employment, shall accrue amounts (to be posted each Valuation Date) equivalent to interest, compounded daily, at a rate determined annually by the Management Development and Compensation Committee (the "Committee") of the Board of Directors (the "Board") of the Corporation. The rate established in the preceding sentence shall not exceed the greater of (i) 10%, or (ii) 200% of the 10-year U.S. Treasury Bond rate at the time of determination and, once established for a calendar year, shall remain in effect with respect to all Participant Deferred Contributions credited to the Participant's Account during such calendar year until such amounts are distributed. Plan Employer Contributions shall be credited to the Participant's Account under the Plan as unfunded book entries stated as shares of Common Stock (including fractional shares). The number of shares of Common Stock credited to a Participant's Account shall be determined by dividing the equivalent cash amount (as determined under Section 4(b)) by the closing price of Common Stock on the day that such Plan Employer Contributions are credited to the Participant's Account. Amounts equivalent to the dividends that would have been payable in respect of the Common Stock shall be credited to the Participant's Account as if reinvested in Common Stock, with the number of shares credited determined by dividing the equivalent cash dividend amount by the closing price of Common Stock on the date the dividends would have been payable. Amounts credited to the Participant's Account shall accrue amounts equivalent to interest and dividends, as the case may be, until distributed in accordance with the Plan.

(b) Transition Rule for Plan Employer Contributions. The balance of each Participant's Account attributable to Plan Employer Contributions, determined as of the close of business on the day prior to the effective date of the amendment and restatement of the Plan and adjusted to reflect all gains, losses and dividends that have been credited to such Participant's Account through the day prior to such effective date, shall be converted into the equivalent number of shares of Common Stock by dividing such balance by the closing price of Common Stock on the trading date next preceding such effective date. Such amount shall be an unfunded book entry only and shall (i) thereafter be credited with equivalent dividend amounts in accordance with Section 5(a), and (ii) be distributed in accordance with Section 6(a) (ii).

6. Distribution from Accounts

(a) Form of Election.

(i) Participant Deferred Contributions. At the time a Participant makes an election pursuant to Section 3(a), the Participant shall also make an election with respect to the distribution of the aggregate amount of the Participant Deferred Contributions, plus earnings credited thereon pursuant to Section 5 (collectively the "Participant Deferred Contribution Amounts"), credited to the Participant's Account pursuant to such election. A Participant may elect to receive such amount in one lump-sum payment or in a number of annual installments (up to fifteen installments). The lump-sum payment or the first installment shall be paid in cash as soon as practicable during the month of January of such future calendar year as the Participant may designate or, if the Participant so elects, as soon as practicable during the month of January of the calendar year immediately following the later of the year in which the Participant last contributed to the Plan or the year in which the Participant terminates employment with the Corporation or any of its subsidiaries (whether by reason of Retirement or otherwise). Except as otherwise provided in Section 8, subsequent installments shall be paid in cash as soon as practicable during the month of January of each succeeding calendar year until the entire amount of the Participant Deferred Contribution Amounts shall have been paid. The amount of each installment shall be determined by multiplying the balance of the Participant Deferred Contribution Amounts each year by a fraction, the numerator of which is one and the denominator of which is (A) the number of installments elected, reduced by (B) one for each annual installment previously received.

(ii) Plan Employer Contributions. The distribution election made pursuant to subsection (i) above shall also apply to the timing of the distribution of the aggregate number of shares of Common Stock representing the Plan Employer Contributions plus reinvested dividends pursuant to Section 5 (collectively the "Plan Employer Contribution Amounts") credited to the Participant's Account pursuant to Section 5. Except to the extent otherwise provided with respect to fractional shares, all distributions of Plan Employer Contribution Amounts shall be made in Common Stock. A Participant may elect to receive such Plan Employer Contribution Amounts in one lump-sum payment or in a number of annual installments (up to fifteen installments). The lump-sum payment or the first installment shall be paid as soon as practicable during the month of January of such future calendar year as the Participant may designate, or, if the Participant so elects, as soon as practicable during the month of January of the calendar year immediately following the later of the year in which the Participant last contributed to the Plan or the year in which the Participant terminates employment with the Corporation or any of its subsidiaries (whether by reason of Retirement or otherwise). Except as otherwise provided in Section 8, subsequent installments shall be paid as soon as practicable during the month of January of each succeeding calendar year until the entire amount of the Plan Employer Contribution Amounts shall have been paid. The amount of each installment shall be determined by (A) multiplying the balance of the Plan Employer Contribution Amounts on the last Valuation Date of each year by a fraction, the numerator of which is one and the denominator of which is (x) the number of installments elected, reduced by (y) one for each annual installment previously received, and (B) rounding the result down to the next whole share of Common Stock; provided, however, the amount of the last installment shall be determined without regard to the rounding requirement of the preceding portion of this sentence. Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

(b) Adjustment of Method of Distribution. Prior to the beginning of any calendar year, a Participant may elect to change the timing and method of distribution of the Participant Deferred Contribution Amounts and Plan Employer Contribution Amounts credited to the

Participant's Account commencing with such calendar year. Participant Deferred Contribution Amounts and Plan Employer Contribution Amounts credited to the Participant's Account prior to the effective date of such change (the "Prior Balance"), and all amounts thereafter accrued with respect to the Prior Balance, shall not be affected by such change and, except as otherwise provided in this Section 6 or as determined by the Plan Administrator pursuant to Section 8, shall be distributed only in accordance with the election in effect at the time such Prior Balance was credited to the Participant's Account.

(c) (i) Distribution Default for Participant Deferred Contribution Amounts. Any Participant Deferred Contribution Amounts credited to a Participant's Account which are not covered by a timely distribution election under subsections (a) and (b) above shall be distributed to the Participant in one lump-sum cash payment as soon as practicable during the month of January of the calendar year immediately following the later of the year in which the Participant last contributed to the Plan or the year in which the Participant terminates his employment with the Corporation or any of its subsidiaries (whether by reason of Retirement or otherwise); provided, however, if the Participant has made an election pursuant to Sections 9(a)(i) or 9(a)(ii), the lump sum payment shall be made within the 90-day period following a Change in Control, as defined in Section 9(c).

(c) (ii) Distribution Default for Plan Employer Contribution Amounts. Any Plan Employer Contribution Amounts credited to a Participant's Account which are not covered by a timely distribution election under subsections (a) and (b) above shall be distributed to the Participant in Common Stock as soon as practicable during the month of January of the calendar year immediately following the later of the year in which the Participant last contributed to the Plan or the year in which the Participant terminates his employment with the Corporation or any of its subsidiaries (whether by reason of Retirement or otherwise); provided, however, if the Participant has made an election pursuant to Sections 9(a)(i) or (ii), the distribution shall be made within the 90-day period following a Change in Control, as defined in Section 9(c). Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

(d) Changing Prior Distribution Elections. The Plan Administrator may from time to time allow Participants to request new elections with respect to the distribution of a Participant's Prior Balance under the Plan (other than any portion of such Prior Balance for which distributions have already commenced). The Plan Administrator shall reserve the right to accept or reject any such request at any time and such election shall be subject to such restrictions and limitations as the Plan Administrator shall determine in its sole discretion, provided that any new election shall generally be required to be made at least twelve (12) months prior to any scheduled payment date. The Plan Administrator may also allow a Participant to request an immediate distribution of all or a portion of such Participant's Prior Balance (including any portion of such Prior Balance for which distributions have already commenced) and any Deferred Contribution Amounts and Plan Employer Contribution Amounts credited to the Participant's Account immediately prior to such request. Any such immediate distribution shall be subject to a penalty equal to six percent (6%) of the amount requested to be distributed and shall be subject to the approval of the Plan Administrator and such other restrictions or conditions as may be established by the Plan Administrator from time to time.

