

STANDARDIZED NOTIFICATION OF CONCENTRATIONS
PURSUANT TO SECTION 18 OF THE NORWEGIAN
COMPETITION ACT

Submitted by

Advokatfirmaet Selmer DA

on behalf of

Honeywell International Inc.

Oslo, 3 Mars 2006

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The proposed transaction relates to Honeywell International Inc.'s (**Honeywell**) acquisition of all of Gardiner Security (**Gardiner**), currently controlled by Electra Partners Europe, a private equity fund (**Electra Partners**) (**The Transaction**).

The transaction relates to the distribution of security (access control, intrusion and CCTV) and fire alarm systems where both Gardiner and Honeywell are active although with limited market shares. The transaction will not change the competitive environment in any market given the small overlap and the presence of a multitude of alternative distributors. The Transaction will also give rise to a limited vertical relation through Honeywell's activities in the manufacture of products, such as security and fire alarm systems, that are sold through the distribution markets. This vertical relation will, however, not lead to any effect on any market. For these reasons, the Transaction will not give rise to any competition concerns.

1. NOTIFYING PARTY

1.1 Notifying party

Company name Honeywell international Inc. Attn. Gary Zanfagna, Chief Antitrust Counsel		Company registration no. Tax identification code: US- 222640650	
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1.2 Other notifying party

N.A.

2. OTHER UNDERTAKINGS CONCERNED

Company name Gardiner Groupe Europe SA		Company registration no. Not available
Address Jean-François Gazielly, Chief Executive Officer 54, rue de Paradis F- 75010 Paris France		
Telephone no. +33 1 44 79 39 00	Telefax +33 1 42 46 20 29	

3. THE TRANSACTION

The purpose of the Transaction for Honeywell is to enter the distribution markets for equipment and components of intrusion, other security product and fire alarm systems in national markets where its newly created integrated distributor, ADI, is relatively absent, such as in Benelux and the Nordic countries, and to expand its activities where ADI's market shares are very limited, such as the UK, Ireland and France.

Following the transaction, Gardiner will become a wholly-owned subsidiary of Honeywell and form part of its ACS (Automation & Control Solutions) division.

The Transaction is carried out by acquisition of all of the shares of Gardiner in exchange for total cash consideration of approximately € 147,120,000.

The agreement was concluded on February 25, 2006. We apologize for the delayed notification. Collection of market data and other information unfortunately has taken longer than expected.

Closing is subject to customary conditions precedents, including regulatory approval under the applicable merger control jurisdictions. The proposed date for closing will be as close as possible after all necessary clearances will be obtained from the relevant competition authorities.

4. THE STRUCTURE AND AREA OF ACTIVITY OF THE UNDERTAKINGS

Honeywell International Inc

Honeywell is an advanced technology manufacturing company supplying customers world-wide with aerospace products and services, automotive products, electronic materials, specialty materials, performance polymers, transportation and power systems, home and building controls, and industrial controls.

Honeywell operates world-wide through four divisions: (i) Aerospace Solutions (ii) Transportation & Power Systems (iii) Specialty Materials and (iv) Automation and Control Solutions.

Aerospace Solutions division supplies aircraft engines, equipment, systems and services for commercial transport, regional, general aviation and military aircraft. Honeywell also provides repair and overhaul services; aerospace consumable spare parts, hardware and logistics support; and management and technical services for space and communications facilities.

Transportation & Power Systems produces turbochargers and thermal systems for passenger cars, light trucks and commercial vehicles and manufactures and markets friction materials, consumer-branded automotive products for the aftermarket consumer, as well as for automotive equipment manufacturers and installers.

Specialty Materials business serves diverse market segments including automotive, healthcare, agricultural, electronic and food packaging, air conditioning and refrigeration, security coding, lubricants, paper and packaging etc. with specialty materials such as nylon, polyester, polyethylene, fluorocarbons, caprolactam and Specialty and electronic materials.

Automation & Control Solutions offers products and solutions in the areas of heating, ventilation, humidification and air-conditioning equipment controls, security and fire alarm systems, home automation systems, energy-efficient lighting controls, building management systems and services and process control solutions for industrial plants and refineries.

