Transportation Systems

Paolo Carmassi
VP and GM, Asia Pacific
May 8, 2006
Forward Looking Statements

This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements are based on management’s assumptions and assessments in light of past experience and trends, current conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near- and long-term. We identify the principal risks and uncertainties that affect our performance in our Form 10-K and other filings with the Securities and Exchange Commission.
Honeywell Today

- 118,000 employees in nearly 100 countries
- A *Fortune* 75 company – $30 billion in sales in 2006
- One of 30 select companies in the DJIA

*Pie Chart calculated using 2005 Sales*
HON in China

Investment Timeline
- 1993: ACS Tianjin Ltd.
- 1994: SH C&K Sinopec JV
- 1995: AERO Sensors, T&H
- 1996: ACS R&O Sites
- 1998: AERO ECS Parts
- 2002: ACS Fire S&C
- 2003: SM Nylon
- 2005: SM UOP

External Sales
- 2005: $550M
- 2006E: $800M
- V%: 45%

Sales by Segment
- SM
- Aero
- TS
- ACS

11 wholly-owned
10 joint ventures
+4,000 employees

Rapid Expansion
## China’s Contribution To Global Growth

**China represents 4% of world economy but accounts for 11% of global growth**

### China Share of Worldwide

<table>
<thead>
<tr>
<th></th>
<th>Absolute size 2004</th>
<th>Growth 1999-2004</th>
<th>Global Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Size</td>
<td>Growth</td>
<td>Size</td>
</tr>
<tr>
<td>GDP</td>
<td>4.1%</td>
<td>10.8%</td>
<td>7</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>8.8%</td>
<td>31.0%</td>
<td>3</td>
</tr>
<tr>
<td>Exports</td>
<td>6.6%</td>
<td>14.1%</td>
<td>3</td>
</tr>
<tr>
<td>Imports</td>
<td>6.2%</td>
<td>13.8%</td>
<td>3</td>
</tr>
<tr>
<td>Foreign Direct Investment</td>
<td>8.2%</td>
<td>N.M.*</td>
<td>3</td>
</tr>
<tr>
<td>International Reserves**</td>
<td>14.7%</td>
<td>21.0%</td>
<td>2</td>
</tr>
</tbody>
</table>

* Global FDI over 1999-2004 declined at 7% annually
** International reserves include foreign currency and gold reserves
Source: EIU, World Bank

---

**China A Major Growth Engine For The World**
Industrial GDP Contribution

Half of industrial growth is expected to come from emerging markets

China is Leading ERs in Terms of Scale and Speed

Source: EIU; World Bank; CIA; BCG estimates
Long Term Global Growth Outlook: 2005-2030

Incremental GDP Created between 2005-2030 ($B)

Source: EIU, Global Outlook (May 2005)

Significant Economic Strength
Transportation Systems

Sales ($B)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>3.7</td>
</tr>
<tr>
<td>2004</td>
<td>4.3</td>
</tr>
<tr>
<td>2005</td>
<td>4.5</td>
</tr>
<tr>
<td>2006E</td>
<td>~4.4</td>
</tr>
</tbody>
</table>

Sales by Region

- **Revenue Mix**
  - Turbo: 57%
  - CPG: 43%

- **Geography Mix**
  - Americas: 42%
  - Europe: 48%
  - Asia: 10%

Turbo Technologies

- 57%

Consumer Products Group

- 43%

**Leader In Key Automotive Segments**

Goldman Sachs, China Industrial Tour, May 8, 2006
Turbo Technologies

**Sales by Region**
- Europe: 58%
- Americas: 30%
- Asia: 12%

**Sales by Segment**
- Passenger Vehicles: 67%
- Comm’l Diesel: 33%

**Turbo Volume**
- 2002
- 2003
- 2004
- 2005
- 2006E: ~9M units

**Priorities**
- Technology leadership
- Platform wins
- VPD™ and HOS as competitive advantage
- Key Customers: All major OEMs