(e) Special Distribution Provision. Notwithstanding any provision in this Plan to the contrary, if all or a portion of a Participant's Account is determined to be includible in the Participant's gross income and subject to income tax at any time prior to the time such Account

would otherwise be paid, the Participant's Account or that portion of the Participant's Account shall be distributed to the Participant. For this purpose, an amount is determined to be includible in the Participant's gross income upon the earliest of: (i) a final determination by the Internal Revenue Service addressed to the Participant which is not appealed, (ii) a final determination by the United States Tax Court or any other federal court affirming an IRS determination, or (iii) an opinion addressed to the Corporation by the tax counsel for the Corporation that, by reason of the Code, Treasury Regulations, published Internal Revenue Service rulings, court decisions or other substantial precedent, the amount is subject to federal income tax prior to payment.

7. Distribution on Death

(a) Participant Deferred Contribution Amounts. If a Participant should die before all Participant Deferred Contribution Amounts credited to the Participant's Account have been paid in accordance with the election referred to in Sections 6(a) or 6(b), the balance of the Participant Deferred Contribution Amounts in such Participant's Account shall be paid in cash as soon as practicable following the Participant's death to the beneficiary designated in writing by the Participant and filed with the Plan Administrator; provided, however, if the Participant has made an election pursuant to Sections 9(a)(i) or 9(a)(ii), such amount shall be paid within the 90-day period following a Change in Control, as defined in Section 9(c). If (i) no beneficiary designation has been made, or (ii) the designated beneficiary shall have predeceased the Participant and no further designation has been made, then such balance shall be paid to the estate of the Participant. A Participant may change the designated beneficiary at any time during the Participant's lifetime by filing a subsequent designation in writing with the Plan Administrator.

(b) Plan Employer Contribution Amounts. If a Participant should die before all Plan Employer Contribution Amounts credited to the Participant's Account have been paid in accordance with the election referred to in Sections 6(a) or 6(b), the balance of the Plan Employer Contribution Amounts in such Participant's Account shall be paid in Common Stock as soon as practicable following the Participant's death to the beneficiary designated in writing by the Participant and filed with the Plan Administrator; provided, however, if the Participant has made an election pursuant to Sections 9(a)(i) or 9(a)(ii), such amount shall be paid within the 90-day period following a Change in Control, as defined in Section 9(c). If (i) no such beneficiary designation has been made, or (ii) the designated beneficiary shall have predeceased the Participant and no further designation has been made, then such balance shall be paid to the estate of the Participant. A Participant may change the designated beneficiary at any time during the Participant's lifetime by filing a subsequent designation in writing with the Plan Administrator. Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

8. Payment in the Event of Hardship

Upon receipt of a request from a Participant, delivered in writing to the Plan Administrator along with a Certificate of Unavailability of Resources form, the Plan Administrator, or his designee, may cause the Corporation to accelerate (or require the subsidiary of the Corporation which employs or employed the Participant to accelerate) payment of all or any part of the amount credited to the Participant's Account, including accrued amounts, if it finds in its sole discretion that payment of such amounts in accordance with the Participant's prior election under Sections 6(a) or 6(b) would result in severe financial hardship to the Participant, and such hardship is the result of an unforeseeable emergency caused by

circumstances beyond the control of the Participant. Acceleration of payment may not be made under this Section 8 to the extent that such hardship is or may be relieved (a) through reimbursement or compensation by insurance or otherwise, (b) by liquidation of the Participant's assets, to the extent the liquidation of assets would not itself cause severe financial hardship, or (c) by cessation of deferrals under this Plan or any tax-qualified savings plan of the Corporation or its subsidiaries. Any distribution of Participant Deferred Contribution Amounts pursuant to this Section 8 shall be made in cash, while any distribution of Plan Employer Contribution Amounts pursuant to this Section 8 shall be made in Common Stock. Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

9. Change in Control

(a) (i) Initial Lump-Sum Payment Election. Notwithstanding any election made pursuant to Section 6, any person who becomes eligible to participate in the Plan may file a written election with the Plan Administrator at the time the individual makes an election to participate pursuant to Section 3(a) to have the aggregate amount credited to the Participant's Account (commencing with the date on which such written election is filed) paid in one-lump sum payment as soon as practicable following a Change in Control, but in no event later than 90 days after such Change in Control. Any distribution of Participant Deferred Contribution Amounts pursuant to this Section 9 shall be made in cash, while any distribution of Plan Employer Contribution Amounts pursuant to this Section 9 shall be made in Common Stock (or the common stock of any successor corporation issued in exchange for, or with respect to, Common Stock incident to the Change in Control). Any fractional shares of Common Stock (or the common stock of any successor corporation issued in exchange for, or with respect to, Common Stock incident to the Change in Control) shall be paid in an equivalent cash amount.

(a) (ii) Subsequent Lump-Sum Payment Election. A Participant who did not make an election pursuant to Section 9(a) (i) or who has revoked, pursuant to Section 9(a) (iii), an election previously made under Section 9(a) (i) or this Section 9(a) (ii) may, prior to the earlier of a Change in Control or the beginning of the calendar year in which the election is to take effect, elect to have the aggregate amount credited to the Participant's Account for all calendar years commencing with the first calendar year beginning after the date the election is made, paid in one lump-sum payment as soon as practicable following a Change in Control, but in no event later than 90 days after such Change in Control. Amounts credited to the Participant's Account prior to the effective date of the election made pursuant to this Section 9(a) (ii) shall not be affected by such election and shall be distributed following a Change in Control in accordance with any prior election in effect under Sections 9(a) (i) or 9(a) (ii).

(a) (iii) Revocation of Prior Change in Control Payment Elections. A Participant may, prior to a Change in Control, file an election revoking any election made pursuant to Sections 9(a) (i) or 9(a) (ii) or file a new lump sum payment election under this Section 9 with respect to amounts previously credited to the Participant's Account. Any such revocation or new election shall be made at the time specified by the Plan Administrator and shall be subject to such restrictions and limitations as the Plan Administrator shall determine from time to time.

(b) Interest Equivalents. Notwithstanding anything to the contrary in the Plan, after a Change in Control, the Plan may not provide, or be amended to provide, interest accruals with respect to Participant Deferred Contributions at rates lower than the rates in effect under Section 5 immediately prior to the Change in Control.