The Transaction concerns this latest division. Relevant to the present transaction is Honeywell's wholly-owned subsidiary, ADI International (ADI), which is active in the distribution of security and fire alarm systems. ADI is, however, a relatively new entrant in this market in Europe and has only started its activities on 1 January 2005. ADI is a multibrand distributor and sells a large range of products, including (but not exclusively) the security systems (access controls, intrusion alarms and CCTV systems) and fire alarm systems produced and sold by Honeywell. In Europe, ADI is currently present in 11 European countries (Netherlands, Germany, France, UK, Spain, Portugal, Italy, Czech Republic, Hungary, Slovak Republic, Poland), with negligible export sales to Ireland and Norway.

For more information, please see www.honeywell.com

Gardiner Groupe Europe

Gardiner distributes primarily building control, security and fire alarm systems mainly in the United Kingdom, Scandinavia, Benelux and France. The systems distributed are sourced from more than 300 suppliers including Cooper, Elmdene, Sanyo, Samsung, CDV, Bosch, Siemens, etc.

Important Norwegian customers of Gardiner are Securitas System, Vakt Service, DnB Nor – Europris, Hafslund Sikkerhet Bedrift, Onninen AS, Dasic, Solar Elektro Engros, Flekkefjord, Slipp, Eiker Lasservice, Avotech and Elbas.

For more information, please see www.gardinergroup.fr

5. TURNOVER AND OPERATING RESULT

The most recent relevant turnover figures for both parties are:

2004 (in million)	Honeywell	Gardiner	Combined
Worldwide	€ 20,581 NOK 172,479.0	€ 212.4 NOK 1,777.7	€ 20,793.4 NOK 174,256.7
EU-wide	€ 5,102.4 NOK 42,705.6	€ 209.2 NOK 1,750.9	€ 5,507.1 NOK 44,456.5
In Norway	NOK 274.4	NOK 27.0	NOK 301.4

ECB Exchange rates (2004): € 1 = US\$ 1.2439 ; € 1 = £ 0.67866; € 1 = NOK 8,3697.

In Norway, Honeywell's net income was NOK 8,630 million (US\$ 1,281 million) in 2004. Gardiner does not calculate net income from its Norwegian sales separately. According to the annual report, the worldwide net income for 2004 was € 11,4 million.

The total turnover of Honeywell in 2005 was \$ 27, 653 million (NOK 178,023 million). We have not obtained specification of Norwegian turnover for 2005.

6. MARKETS AFFECTED BY THE CONCENTRATIONS

There are no affected markets pursuant to Section 18 of the Competition Act. Lists of the most important competitors, customers and suppliers are for this reason not relevant.

However, for the benefit of the Authority, information on the product markets and market shares and a competitive assessment are given in Section 8 below.

7. ANNUAL REPORTS AND ACCOUNTS

The annual reports for Honeywell International Inc and Gardiner Groupe Europe are attached to this notification.

8. OTHER INFORMATION

8.1 RELEVANT PRODUCT MARKETS

The Transaction relates to the distribution of security systems, which encompass equipment and components for intrusion and other security systems as well as for fire alarm systems. Both Honeywell and Gardiner are active in this market, which will give rise to a limited horizontal overlap.

The Transaction will give rise to a limited vertical relation since Honeywell is also active in the up-stream manufacture and supply of the products sold through the security system distributors.

However, neither the limited horizontal overlap nor the vertical relation will change the competitive environment in any market.

Honeywell is not aware of any precedents dealing specifically with these distribution markets. The up-stream security system markets were recently examined by the Commission in the *Honeywell/Novar* decision¹. In France, the competition authority also has assessed the market, for instance in its *Bosch/CSI* decision². In these decisions, the competition authorities made a broad distinction between the market for equipment and components for fire alarm systems and the market for equipment and components for intrusion and other security systems. In the latter market, there has been some discussions of whether a further division should be made between the markets for equipment and components for intrusion systems, the market for equipment and components for access control and the market for equipment and components for close-circuit TV (CCTV), which are closed circuits, in which all elements are directly connected, contrary to a broadcast television, where the signals are transmitted and can be picked up by any correctly tuned receiver.

Given the limited overall in the present case, Honeywell submits that the exact definition of the relevant markets can be left open. However, for the benefit of the Authority, the Parties have provided information based on the following markets and sub-segments:

- Distribution of security systems, including information covering the three sub-segments of equipment and components for intrusion systems, CCTV, and access control³;
- Distribution of fire alarm systems;
- The up-stream market for supply of equipment and components for fire alarm systems that can itself be split into the same segments as for distribution market for security systems; and
- The up-stream market for supply of equipment and components for security systems.

A. The markets for distribution of security and fire alarm systems

The only, limited, horizontal overlap created by the Transaction is in the market for the distribution of security and fire alarm systems. Distributors, like ADI, Gardiner and others, distribute a vast variety of security systems, principally equipment and components for all intrusion and other security systems (access control and CCTV), as well as other products such as fire alarm systems.

