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HONEYWELL INTERNATIONAL INC
Form 8-K
January 31, 2003

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
DATE OF REPORT - January 31, 2003
(Date of earliest event reported)

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

DELAWARE
(State or other jurisdiction of
incorporation)

1-8974
(Commission File Number)

22-2640650
(I.R.S. Employer Ident
Number)

101 COLUMBIA ROAD, P.O. BOX 4000, MORRISTOWN, NEW JERSEY 07962-2497
(Address of principal executive offices) (Zip Code)

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

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ITEM 9. REGULATION FD DISCLOSURE

EARNINGS RELEASE.

On January 31, 2003 Honeywell International Inc. announced 2002 earnings.

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Honeywell International Inc. issued the following press release on
January 31, 2003:

HONEYWELL'S 2002 ONGOING EARNINGS PER SHARE ARE \$2.00; REPORTED LOSS PER SHARE
IS \$0.27; REVENUES ARE \$22.3 BILLION; FREE CASH FLOW IS A RECORD \$2.0 BILLION

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2002 FOURTH-QUARTER ONGOING EARNINGS PER SHARE ARE
\$0.50;
REPORTED LOSS PER SHARE IS \$1.78,
REFLECTING AFTER-TAX CHARGE OF \$1.9 BILLION;
REVENUES ARE \$5.9 BILLION; FREE CASH FLOW IS \$546 MILLION

COMPANY EXPECTS 2003 EARNINGS PER SHARE TO RANGE FROM \$1.60 TO \$1.70,
INCLUDING YEAR-OVER-YEAR NEGATIVE IMPACT OF \$0.36 PER SHARE DUE TO
PENSION EXPENSE; COMPANY SEES CONTINUED STRONG CASH GENERATION IN 2003

MORRIS TOWNSHIP, N.J., January 31, 2003 -- Honeywell (NYSE: HON) today announced that 2002 ongoing earnings per share were \$2.00, in line with the company's previous guidance. Ongoing earnings per share for 2001 were \$2.05. Reported loss per share in 2002 was \$0.27, compared with a reported loss per share of \$0.12 in 2001. Reported results from both years include the effects of charges and divestitures of non-strategic businesses.

"This past year was a challenging one," said Honeywell Chairman and CEO Dave Cote. "Despite the difficult economic environment, our aggressive cost actions and productivity initiatives enabled us to generate record free cash flow and hold ongoing earnings essentially flat on 6% lower revenues. Further, we took decisive action throughout the year to ensure a firm foundation for growth and performance in all of our businesses."

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2002 Full-Year Highlights

Full-year revenues were \$22.3 billion, down 6% from \$23.7 billion in 2001 as a result of declines primarily in the company's commercial aerospace units as well as the divestiture of its Commercial Vehicle Braking Systems business. Revenues increased in the Defense & Space, Security & Fire Solutions, Turbochargers and Electronic Materials units. Segment profit margins were 11.3%, down from 11.6% in 2001.

In 2002, Honeywell generated a record \$2.0 billion in free cash flow, up 40% from \$1.4 billion a year ago. The company delivered \$1.2 billion in cost productivity.

2002 Fourth-Quarter Results and Actions

Revenues in the fourth quarter were \$5.9 billion, flat versus the same period in 2001. Ongoing earnings per share were \$0.50, compared with of \$0.55 in the fourth quarter of 2001. Segment profit margins were 10.7%, compared with 12.2% in 2001. Fourth-quarter results reflect the increase in research and development expenditures in the company's Aerospace business as well as the impact of lower pension income and continued declines in commercial aerospace original equipment. Free cash flow in the quarter was \$546 million, compared with \$626 million in the previous year's quarter.

In the quarter, Honeywell undertook a number of actions to improve its cost structure and address the economic realities of the marketplace. This resulted in the company taking an after-tax charge of about \$1.9 billion, or \$2.28 per share, to cover costs associated with the potential resolution of asbestos-related claims; asset write-downs in its Specialty Materials, Friction

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Materials and Automation & Control Solutions businesses; and repositioning and other actions. The charge was net of a gain of \$18 million, or \$0.02 per share, on the sale of Honeywell's Advanced Circuits business. The reported per-share loss for the fourth quarter was \$1.78, compared with reported earnings per share of \$0.14 in 2001's fourth quarter.

2003 Outlook

Honeywell expects its 2003 earnings per share to range from \$1.60 to \$1.70, reflecting the year-over-year negative impact of \$0.36 per share due to pension expense. The company

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expects revenues of about \$22.2 billion in 2003, flat compared with 2002, and sees continued strong cash generation and cost productivity.

Honeywell plans to provide more details about 2002 results and expectations for 2003 at an investor meeting beginning at 10am ET today; a webcast of the investor meeting, as well as related presentation materials, will be available at www.honeywell.com/investor.