(c) Definition of Change in Control. For purposes of the Plan, a Change in Control is deemed to occur at the time (i) when any entity, person or group (other than the Corporation, any subsidiary or any savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) which therefore beneficially owned less than 30% of the common stock then outstanding acquires shares of Common Stock in a transaction or series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (ii) of the purchase of shares of Common Stock pursuant to a tender offer or exchange offer (other than an offer by the Corporation) for all, or any part of, the Common Stock, (iii) of a merger in which the Corporation will not survive as an independent, publicly owned corporation, a consolidation, or a sale, exchange or other disposition of all or substantially all of the Corporation's assets, (iv) of a substantial change in the composition of the Board during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the stockholders of the Corporation, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (v) of any transaction or other event which the Corporate Governance Committee of the Board, in its discretion, determines to be a Change in Control for purposes of the Plan.

10. Administration

(a) Plan Administrator. The Plan Administrator and "named fiduciary" for purposes of ERISA shall be the Senior Vice President-Human Resources and Communications of the Corporation (or the person acting in such capacity in the event such position is abolished, restructured or renamed). The Plan Administrator shall have the authority to appoint one or more other named fiduciaries of the Plan and to designate persons, other than named fiduciaries, to carry out fiduciary responsibilities under the Plan, pursuant to Section 405(c)(1)(B) of ERISA. Any person acting on behalf of the Plan Administrator shall serve without additional compensation. The Plan Administrator shall keep or cause to be kept such records and shall prepare or cause to be prepared such returns or reports as may be required by law or necessary for the proper administration of the Plan.

(b) Powers and Duties of Plan Administrator. The Plan Administrator shall have the full discretionary power and authority to construe and interpret the Plan (including, without limitation, supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan); to determine all questions of fact arising under the Plan, including questions as to eligibility for and the amount of benefits; to establish such rules and regulations (consistent with the terms of the Plan) as it deems necessary or appropriate for administration of the Plan; to delegate responsibilities to others to assist it in administering the Plan; to retain attorneys, consultants, accountants or other persons (who may be employees of the Corporation and its subsidiaries) to render advice and assistance as it shall determine to be necessary to effect the proper discharge of any duty for which it is responsible; and to perform all other acts it believes reasonable and proper in connection with the administration of the Plan. The Plan Administrator shall be entitled to rely on the records of the Corporation and its subsidiaries in determining any Participant's entitlement to and the amount of benefits payable under the Plan. Any determination of the Plan Administrator, including interpretations of the Plan and determinations of questions of fact, shall be final and binding on all parties.

(c) Indemnification. To the extent permitted by law, the Corporation shall indemnify the Plan Administrator from all claims for liability, loss, or damage (including payment of

expenses in connection with defense against such claims) arising from any act or failure to act in connection with the Plan.

11. Claims Procedures and Appeals

(a) Any request or claim for Plan benefits must be made in writing and shall be deemed to be filed by a Participant when a written request is made by the claimant or the claimant's authorized representative which is reasonably calculated to bring the claim to the attention of the Plan Administrator.

(b) The Plan Administrator shall provide notice in writing to any Participant when a claim for benefits under the Plan has been denied in whole or in part. Such notice shall be provided within 90 days of the receipt by the Plan Administrator of the Participant's claim or, if special circumstances require, and the Participant is so notified in writing, within 180 days of the receipt by the Plan Administrator of the Participant's claim. The notice shall be written in a manner calculated to be understood by the claimant and shall:

(i) set forth the specific reasons for the denial of benefits;

(ii) contain specific references to Plan provisions relative to the denial;

(iii) describe any material and information, if any, necessary for the claim for benefits to be allowed, that had been requested, but not received by the Plan Administrator; and

(iv) advise the Participant that any appeal of the Plan Administrator's adverse determination must be made in writing to the Plan Administrator within 60 days after receipt of the initial denial notification, and must set forth the facts upon which the appeal is based.

(c) If notice of the denial of a claim is not furnished within the time periods set forth above, the claim shall be deemed denied and the claimant shall be permitted to proceed to the review procedures set forth below. If the Participant fails to appeal the Plan Administrator's denial of benefits in writing and within 60 days after receipt by the claimant of written notification of denial of the claim (or within 60 days after a deemed denial of the claim), the Plan Administrator's determination shall become final and conclusive.

(d) If the Participant appeals the Plan Administrator's denial of benefits in a timely fashion, the Plan Administrator shall re-examine all issues relevant to the original denial of benefits. Any such claimant, or his or her duly authorized representative, may review any pertinent documents, as determined by the Plan Administrator, and submit in writing any issues or comments to be addressed on appeal.

(e) The Plan Administrator shall advise the Participant and such individual's representative of its decision, which shall be written in a manner calculated to be understood by the claimant, and include specific references to the pertinent Plan provisions on which the decision is based. Such response shall be made within 60 days of receipt of the written appeal, unless special circumstances require an extension of such 60-day period for not more than an additional 60 days. Where such extension is necessary, the claimant shall be given written

notice of the delay. If the decision on review is not furnished within the time set forth above, the claim shall be deemed denied on review.

(f) Any dispute, controversy, or claim arising out of or relating to any Plan benefit, including, without limitation, any dispute, controversy or claim as to whether the decision of the Plan Administrator respecting the benefits under this Plan or interpretation of this Plan is arbitrary and capricious, that is not settled in accordance with the procedures outlined in this Section 11, shall be settled by final and binding arbitration in accordance with the American Arbitration Association Employment Dispute Resolution or other applicable Rules. Before resorting to arbitration, an aggrieved Participant must first follow the review procedure outlined in this Section of the Plan. If there is still a dispute after the procedures in this Section have been exhausted, the Participant must request arbitration in writing within six (6) months after the Plan Administrator issues, or is deemed to have issued, its determination under subparagraph (e) above.

The arbitrator shall be selected by mutual agreement of the parties, if possible. If the parties fail to reach agreement upon appointment of an arbitrator within 30 days following receipt by one party of the other party's notice of desire to arbitrate, the arbitrator shall be selected from a panel or panels of persons submitted by the American Arbitration Association (the "AAA"). The selection process shall be that which is set forth in the AAA Employment Dispute Resolution Rules, except that, if the parties fail to select an arbitrator from one or more panels, AAA shall not have the power to make an appointment but shall continue to submit additional panels until an arbitrator has been selected.

All fees and expenses of the arbitration, including a transcript if requested, will be borne by the Corporation. The arbitrator shall have no power to amend, add to or subtract from this Plan. The award shall be admissible in any court or agency action seeking to enforce or render unenforceable this Plan or any portion thereof. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act if applicable.

12. Miscellaneous

(a) Anti-Alienation. The right of a Participant to receive any amount credited to the Participant's Account shall not be transferable or assignable by the Participant, except by will or by the laws of descent and distribution. To the extent that any person acquires a right to receive any amount credited to a Participant's Account hereunder, such right shall be no greater than that of an unsecured general creditor of the Corporation. Except as expressly provided herein, any person having an interest in any amount credited to a Participant's Account under the Plan shall not be entitled to payment until the date the amount is due and payable. No person shall be entitled to anticipate any payment by assignment, pledge or transfer in any form or manner prior to actual or constructive receipt thereof.