The customers are typically installers who purchase from the distributor the full range of products required to install a specific system at an end-customer. Some installers also purchase products directly from the manufacturers but for the purposes of the present notification, Honeywell has

¹ Case COMP/M.3686 *Honeywell/Novar*, decision of 30 March 2005. See also Case COMP/IV.913 *Siemens/Elektrowatt*, decision of 18 November 1997. See also the recent decision of the Italian competition authority of 27 April 2005, *CPC Acquisition (UTC) / Lenel Systems International*.

² BOCCRF n° 2003-04, lettre du ministère de l'économie, des finances et de l'industrie du 17 octobre 2002.

³ Gardiner also distributes a limited volume of so-called "public address" equipment which is used to play background music or make public announcements. These sales have been included in the overall market figure but no separate figures have been provided for this segment since Gardiner's sales are negligible and in any event Honeywell is not active in the supply of public address systems.

provided market information on the narrowest intermediate market, which is the distribution of equipment and components for fire alarm and security systems.

As mentioned above, this latter market possibly could be further divided into three sub-markets: the markets for intrusion alarm, access control and, CCTV. Honeywell has provided information below for each of these potential sub-segments, but submits that the exact definition of the relevant market can be left open given the low market shares of the Parties irrespective of the exact market definition adopted and consequently the absence of any competition concerns.

A.1 The Products

a) Security systems

Commercial security alarm systems are intended to protect unwanted intrusion on to property or into a building, or to enable someone to control access to a building. Depending on the degree of security desired, the intrusion/security system can implement one or more of the basic types of security measures. Access control complements intrusion control and increases ability to control who can enter a building and who cannot. In many cases intrusion alarms will incorporate an element of access control since, generally, it is necessary to allow certain persons access to the building while keeping intruders out.

Intrusion alarm systems guard against unauthorized access into a building. This is done by installing electric circuits in doors so that the circuit is altered when the door is opened. Using a sensor to detect the fact that the door is open, a signal is sent to a control box, which in turn sets off an alarm and/or alerts a security company or the police. Similar sensors can be installed to detect whether a window is opened or to detect whether glass is broken. These measures will generally protect the perimeter of a building from intrusion.

The protection of perimeters can also be combined with motion detectors, which are aimed at detecting movement within a protected area. Motion detectors can take the form of radio based detectors, which send out radio-waves to detect whether there is any motion within the range of the sensor. Motion detectors can also use a photo sensor, which sends out a beam of focused light to detect whether there are any changes in the environment under surveillance.

In addition, the intrusion alarm system can be combined with access control, which controls electronically the access to a building or certain rooms electronically through the use of keypads (which requires the entry of a code to open the door) or magnetic cards (which must be swiped past a sensor in order to gain access to the building or the room).

An extra element of security can also be built into the system through the integration of a CCTV system. This enables someone from a remote location to observe what is occurring at a location under surveillance. It may also allow for the video-recording of a specified location when a sensor detects movement or other command. The CCTV system in effect acts as an extra detector similar to motion detectors. For CCTV the detection is ensured by sending an image to a central unit so that a central guard can detect intruders in all parts of the building. Obviously, the CCTV system overlaps with access control since it enables the guard to visually identify any person trying to enter the premises.

b) Fire alarm systems

The purpose of a fire alarm system is to detect a fire and report it to a central location or bring it to the direct attention of those within the vicinity directly through the emission of a loud signal. All commercial fire alarm systems essentially operate on the same basis. When a detector detects smoke or heat, or if someone operates a break glass unit (a call point), the sounders of the alarm system are activated and (if integrated in the system) the local fire brigade is alerted.

Fire alarm systems are used in commercial buildings (rather than residential ones) and the buildings in which they are used are either very large projects (airport terminals, etc or smaller installations such as office buildings, schools and larger retail premises). End-customers for these systems are in the main building contractors, who are either building a new development or redeveloping an old one.

A.2 Relevant geographic markets for distribution

As for the market for the distribution of security and fire alarm systems, Honeywell has provided, for the purpose of this notification, information on a national basis although there is indication that the market is moving towards a geographic scope wider than national given that there are some exports of products between EC Member States.

B. Up-stream markets for the manufacture and supply of equipment and components for fire alarm systems and for the manufacture and supply of equipment and components for security systems.