Global Leader In Turbo Technology

Goldman Sachs, China Industrial Tour, May 8, 2006
Consumer Products Group

Priorities

- Win with winners
- Extend brands
- Global growth
- Key Customers: Retailers, WD, OEM

6 Strong Brands Focused On Growth In Asia
TS Asia Footprint

- **CPG – Friction**
  - Guangzhou
  - Manufacturing
  - Thailand JV – 50%
  - Manufacturing
  - Malaysia JV – 50%
  - Manufacturing
  - Ballarat JV – 51%
  - Manufacturing

- **CPG – Holt Lloyd**
  - Japan JV – 90%
  - Distribution
  - SE Asia / China
  - Branches
  - Australia / New Zealand
  - Distribution

- **Turbo**
  - China
    - Manufacturing
    - Global Tech Center
  - Japan
    - Manufacturing
    - Technical Center
  - Korea
    - Manufacturing
  - India, Opened 4Q05
    - Manufacturing
  - Sydney
    - Manufacturing

$450M Sales, 1,500 People

Goldman Sachs, China Industrial Tour, May 8, 2006
TS Aspirations for China

How we think about China:

1. Market
2. Sales
3. Profits
4. Sourcing
5. Employees
6. Assets
7. R&D
8. People

China As A Key Growth Platform

China Business Growth

- Growth above market
- Sustain profitability

Revolutionize Global Cost Structure

Expand into New Markets & Adjacencies

Create Global Growth Platform Based on Key Themes
Auto Industry and Drivers - China

China’s Coastal Area

- 35.8% of nation’s GDP in 2005
- 30% of nation’s real investment in 2005
- 78% of nation’s real usage of foreign investment

China ’06 GDP Growth: 8%

Highway Expansion

- Automotive considered pillar industry for the nation
- Emphasis on energy & environmental protection
- Coastal area GDP drives demand for private vehicles
- JVs still only path for foreign OEs to succeed
- Industry keen to build local brands
- Overseas expansion: not “if” but “when”

Third Largest Automotive Market In The World

Goldman Sachs, China Industrial Tour, May 8, 2006
Automotive Emission Legislation

European CO2 Reduction Objectives

-15%

120g/km

-27%

NOx & Particulates

Japan

Europe/China

USA

China Set To Follow European Emission Standard

Goldman Sachs, China Industrial Tour, May 8, 2006
Automotive Market Dynamic

Segment Analysis

- China headlines, passenger car boom
- CV segment flat, broad YOY fluctuations
- LV diesel growth, turbo rate increasing with emission standards
- PV Diesel on Government agenda
- Key Enablers: Fuel, Offer, Taxation

Benefits of “Turbo” Diesel

- Improve engine efficiency: 30% less fuel burned
- Reduce CO2 emission by 30%
- Meets most stringent emission standards (Euro IV/V)
- Improve performance: power and torque
- Proven and reliable technology available, today

Increasing Requirement For Clean Technologies Favors TS

Goldman Sachs, China Industrial Tour, May 8, 2006
However......

“There is great disorder under heaven. The situation is excellent!”

- Chairman Mao

“The sky is high and the emperor is far!”

- Anonymous
Honeywell Turbo China

<table>
<thead>
<tr>
<th>Location:</th>
<th>Zhangjiang Hi-Tech Park, Pudong New Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership:</td>
<td>Wholly owned</td>
</tr>
<tr>
<td>Initial Investment:</td>
<td>US$27 million</td>
</tr>
<tr>
<td>Groundbreaking:</td>
<td>September, 1994</td>
</tr>
<tr>
<td>Land area:</td>
<td>24,500 sq. m.</td>
</tr>
<tr>
<td>Building area:</td>
<td>8,000 sq. m.</td>
</tr>
<tr>
<td>Output (2004):</td>
<td>470,000 units</td>
</tr>
<tr>
<td>Employees:</td>
<td>350</td>
</tr>
<tr>
<td>Products:</td>
<td>Turbochargers</td>
</tr>
<tr>
<td>Customers:</td>
<td>Major engine manufacturer</td>
</tr>
</tbody>
</table>

Successful Business Since 1994