(b) Unsecured General Creditor. Neither the Corporation nor any of its subsidiaries shall be required to reserve or otherwise set aside funds, Common Stock or other assets for the payment of its obligations hereunder. However, the Corporation or any subsidiary may, in its sole discretion, establish funds for payment of its obligations hereunder. Any such funds shall remain assets of the Corporation or such subsidiary, as the case may be, and subject to the claims of its general creditors. Such funds, if any, shall not be deemed to be assets of the Plan. The Plan is intended to be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

(c) Withholding. The Corporation shall withhold from any distribution made from Participant Deferred Contribution Amounts the amount necessary to satisfy applicable federal, state and local tax withholding requirements. With respect to distributions of Plan Employer Contribution Amounts, the delivery of the shares of Common Stock shall be delayed until the Participant makes arrangements, pursuant to procedures to be adopted by the Plan Administrator, to satisfy the applicable federal, state and local tax withholding requirements.

(d) Termination and Amendment. The Corporation may at any time amend or terminate the Plan. Notwithstanding the foregoing, the Plan may not, without the consent of an affected Participant, be amended in any manner which would (i) adversely affect such Participant's rights and expectations with respect to Deferred Amounts credited to such Participant's Account immediately prior to such amendment (including, but not limited to, any amendment which would adversely affect the rights or features applicable to, or any of the components that are taken into account in determining, the Deferred Amount of any Participant hereunder) or, (ii) with respect to any Participant whose employment terminates either during a Potential Change in Control Period or within two years following a Change in Control under circumstances entitling such Participant to severance benefits under the Corporation's Severance Plan for Corporate Staff Employees or Part II of the Corporation's Severance Plan for Senior Executives, adversely affect such Participant's rights and expectations with respect to amounts that would otherwise have been credited to such Participant's Account as a result of the election of such Participant to defer the receipt of severance payments pursuant to such plan. For purposes of the preceding sentence, a "Potential Change in Control Period" shall commence when: (A) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; (B) the Corporation or any person or group publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control; (C) any person or group (other than the Corporation, any subsidiary or any savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 15% or more of either the then outstanding shares of common stock of the Corporation or the combined voting power of the Corporation's then outstanding securities (not including in the securities beneficially owned by such person or group any securities acquired directly from the Corporation or its affiliates); or (D) the Board adopts a resolution to the effect that, for purposes of the Plan, a Potential Change in Control Period has commenced. The Potential Change in Control Period shall continue until the earlier of (I) a Change in Control or (II) the adoption by the Board of a resolution stating that, for purposes of the Plan, the Potential Change in Control Period has expired.

(e) Benefit Statements. Each Participant will receive periodic statements (not less frequently than annually) regarding the Participant's Account. Each such statement shall indicate the amount of the balances credited to the Participant's Account as of the end of the period covered by such statement.

(f) Legal Interpretation. This Plan and its provisions shall be construed in accordance with the laws of the State of Delaware to the extent such Delaware law is not inconsistent with the provisions of ERISA. The text of this Plan shall, to the extent permitted by law, govern the determination of the rights and obligations created or referred to herein. Headings to the Sections, paragraphs and subparagraphs are for reference purposes only and do not limit or extend the meaning of any of the Plan's provisions.

(g) Employment. The adoption and maintenance of this Plan shall not be deemed to constitute a contract between the Corporation or its subsidiaries and any employee or to be a

consideration for or condition of employment of any person. No provision of the Plan shall be deemed to give any employee the right to continue in the employ of the Corporation or its subsidiaries or to interfere with the right of the Corporation or its subsidiaries to discharge any employee at any time without regard to the effect which such discharge might have upon the employee's participation in the Plan or benefits under it.

(h) Fiduciary Capacities. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan. For purposes of this Section 12(h), the term "fiduciary" shall have the same meaning as in ERISA.

(i) Participants Subject to Section 16. Notwithstanding anything herein to the contrary, if any request, election or other action under the Plan affecting a Participant subject to Section 16 of the Securities Exchange Act of 1934 should require the approval of the Committee to exempt such request, election or other action from potential liability under Section 16, then the approval of the Committee shall be obtained in lieu of the approval of the Plan Administrator.

EXHIBIT 10.8

Salary and Incentive Award Deferral Plan
for
Selected Employees of Honeywell International Inc. and its
Affiliates

Amended and Restated
as of April 3, 2002

1. Eligibility

Those employees of Honeywell International Inc. (the "Corporation") and its affiliates who are designated by the Management Development and Compensation Committee (the "Committee") shall be eligible to participate in this supplemental non-qualified Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates (the "Plan").

2. Participation

An eligible employee may become a participant in the Plan (a "Participant") by filing a timely written deferral election with the Corporation. Such election shall request that a portion of the compensation elements described in paragraph 3(a) and paragraph 3(b) be credited to an unfunded deferred compensation account maintained for the Participant under the Plan (the "Participant Account" or "Account"). A Participant's direction, if accepted by the Corporation, shall become effective for the pay period or payment date in the next succeeding calendar year (or for a newly eligible Participant, for the next succeeding pay period or payment date after the receipt of the direction by the Corporation), and shall continue in effect until the Participant terminates such direction, effective as of the end of the calendar year, or is no longer eligible to be a Participant. Any modification of Participant's direction shall be effective only with respect to compensation payable with respect to pay periods in the calendar year next following the date such direction is received by the Corporation.

3. Contributions to Participant Accounts

(a) Base Annual Salary. A Participant in Career Band 6 and above (or a Participant who occupies a position equivalent thereto) may, prior to the beginning of any calendar year (and with respect to a newly eligible Participant, within thirty days after first becoming so eligible) elect to defer an aggregate amount of base annual salary otherwise payable in such subsequent calendar year (or with respect to a newly eligible Participant, in the remainder of the calendar year), exclusive of any bonus or any other compensation or allowance paid or payable by the Corporation or its affiliates (the "Base Annual Salary"). The amount deferred under this paragraph 3(a) shall not be greater than fifty percent (50%) of the Participant's Base Annual Salary for such pay period.

(b) Incentive Awards. A Participant may, to the extent that the Honeywell International Inc. Incentive Compensation Plan For Executive Employees (the "Incentive Plan") (or any successor plan) permits deferrals of an incentive award (the "Incentive Award") payable thereunder, elect to defer an amount not greater than one hundred percent of such Incentive Award. Any amount so deferred shall be deemed to be deferred under this Plan but shall, to the extent the provisions of the Incentive Plan are not inconsistent with this Plan, otherwise be subject to the terms of the Incentive Plan. Any deferral of an Incentive Award shall be made by filing an appropriate deferral election with the Corporation not later than the date established by the Corporation from time to time.