As mentioned above, Honeywell is active in the up-stream production and supply of equipment and components for fire alarm systems as well as security systems (intrusion, access control and CCTV).

Gardiner does not produce any products and is only active in the distribution of the equipment.⁴ Consequently, there is no horizontal overlap in the markets for the manufacture of equipment and components.

B.1 Structure of the markets

Manufacturers of security and fire alarm systems, like Honeywell, sell their products to distributors and indirectly to independent installers or specialized installers, some of which are vertically integrated. Distributors, who act as a link between the manufacturers and the installers and specialist installers/VARs, basically only function as stockists of a vast variety of equipment and components for security and fire alarm products.

Honeywell considers that this up-stream market could be divided in equipment and components for fire alarm systems and equipment and components for security systems.

⁴ Gardiner sells a limited volume of CCTV products under its own brand. However, these products are supplied from a Chinese manufacturer and are only sold under the Gardiner brand through Gardiner's own distribution network.

In Case COMP/M.3686 *Honeywell/Novar*, the Commission left open the question of whether the supply of fire alarm components and the supply of fire alarm systems (as an integrated package) were part of the same relevant product market or not. Given that the Transaction does not give rise to any overlap in the upstream market and given that the question is in any event irrelevant as for the sales of components to the distributors, the notifying party proposes to leave this question open for the purposes of this notification.

For security systems, Honeywell considers that this constitutes one single market since from the end-user's perspective, suppliers offer intrusion alarm components, access control components and CCTV components which all have the same primary function of controlling access to a defined area. Since there are numerous different interchangeable ways of designing a security control system and there is a very high degree of substitutability from the demand side. In addition, generally, most suppliers manufacture a full range of components, and the equipment and components market should be considered as one product market in line with the Commission's decision in the *Honeywell/Novar* case.

Honeywell does not believe that it would be relevant to identify separate product markets for each of intrusion, CCTV and access control systems for the reasons mentioned above. However, it has provided the relevant market data, which show that even if intrusion, CCTV and access control systems were distinct product markets, there would be no competition issues.

B.2 Relevant geographic market for supply and manufacture

In Case COMP/M.3686 *Honeywell/Novar*, the Commission left it open whether the market for the manufacture and supply of equipment and components for security systems was wider than national but concluded that the market for the manufacture and supply of equipment and components for fire alarm systems was national. Honeywell considers that both markets may well be broader in their geographic scope but has provided information on a national basis since the question of the definition of the geographic market may be left open since in any event, there are no competition issues.

8.2 COMPETITIVE ASSESSMENT

A. Horizontal Aspects

a) Distribution of security systems

In the distribution market of security systems, the Authority will notice that ADI only started its distribution business on 1 January 2005. Before, the Honeywell Group was not active in the distribution market in the EU.

The figures provided below relate to 2005 and are the only available information concerning ADI's business to date. This information shows that ADI and Gardiner have limited market shares and the combined market shares of the Parties are low and below 5%. Furthermore, the increments to market share created by the transaction are limited and generally remain below 1%.

The detailed market data for Norway is in the table below:

2005 (Norway)	Total market value (million)	Honeywell (market share)	Gardiner (market share)	Combined Market Shares
Security System (*)	€ 110	0.2 %	2.9 %	3.1 %
- Intrusion	€ 55	0.4 %	3.7 %	4.1 %
- CCTV	€ 42	0.0 %	2.7 %	2.7 %
- Access Control	€ 13	0.0 %	< 1 %	< 1 %

Source: IBC/ProPlan Study, Honeywell's and Gardiner's estimates and revenues

(*) Given that distributors distribute in general all sort of intrusion and other security, without fire alarm systems and equipment thereof, the notifying party has also provided market share information on the market for the distribution of all security system products and equipment.

In general, the distribution market is fragmented and installers will continue to be able to choose from a large number of distributors, which will continue to drive effective competition in the market. These competing distributors are either present across several countries (such as Aritech and AlarmCom) or focused on a national market, such as Noby AS, GE-Aritech and Bosch Security.

Finally, the market is still expanding, and therefore remains highly dynamic. Besides ADI, which entered the market only in January 2005, several other new entrants have emerged. For instance, in France Anaves, Amixer and Eurodis, combined to form an official Siemens distributor, and in UK where Vision Pro started distribution of CCTV products in December 2005. This confirms that barriers to entry are very low. Generally, Honeywell estimates that it requires a capital expenditure of as little as approximately €500,000 to enter this market. Finally, distributors are often able to obtain supplies from manufacturers on extended credit terms, which can be used to finance the start-up activity of these distributors.