Honeywell is a diversified technology and manufacturing leader, serving customers worldwide with aerospace products and services; control technologies for buildings, homes and industry; turbochargers; automotive products; specialty chemicals; fibers; and electronic and advanced materials. Based in Morris Township, N.J., Honeywell is one of 30 stocks that make up the Dow Jones Industrial Average and is a component of the Standard & Poor's 500 Index. Its shares are traded on the New York Stock Exchange under the symbol HON, as well as on the London, Chicago and Pacific Stock Exchanges. For more information about Honeywell, visit www.honeywell.com.

This release contains forward-looking statements as defined in Section 21E of the Securities Exchange Act of 1934, including statements about future business operations, financial performance and market conditions. Such forward-looking statements involve risks and uncertainties inherent in business forecasts as further described in our filings under the Securities Exchange Act.

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Honeywell International Inc.
Consolidated Statement of Operations (Unaudited)
(In millions except per share amounts)

Three Months Ended De

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	2002	
	Reported	Adjusted (C)
Net sales	\$ 5,855	\$ 5,855
Costs, expenses and other		
Cost of goods sold	4,875 (A)	4,487
Selling, general and administrative expenses	782 (A)	741
Loss on sale of non-strategic businesses	83 (B)	-
Asbestos related litigation charges, net of insurance	1,548 (A)	-
Business impairment charges	834 (A)	-
Equity in (income) loss of affiliated companies	(25)	(25)
Other (income) expense	22 (A)	7
Interest and other financial charges	83	83
	8,202	5,293
Income (loss) before taxes	(2,347)	562
Tax expense (benefit)	(880)	150
Net income (loss)	\$ (1,467)	\$ 412
Earnings (loss) per share of common stock-basic	\$ (1.78)	\$ 0.50
Earnings (loss) per share of common stock - assuming dilution	\$ (1.78) (G)	\$ 0.50
Weighted average number of shares outstanding-basic	824	824
Weighted average number of shares outstanding - assuming dilution	824 (G)	824

(A) Cost of goods sold, selling, general and administrative expenses and other (income) expense include provisions of \$388, \$41 and \$15 million, respectively, for net repositioning and other charges. Including the asbestos litigation and business impairment charges, total net pretax charges were \$2,826 million (after-tax \$1,897 million, or \$2.30 per share).

(B) Represents the pretax loss on the sale of our Advanced Circuits business (after-tax gain \$18 million, or \$0.02 per share). The after-tax gain is due to the higher deductible tax basis than book basis in the shares sold.

(C) Excludes the impact from items in (A) and (B) above.

(D) Cost of goods sold includes a provision of \$440 million for the settlement of patent infringement, antitrust and other claims by Litton Industries and a \$100 million charge for the write-off of investments related to a regional jet engine contract cancellation. Total pretax charges were \$540 million (after-tax \$329 million, or \$0.40 per share).

(E) Excludes the impact from items in (D) above.

(F) Cost of goods sold includes amortization of goodwill and indefinite-lived intangible assets of \$51 million (after-tax \$49

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million, or \$0.06 per share). Such amortization is excluded from the 2002 results, in conformity with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), effective for Honeywell as of January 1, 2002.

- (G) Dilutive securities issuable in connection with stock plans have been excluded from the calculation of reported loss per share because their effect would reduce the loss per share.

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Honeywell International Inc.
Consolidated Statement of Operations (Unaudited)
(In millions except per share amounts)

	Twelve Months Ended	
	2002	
	Reported	Adjusted (C)
Net sales	\$22,274	\$22,274
Costs, expenses and other		
Cost of goods sold	17,615 (A)	17,054
Selling, general and administrative expenses	2,757 (A)	2,712
Loss on sale of non-strategic businesses	124 (B)	-
Asbestos related litigation charges, net of insurance	1,548 (A)	-
Business impairment charges	877 (A)	-
Equity in (income) loss of affiliated companies	(42) (A)	(55)
Other (income) expense	(4) (A)	(19)
Interest and other financial charges	344	344
	23,219	20,036
Income (loss) before taxes	(945)	2,238
Tax expense (benefit)	(725)	594
	\$ (220)	\$1,644
Net income (loss)	\$ (220)	\$1,644
Earnings (loss) per share of common stock-basic	\$ (0.27)	\$ 2.00
Earnings (loss) per share of common stock - assuming dilution	\$ (0.27) (G)	\$ 2.00
Weighted average number of shares outstanding-basic	820	820
Weighted average number of shares outstanding -		

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assuming dilution

820 (G)