(c) Deferral Amounts. All amounts determined under this paragraph 3 which are the subject of a written deferral election (the "Deferral Amounts") shall, in accordance with the relevant Participant direction, be credited to a Participant Account maintained under the Plan on the same day the Base Annual Salary or Incentive Award would otherwise have been payable.

4. Deferral Requirements

Amounts may be deferred under this Plan for a minimum period of three years or such shorter period as may be approved by the Committee. Except as otherwise provided in paragraphs 9 or 10 or as approved by Committee, no amount shall be withdrawn from a Participant Account prior to the earlier of: three years following the last day of the calendar year in which the Deferral Amounts were earned; the date the Participant reaches normal retirement age and is eligible to receive a benefit under a pension plan of the Corporation or one of its affiliates; the date of Participant's death; or the date the Participant ceases to be employed by the Corporation or any of its affiliates. Notwithstanding the preceding provisions of this Section 4, a Participant may request an immediate withdrawal of all or a portion of such Participant's Account prior to any date described above or prior to the date the Account has been completely withdrawn, provided that such a request and withdrawal shall be subject to the approval of the Corporation and such penalties, restrictions or conditions as may be established by the Corporation from time to time. The penalty shall be a percentage of the amount requested to be withdrawn, calculated as the difference between (a) 6%, and (b) 50% of the amount, if any, by which 10% exceeds the interest rate on 10-year U.S. Treasury Bonds on the first business day of the calendar quarter during which the withdrawal request is made.

5. Interest Equivalents

Deferral Amounts shall accrue additional amounts equivalent to interest ("Interest Equivalents"), compounded daily, from the date the Deferral Amount is credited to the Account to the date of distribution. A single rate for calculating Interest Equivalents shall be established by the Committee, in its sole discretion, for all Deferral Amounts credited to Participant Accounts in each calendar year. The rate established by the Committee shall not exceed the greater of (i) 10% or (ii) 200% of the 10-year U.S. Treasury Bond rate at the time of determination. Such Interest Equivalents, once established for a calendar year, shall remain in effect with respect to Deferral Amounts credited to Participant Accounts during the calendar year until the Deferral Amounts are distributed.

The rate of notional interest established by the Committee shall be set forth on Schedule A attached hereto and made a part hereof. Any portion of such rate designated as the "Contingent Rate" shall become nonforfeitable only if the Participant is still employed by the Corporation or any affiliate at the end of the third full calendar year following the calendar year in which the Deferral Amount relates, provided, however, in the event a Participant terminates employment with the Corporation or an affiliate prior to such date for reasons other than gross cause, the Committee shall treat such portion as nonforfeitable in the event the Participant's employment with the Corporation or Affiliate is involuntarily terminated (including a termination for "good reason" under any applicable severance plan of the Corporation or affiliate) or is

terminated for such reasons as the Committee may determine from time to time in its sole discretion. Notwithstanding the preceding sentence, in the event a Participant withdraws any portion of the Deferral Amount prior to the end of the third full calendar year following the calendar year to which the Deferral Amount relates, the amount of Contingent Rate interest credited with respect to such Deferred Amount at the time of withdrawal shall remain credited to such Account subject to the provisions of the preceding sentence but shall not be credited with any Interest Equivalents after such date ("Frozen Contingent Interest"). The rate established by the Committee and set forth on Schedule A shall remain in effect until superceded by action of the Committee and amendment of such Schedule A.

Notwithstanding anything in the Plan to the contrary, from and after the occurrence of a Change in Control, the rate at which Deferral Amounts accrue Interest Equivalents may not be decreased.

6. Participant Accounts

All amounts credited to a Participant's Account pursuant to paragraphs 3 and 4 shall be unfunded general obligations of the Corporation, and no Participant shall have any claim to or security interest in any asset of the Corporation on account thereof.

7. Distribution from Accounts

At the time a Participant makes an election pursuant to paragraph 3, the Participant shall also make an election with respect to the distribution of the Deferral Amounts and Interest Equivalents accrued thereon which are credited to the Participant's Account pursuant to such election. A Participant may elect to receive such distribution in one lump-sum payment or in a number of approximately equal annual payments (provided the payment period may not include more than fifteen such installments). The lump-sum or the first installment shall be paid as soon as practicable during the month of January of the calendar year designated by the Participant. Except as otherwise provided in paragraphs 8, 9 and 10, all installment payments following the initial installment payment shall be paid in cash as soon as practicable during the month of January of each succeeding calendar year until the entire amount in the Account shall have been paid. Notwithstanding the foregoing, in the event a Participant's employment with the Company is terminated either voluntarily (other than on account of retirement as defined in the qualified pension plan in which the Participant participates or for "good reason" under any applicable severance plan of the Company) or for "gross cause" (as defined in the AlliedSignal Inc. Severance Plan for Senior Executives), the nonforfeitable portion of such Participant's Deferred Amounts for performance years beginning after 1997 for amounts deferred under paragraph 3(b) or after 1998 for amount deferred under paragraph 3(a) (including the vested portion of any applicable notional interest credited thereto) shall be distributed in a lump sum as soon as practicable in January of the calendar year following such termination of employment. Any Frozen Contingent Interest credited to the Participant's Account shall be payable to the Participant in one lump sum after the date the Frozen Contingent Interest becomes nonforfeitable pursuant to Paragraph 5.

The Corporation may from time to time allow Participants to request new elections with respect to the distribution of all Deferral Amounts and Interest Equivalents

accrued thereon that are credited to such Participant under the Plan (other than any such amounts currently payable to a Participant). The Corporation shall reserve the right to accept or reject any such request at any time and such election shall be subject to such restrictions and limitations as the Corporation shall determine in its sole discretion, provided that any new election shall generally be required to be made at least twelve (12) months prior to any scheduled payment date.

Notwithstanding any provision in this Plan to the contrary, if all or a portion of a Participant's Account is determined to be includible in the Participant's gross income and subject to income tax at any time prior to the time such Account would otherwise be paid, the Participant's Account or that portion of the Participant's Account shall be distributed to the Participant. For this purpose, an amount is determined to be includible in the Participant's gross income upon the earliest of: (i) a final determination by the Internal Revenue Service addressed to the Participant which is not appealed, (ii) a final determination by the United States Tax Court or any other federal court affirming an IRS determination, or (iii) an opinion addressed to the Corporation by the tax counsel for the Corporation that, by reason of the Code, Treasury Regulations, published Internal Revenue Service rulings, court decisions or other substantial precedent, the amount is subject to federal income tax prior to payment.

8. Distribution on Death

If a Participant should die before all amounts credited to the Participant's Account have been distributed, the balance in the Account shall be paid as soon as practical thereafter to the beneficiary designated in writing by the Participant. Payment to a beneficiary pursuant to a designation by a Participant shall be made in one lump sum to the designated beneficiary as soon as practicable following the death of the Participant. Such beneficiary designations shall be effective when received by the Corporation, and shall remain in effect until rescinded or modified by the Participant by an appropriate written direction. If no beneficiary is properly designated by the Participant or if the designated beneficiary shall have predeceased the Participant, such balance in the Account shall be paid to the estate of the Participant.