This confirms that the merger will not lead to any competition concerns.

b) Distribution of fire alarm systems

At the distribution level, Gardiner distributes fire alarm systems but has a very limited revenue and market shares (2,8 % in Norway). ADI is only active in the sale of fire alarm systems to a very limited extent through sales in Norway. The overlap is therefore negligible.

For all these reasons, Honeywell contends that the Transaction will not raise any competitive concerns in the market for the distribution of security and fire alarm systems.

B. Vertical Aspect

a) Security systems

The vertical relation created by the Transaction will not give rise to any competition issues since the market shares of the Parties are below the level, both up- and down-stream, that could give rise to any foreclosure issues.

First, as seen above, the market shares of ADI and Gardiner in the market for distribution of security and fire alarm systems are limited. Consequently, manufacturers of security and fire alarm systems have plenty of possible channels to market. Furthermore, these manufactures will continue to have access to ADI and Gardiner since distributors, even if integrated with a manufacturer, sell products from a broad range of brands. The most illustrative example is that Honeywell has built ADI's business in Europe with as many as 100 international suppliers and 75 local suppliers, many of which compete directly with Honeywell. Gardiner sells products from approximately 300 different suppliers. After the merger, this model will continue in order for ADI/Gardiner to remain competitive.

Second, as shown in the table below, Honeywell's market shares in the markets for manufacture and supply for security systems are also very limited⁵ and will remain unchanged after the integration of Gardiner since there is no overlap of activity between the two parties in the upstream market. Thus, Honeywell does not have and will not have market shares that would enable it to squeeze other independent distributors or to force them to exit the distribution market, also given the presence of other powerful competing suppliers.

2005 (Norway)	Total market value of the supply market for security systems (million)	Honeywell (market share)
Security System	Est. € 130	<5 %
- Intrusion	Est. € 45	<5 %
- CCTV	Est. € 60	<5 %
- Access Control	Est. € 25	<5 %

Source: IBC/ProPlan Study, Honeywell's and Gardiner's estimates and revenues

Honeywell faces strong competition from major multinationals, such as Bosh, Panasonic, Pelco, Dedicated Micros, Sanyo, Cooper, Paxtron, Elmdene, CDV etc.

As illustrated by the table above, distributors have other choices available representing as much as 95% of the markets. Furthermore, Honeywell has an incentive to continue to distribute its products through several distributors in order to reach as high a market proportion as possible.

b) Fire alarm systems

The vertical relation created by the Transaction will not give rise to any competition issues. The reasons are as follows:

First, the market shares of Gardiner in the distribution of equipment and components for fire alarm systems are relatively small: Gardiner reaches 2.8% in Norway. ADI is only active in the sale of fire alarm systems to a very limited extent through sales in Norway.

⁵ The assessment would be similar should the authority consider sales of products from suppliers only to distributors (as opposed to all sales, through distributors or not, of products from suppliers to installers and end-customers). Honeywell's market shares would indeed remain totally nul in Norway (where Honeywell does not sell through distributors).

Gardiner faces strong competition from other distributors such as Autronica, Siemens, Sevoteknikk, Wormald Sinalco, ESMI

Therefore, after the integration of Gardiner within the Honeywell Group, suppliers of fire alarm systems will continue to have a large choice of distributors to sell their products.

Second, Honeywell's market shares in the market for *manufacture* of equipment and components for fire alarm systems are relatively small. Honeywell reaches 21% in Norway (whereas Honeywell does not sell for the time being any product via distributors but sells its fire products directly to installers). Given the absence of Gardiner in the upstream level, these market shares will not be changed as a result of the Transaction.

As a result, Honeywell does not have a market position in the manufacture of equipment and components for fire alarm systems that could enable it to squeeze other independent distributors by refusing to supply products. Alternative suppliers include for instance Autronica, Siemens, Elotec, Fulleon, Klaxon, ESMI, etc;

For these reasons, the notifying party contends that the Transaction will not give rise to any competition concern in relation to the integration of Gardiner within the Honeywell Group in any markets, either upstream or downstream, related to the equipment and components for fire alarm systems.

The transaction is or will be notified to the competition authorities in France, the UK, Ireland and Germany, in addition to Norway.

9. PUBLICITY

The information in section 3 and 8 is confidential, and may not be made public.

10. SIGNATURE

For Honeywell International Inc

Advokatfirmaet Selmer DA

Katrine A. Furulund (s)

Katrine A. Furulund