823

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- (A) Cost of goods sold, selling, general and administrative expenses, equity in (income) loss of affiliated companies and other (income) expense include provisions of \$561, \$45, \$13 and \$15 million, respectively, for net repositioning and other charges. Including the asbestos litigation and business impairment charges, total net pretax charges were \$3,059 million (after-tax \$2,059 million, or \$2.51 per share).
- (B) Represents the net pretax loss on the dispositions of our Bendix Commercial Vehicle Systems, Pharmaceutical Fine Chemicals, Automation and Control's Consumer Products and Advanced Circuits businesses (after-tax gain \$195 million, or \$0.24 per share). The after-tax gain is due to the higher deductible tax basis than book basis in the shares sold for the Fine Chemicals, Consumer Products and Advanced Circuits businesses.
- (C) Excludes the impact from items in (A) and (B) above.
- (D) Cost of goods sold, selling, general and administrative expenses, equity in (income) loss of affiliated companies and other (income) expense include provisions of \$2,134, \$151, \$200 and \$5 million, respectively, for net repositioning and other charges. Including the asbestos litigation and business impairment charges, total net pretax charges were \$2,794 million (after-tax \$1,771 million, or \$2.18 per share).
- (E) Excludes the impact from items in (D) above.
- (F) Cost of goods sold includes amortization of goodwill and indefinite-lived intangible assets of \$204 million (after-tax \$196 million, or \$0.24 per share). Such amortization is excluded from the 2002 results, in conformity with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), effective for Honeywell as of January 1, 2002.
- (G) Dilutive securities issuable in connection with stock plans have been excluded from the calculation of reported loss per share because their effect would reduce the loss per share.

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Honeywell International Inc.
 Segment Data (Unaudited)
 (Dollars in Millions)

Net Sales

Periods Ended December

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	Three Months		
	2002	2001	2000
Aerospace	\$ 2,356	\$ 2,338	\$ 8,8
Automation and Control Solutions	1,884	1,876	6,9
Specialty Materials	780	750	3,2
Transportation and Power Systems	835	880	3,1
Corporate	-	9	
Total	\$ 5,855	\$ 5,853	\$22,2

Segment Profit	Periods Ended December 31		
	Three Months		
	2002	2001 (A)	2000
Aerospace	\$ 349	\$ 393	\$ 1,3
Automation and Control Solutions	230	253	8
Specialty Materials	5	(5)	
Transportation and Power Systems	88	111	3
Corporate	(45)	(36)	(1)
Total Segment Profit	627	716	2,5
(Loss) on sale of non-strategic businesses	(83)	-	(1)
Asbestos related litigation charges, net of insurance	(1,548)	-	(1,5
Business impairment charges	(834)	-	(8
Repositioning and other charges	(444)	(540)	(6
Equity in income (loss) of affiliated companies	25	12	
Other income (expense)	(7)	(1)	
Interest and other financial charges	(83)	(92)	(3
Income (loss) before taxes	\$ (2,347)	\$ 95	\$ (9

(A) Includes pretax amortization of goodwill and indefinite-lived intangible assets of \$51 and \$204 million, for three and twelve months of 2001, respectively (Aerospace-\$15 and \$60 million, Automation and Control Solutions-\$23 and \$92 million, Specialty Materials-\$8 and \$32 million and Transportation and Power Systems-\$5 and \$20 million, respectively). Such amortization is excluded from the 2002 results, in conformity with SFAS No. 142.

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Honeywell International Inc.
 Reconciliation of Cash Provided by Operating Activities to Free Cash Flow
 (Dollars in Millions)

	Periods Ended December	

	Three Months	
	-----	-----
	2002	2001
	-----	-----
Cash provided by operating activities	\$ 754	\$ 639
Litton settlement payment, net of tax refund of \$58 in 2002	-	220
Net taxes paid on sales of businesses	-	30
	-----	-----
Adjusted cash provided by operating activities	754	889
Expenditures for property, plant and equipment	(227)	(264)
Proceeds from disposals of property, plant and equipment	19	1
Decrease in investments	-	-
	-----	-----
Free cash flow	\$ 546	\$ 626
	=====	=====

Honeywell management uses the free cash flow metric as a measure of cash generated by business operations, net of the ongoing investment in property, plant and equipment, that can be used to invest in future growth through new business development or acquisitions, pay dividends, repurchase stock or repay debt obligations.

We define free cash flow as cash provided by operating activities adjusted for the Litton litigation settlement and net taxes paid on sales of businesses, less expenditures for property, plant and equipment (PP&E) net of proceeds from disposals of PP&E, plus or minus dispositions of, or investments in, available-for-sale investment securities.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 31, 2003

HONEYWELL INTERNATIONAL INC.

By: /s/ Thomas F. Larkins

Thomas F. Larkins
Vice President, Corporate Secretary
and Deputy General Counsel