9. Payment in the Event of Hardship

Upon receipt of a request from a Participant, delivered in writing to the Corporation along with a Certificate of Unavailability of Other Resources form, the Committee, the Senior Vice President - Human Resources and Communications, or his designee, may cause the Corporation to accelerate (or require the subsidiary of the Corporation which employs or employed the Participant to accelerate) payment of all or any part of the Deferral Amount and Interest Equivalents credited to the Participant's Account, if it finds in its sole discretion that payment of such amounts in accordance with the Participant's prior election under paragraph 3 would result in severe financial hardship to the Participant and such hardship is the result of an unforeseeable emergency caused by circumstances beyond the control of the Participant. Acceleration of payment may not be made under this paragraph 9 to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of assets would not itself cause severe financial hardship or (iii) by cessation of deferrals under this Plan or any tax-qualified savings plan of the Corporation.

10. Change in Control

(a) Initial Lump Sum Election. Notwithstanding any election made pursuant to paragraph 7, a Participant may file a written election with the Corporation to have the Deferral Amounts and Interest Equivalents accrued thereon which are credited thereafter to the Participant's Account paid in one lump-sum payment as soon as practicable following a Change in Control, but in no event later than 90 days after such Change in Control. The Interest Equivalents on any Deferred Amount payable pursuant to this paragraph 10(a) shall include the "Contingent Rate" credited to such Deferred Amount without regard to whether such amount has become nonforfeitable as provided in paragraph 5 at the time payment is made under this paragraph 10(a).

(b) Revocation of Lump-Sum Election. A Participant may revoke an election made pursuant to paragraph 10(a) (including an election not to be paid in one lump sum upon a Change in Control) by filing an appropriate written notice with the Corporation. A revocation notice filed pursuant to this paragraph 10(b) shall be subject to such terms and conditions as the Corporation shall establish and shall be effective with respect to any or all of the Participant's Deferral Amounts and Interest Equivalents accrued thereon which are credited to such Participant under the Plan. Any such election shall be subject to such restrictions and limitations as the Corporation shall determine in its sole discretion.

(c) Limitation on Elections. Any election made pursuant to paragraph 10(a) or 10(b) shall not be effective unless filed with the Corporation at least 90 days prior to a Change in Control.

(d) Definition of Change in Control. For purposes of the Plan, a Change in Control is deemed to occur at the time (i) when an entity, person or group (other than the Corporation, any subsidiary or savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) which theretofore beneficially owned less than 30% of the Corporation's common stock (the "Common Stock") then outstanding, acquires shares of Common Stock in a transaction or a series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (ii) of the purchase of Common Stock pursuant to a tender offer or exchange offer (other than an offer by the Corporation) for all, or any part of, the Common Stock (iii) of a merger in which the Corporation will not survive as an independent, publicly owned corporation, a consolidation, a sale, exchange or other disposition of all or substantially all of the Corporation's assets, (iv) of a substantial change in the composition of the Board during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the shareowners of the Corporation, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (v) of any transaction or other event which the Committee, in its sole discretion, determines to be a Change in Control for purposes of the Plan.

11. Miscellaneous

(a) No Alienation of Benefits. Except insofar as may otherwise be required by law, no amount payable at any time under the Plan shall be subject in any manner to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, charge, or encumbrance of any kind nor in any manner be subject to the debts or liabilities of any person and any attempt to so alienate or subject any such amount, whether presently or thereafter payable, shall be void. If any person shall attempt to, or shall alienate, sell, transfer, assign, pledge, attach, charge, or otherwise encumber any amount payable under the Plan, or any part thereof, or if by reason of such person's bankruptcy or other event happening at any such time such amount would be made subject to the person's debts or liabilities or would otherwise not be enjoyed by that person, then the Corporation, if it so elects, may direct that such amount be withheld and that same or any part thereof be paid or applied to or for the benefit of such person, the person's spouse, children or other dependents, or any of them, in such manner and proportion as the Corporation may deem proper.

(b) No Right or Interest in Corporation's Assets. Neither the Corporation nor any of its Affiliates shall be required to reserve or otherwise set aside funds for the payment of obligations arising under this Plan. The Corporation may, in its sole discretion, establish funds, segregate assets or take such other action as it shall determine necessary or appropriate to secure the payment of its obligations arising under this Plan. This Plan is intended to be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. Nothing contained herein, and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Corporation and any Participant or any other person. To the extent that any person acquires a right to receive payments under this Plan, such right shall be no greater than the right of an unsecured creditor of the Corporation.

(c) Administration. The Corporation shall have sole discretion and authority to administer the Plan, including the authority to interpret its terms, promulgate regulations thereunder, determine eligibility to participate in the Plan and make any finding of fact which may be necessary to determine the obligation of the Plan with respect to the payment of benefits.

(d) Amendment. The Corporation may amend, modify or terminate the Plan at any time, or from time to time; provided, however, that no change to the Plan shall impair the right of any Participant with respect to amounts then credited to an Account; and further provided that during a Potential Change in Control Period (as defined in Section 11(h) hereof) and from and after the occurrence of a Change in Control, the Plan may not, without the consent of the Participant, be amended in any manner which would adversely affect such Participant's rights and expectations with respect to Deferred Amounts credited to such Participant's Account immediately prior to such amendment.

(e) Accounting. Each Participant shall receive periodic statements (not less frequently than annually) setting forth the cumulative Deferral Amounts and Interest Equivalents credited to, and any distributions from, the Participant's Account.

(f) Facility of Payments. If the Corporation shall find that any person to whom any amount is payable under the plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due the person or the person's estate (unless a prior claim therefore has been made by a duly appointed legal representative), may, if the Corporation so elects in its sole discretion, be paid to the person's spouse, a child, a relative, an institution having custody of such person, or any other person deemed by the Corporation to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Corporation and the Plan therefore.

(g) Governing Law. The Plan is intended to constitute an unfunded deferred compensation arrangement for a select group of management or highly compensated personnel and all rights thereunder shall be governed by and construed in accordance with the laws of New York.

(h) Potential Change in Control Period. A "Potential Change in Control Period" shall commence when: (i) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; (ii) the Corporation or any person or group publicly announces an intention to take or to consider taking actions which, if consummated, would result in a Change in Control; (iii) any person or group (other than the Corporation, any subsidiary or any savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 15% or more of either the then outstanding shares of common stock of the Corporation or the combined voting power of the Corporation's then outstanding securities (not including in the securities beneficially owned by such person or group any securities acquired directly from the Corporation or its affiliates); or (iv) the Board adopts a resolution to the effect that, for purposes of the Plan, a Potential Change in Control Period has commenced. The Potential Change in Control Period shall continue until the earlier of (A) a Change in Control, or (B) the adoption by the Board of a resolution stating that, for purposes of the Plan, the Potential Change in Control Period has expired.

SCHEDULE A

Notional Interest Rate

Deferred Incentive Awards (Band 6 and Above)

Year Award Earned -----	Vested Rate -----	Contingent Rate -----	Total Rate -----
1975 - 1992	Treasury bills + 3%*	N/A	Treasury bills + 3%*
1993 - 1997	10%	N/A	10%
1998 - 2000	8%	3%	11%
2001 +	7%	3%	10%

*/Three-month Treasury bill average rate for the immediately preceding calendar quarter as reported by the Federal Reserve Bank; rate changes each calendar quarter.

Deferred Incentive Awards (Band 5 and Below)

Year Award Earned -----	Vested Rate -----	Contingent Rate -----	Total Rate -----
1975 - 1997	Treasury bills + 3%*	N/A	Treasury bills + 3%*
1998 +	6%	3%	9%

*/Three-month Treasury bill average rate for the immediately preceding calendar quarter as reported by the Federal Reserve Bank; rate changes each calendar quarter.

Deferred Salary (Band 6 and Above)

Year Salary Earned -----	Vested Rate -----	Contingent Rate -----	Total Rate -----
1994 - 1998	10%	N/A	10%
1999 - 2001	8%	3%	11%
2002 +	7%	3%	10%

David M. Cote
Chairman and Chief
Executive Officer

Honeywell
101 Columbia Road
Morristown, NJ 07962
973-455-6768

EXHIBIT 10.26

June 12, 2003

Mr. David J. Anderson
25 Mead Street
New Canaan, CT 06840

Dear Dave:

I am pleased to confirm our offer to you to join Honeywell International as Senior Vice President and Chief Financial Officer reporting to me. In this position, you will be elected an Executive Officer (Band 7) of the Company at the first Board of Directors' meeting following your acceptance. Please note that the terms and conditions of this offer are subject to approval of the Management Development and Compensation Committee of our Board of Directors.

Dave, we have put together a terrific compensation package that ensures the financial security for you and your family both today and for the future. The details of the offer are outlined below:

I. COMPENSATION

Base Salary: Your annual base salary will be \$700,000 (paid biweekly). Base salary reviews occur annually on March 31 and adjustments are based on your performance, company performance and market conditions.

Annual Incentive Bonus: Your target bonus opportunity will be 100% of your annual cash base salary earnings during the year. Bonuses, which can range above or below the target, are awarded based on company and individual performance against specific financial and non-financial objectives. Your 2003 bonus will be guaranteed at a minimum of \$700,000 as long as you are actively employed at the time the payment is made. Bonus payments are typically made in the first quarter.

Long Term Incentive Award: You are eligible for an annual stock option grant that will be determined by your performance and potential. Stock option awards are typically made in the first quarter. You will receive a 2003 Growth Plan award under our new 2-year LTIP program of 15,000 units, granted on the latter of your start date or the next Management Development and Compensation Committee meeting. A plan description will be sent to you.

Make-Whole Awards:

- o A Make-whole cash payment to replace the value of your 2001 ITT LTIP in the amount of \$848,000 will be required to be paid at your retirement. Similarly, a Make-whole payment for the 2002 ITT LTIP in the amount of \$1,129,600 that would have been paid in January 2005, will be deferred until retirement.
- o In the event that you are required to forfeit your vested ITT options prior to exercising them, we will pay you \$2,260,000 in July 2003. If you are allowed to keep the proceeds from the exercise of your vested ITT stock options, we will provide stock price protection at the time of exercise up to a 10% decline in stock price as measured by the average 30 day closing price through June 11, 2003, in the form of a stock option grant valued at \$634,200, that will vest in one-year. Additionally, if ITT allows you to keep the proceeds, we will provide to you a \$250,000 lump sum cash bonus.

These payments are subject to applicable tax withholding and are not considered compensation under any Honeywell Benefit Plan.

You will also be granted on the latter of your start date or the next Management Development and Compensation Committee meeting the following Make-Whole equity awards:

- o 62,000 Stock Options, vesting 20% on the first, second, third, fourth and fifth anniversaries of the grant date, respectively.
- o 75,000 Restricted Units, which will be payable 1/3 each on the third, fourth and fifth anniversaries of the grant date, respectively. In the event that you are involuntarily terminated for cause, as defined in the Stock Plan, these units would be forfeited.

Sign-On Awards:

Also to be granted on the latter of your start date or the next Board meeting the following Sign-On equity awards:

- o 100,000 Stock Options, vesting 40%, 30% and 30% on the first, second and third anniversaries of the grant date, respectively.
- o 100,000 Performance Accelerated Stock Options. These options will vest 40%, 30% and 30% on the fourth, fifth and sixth anniversaries of the grant date, respectively, or sooner if the following performance measures are met on the following anniversary dates:
 - o 40% if during any 20 consecutive day trading period after the grant date, Honeywell stock closes 25% above the grant price;
 - o 30% if during any 20 consecutive day trading period after the grant date, Honeywell stock closes 50% above the grant price;

- o 30% if during any 20 consecutive day trading period after the grant date, Honeywell stock closes 75% above the grant price.
 - o 75,000 Restricted Units, that will vest 1/3 each on the fourth, fifth and sixth anniversaries of the grant date, respectively.
- 1) All exercises of equity awards will be governed by Honeywell's Stock Ownership guidelines.
 - 2) All grants of Stock Options, Restricted Units and Growth Plan Units are subject to the terms and conditions of the 2003 Stock Plan.
 - 3) You will have the opportunity to elect to receive or defer the quarterly dividends associated with the Restricted Units.

II. BENEFITS

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Relocation: You are eligible for our Executive Relocation Policy for your move from Birmingham which includes two months base salary (\$116,667 grossed-up) as your miscellaneous allowance. For information or to initiate your relocation benefit, please contact Lee Vogt at 973-455-2666.

Pension: You will be eligible for an enhanced retirement benefit through a combination of Honeywell's qualified retirement plan and a special non-qualified pension enhancement that will provide:

If you retire on or after age 56, a monthly benefit commencing at retirement equal to the benefit provided under the Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above. Honeywell will credit your years of service with both ITT and Honeywell as Service under the plan for all plan purposes.

No enhancement will be available in the event of retirement or termination prior to age 56.

Plus,

If you retire on or after age 60, a benefit for your lifetime in the amount of \$125,000 annually. In the event that you are terminated by the company, other than for cause, after completing at least two years of service with Honeywell, payment will commence as of January 1, 2010. In the event of change of control, payment will commence as of January 1, 2010, regardless of the number of years of service completed by you as of the date of the change in control. If you retire on or after age 62, this lifetime benefit will be in the amount of \$175,000 annually.

Savings Plan: Upon employment, you are eligible to participate in Honeywell's Savings Plan without a Company matching contribution. After one year, the Company matches fifty cents (\$.50) on any dollar of your savings, up to 8% of your base salary. The

Company's match increases to one dollar (\$1.00) for each one dollar (\$1.00) of your savings after five (5) years of matching participation in the Honeywell's Savings Plan.

The Company's contribution is fully vested after three (3) years of service at Honeywell.

The Savings Plan provides several attractive investment opportunities and has a 401(k) feature. Your current savings in a qualified 401(k) plan can be rolled over to our plan. Employees are permitted to borrow from their savings account.

In addition, we have a Non-Qualified Supplemental Savings Plan ("SSP") that is designed to assist highly paid employees whose contributions or compensation taken into account under our tax qualified savings plan is limited by federal tax law. The current interest rate for amounts you contribute to the plan is 10%. Your contributions are matched by notional shares of Honeywell stock. Please note that the SSP is unfunded and is subject to the claims of Honeywell's general creditors.

Salary and Incentive Compensation Deferrals: You may defer up to 50% of your base salary and 100% of your bonus. The interest rate for amounts deferred in 2003 is 10%, if you remain with Honeywell for 3 years from the end of the calendar year in which the deferral was made, or 7% if your employment terminates sooner.

Medical and Dental Plans: Medical and Dental Plans provide competitive and comprehensive coverage on a subsidized basis. Coverage begins on the first day of employment.

Short Term Disability (STD): A benefit of up to 26 weeks base salary will be provided.

Long Term Disability (LTD): The plan provides 60% of your base salary and incentive compensation target up to a maximum of \$30,000 per month. This plan is contributory.

Vacation: You will be eligible for four (4) weeks' vacation.

Life Insurance:

- o Group Life will be provided on a non-contributory basis in an amount equal to one and one-half times your base salary. Additionally, Group Universal Life is available; equal to eight (8) times base salary (up to a maximum of \$5.0 million) and is contributory at an attractive group basis. Group Universal Life amounts over \$250,000 are subject to evidence of good health.
- o Accidental Death and Dismemberment insurance is provided by the company at 1.5x base salary and on a contributory basis a benefit up to the maximum of eight (8) times your base salary (up to a maximum if \$2.0M).
- o Business Travel Accident insurance is provided on a non-contributory basis, and provides a death benefit in the case of a business-related accident, of up to five (5) times your annual base salary.

Other Executive Benefits:

- o Flexible Perquisite Allowance: You will be eligible for a quarterly payment of \$12,500 (an annual benefit of \$50,000), which is designed to pay for, but is not limited to, expenses such as a car, and financial and estate planning assistance. This allowance is not considered eligible compensation for Honeywell's Benefit Plans and is treated as taxable income subsequent to tax withholding. This plan is currently under review and subject to change. In the event that the plan changes, you will be eligible for the same benefits available to other Executive Officers of the company.
- o Executive Travel - As an Executive Officer of the Company, you are eligible to fly first-class or on corporate aircraft.
- o Excess Liability Insurance: You will receive Excess Liability Insurance of \$10,000,000 per occurrence.
- o Senior Executive Severance: The Company will provide 36 months of continued base salary, annual incentive bonus at the target bonus opportunity then in effect, and certain benefits, in the event of your involuntary termination for other than gross cause.
- o Golf Membership: You will be eligible to use Honeywell's corporate golf membership at Fiddler's Elbow Country Club. Details of the membership and the terms of use will be provided in the near future.

As required for all new employees, this offer is subject to certification of suitability for your proposed employment which will include screening for illegal substance abuse, satisfactory reference checks and background investigation, verification of documentation required in compliance with the Immigration Reform and Control Act of 1986, and your signing the Company's Agreement Relating to Intellectual Property and Confidential Information.

PRIOR TO YOUR STARTING DATE

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Upon your acceptance, please schedule your pre-employment drug-screening test. To determine a location nearest you, refer to the website "questdiagnostic.com" (click Patient Service Center and then click Drug Screen Collection) or you can call Quest Diagnostic at 1-800-877-7484. (Bring with you the attached "Forensic Drug Testing Custody and Control Form"). This testing should be done at least three working days prior to your starting date to allow sufficient time to obtain the results.

Once you have formally accepted your offer of employment with the company, login to Honeywell's Pre-Employment Tool Kit Portal at <http://www.honeywell.com/newhire>. Enter Username: candidate and Password: nh35honey (Username and Password are case sensitive) and then click on FORMS to complete your paperwork.

Forms submission works best when using the Internet Explorer browser version 5.0 or above. Enter the email address where indicated on the screen, HR/STAFFING: lucy.fitze@honeywell.com and be sure to enter your return email address to receive a copy of your forms for your records.

Other sections you should review before your first day are About Honeywell, Our Businesses, Orientation, and Benefits. The Checklist will help you keep track of your new employee "to do" list, and Frequently Asked Questions are provided for your reference. Once you begin work at Honeywell, please complete the Feedback Survey to tell us how to make the new employee experience even more valuable for future employees.

Dave, I very much look forward to working with you. Your experience and background will be a major asset to our Company, and we look forward to having you join the Leadership team. We have a lot to do as we position Honeywell for growth and we intend to work hard and have lots of fun doing it. We want you as part of this team.

Personal regards,

/s/ David M. Cote

Read and Accepted: /s/ David J. Anderson

Signature

Date: June 12, 2003

cc: T. Weidenkopf
B. Marcotte
A. Versfeld

HONEYWELL INTERNATIONAL INC.
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 Six Months Ended June 30, 2003
 (Dollars in millions)

Determination of Earnings:	
Income before taxes	\$ 820
Add (Deduct):	
Amortization of capitalized interest	12
Fixed charges	217
Equity income, net of distributions	(4)

Total earnings, as defined	\$1,045
	=====
Fixed Charges:	
Rents(a)	\$ 46
Interest and other financial charges	171

	217
Capitalized interest	5

Total fixed charges	\$ 222
	=====
Ratio of earnings to fixed charges	4.71
	=====

 (a) Denotes the equivalent of an appropriate portion of rentals representative of the interest factor on all rentals other than for capitalized leases.

August 8, 2003

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Commissioners:

We are aware that our report dated August 8, 2003 on our review of interim financial information of Honeywell International Inc. (the "Company") as of and for the period ended June 30, 2003 and included in the Company's quarterly report on Form 10-Q for the quarter then ended is incorporated by reference in the Company's Registration Statements on Forms S-8 (Nos. 33-09896, 33-51455, 33-55410, 33-58347, 333-57509, 333-57515, 333-57517, 333-57519, 333-83511, 333-34764, 333-49280, 333-57866, 333-57868, 333-91582, 333-91736 and 333-105065), on Forms S-3 (Nos. 33-14071, 33-55425, 333-22355, 333-49455, 333-68847, 333-74075, 333-34760, 333-86874 and 333-101455) and on Form S-4 (No. 333-82049).

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David M. Cote, Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Honeywell International Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2003

By: /s/ David M. Cote

David M. Cote
Chief Executive Officer

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David J. Anderson, Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Honeywell International Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2003

By: /s/ David J. Anderson

David J. Anderson
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Honeywell International Inc. (the Company) on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David M. Cote, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David M. Cote

David M. Cote
Chief Executive Officer
August 8, 2003

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Honeywell International Inc. (the Company) on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David J. Anderson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David J. Anderson

David J. Anderson
Chief Financial Officer
August 8, 2003