

# RBC GLOBAL INDUSTRIALS

**CARL ESPOSITO**

VP, MARKETING & PRODUCT MANAGEMENT

**Honeywell**



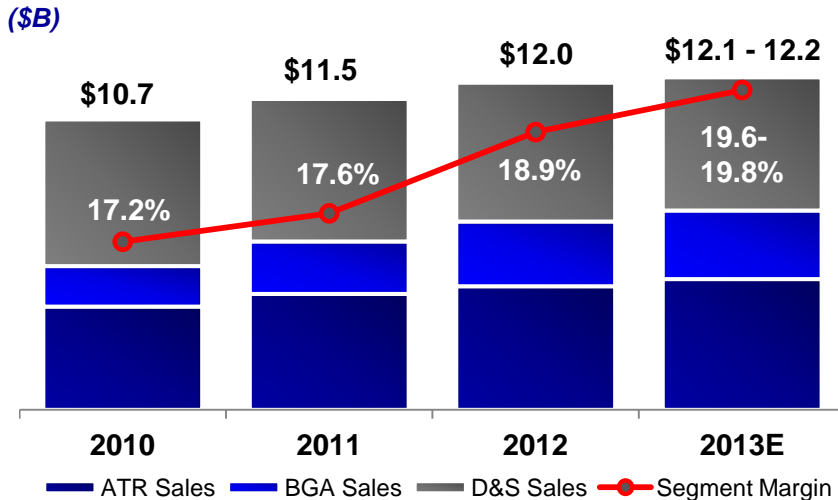
# Forward Looking Statements

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*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 economic and industry 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.*

# Aerospace Overview

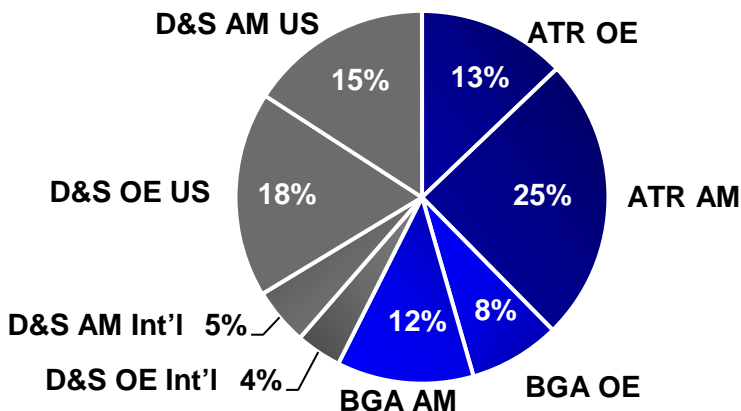
## Financials



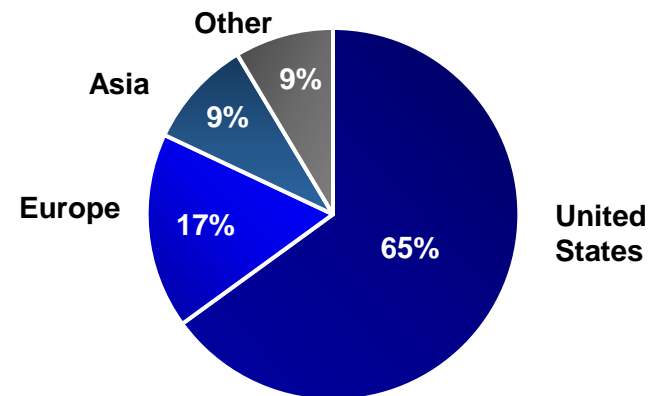
## 2012 Highlights

- **Large Air Transport Continued Growth**
  - Original Equipment (OE) Growth Strong - 11% Growth
  - Flight Hour Growth Tempered Throughout 2012
- **BGA Market Flat, HON Growing**
  - Growth >20% Despite Flat OE Market
  - Strong BGA Aftermarket Growth Vs. Low Utilization
- **Defense Weathering Modest Declines**
  - HON D&S Down (-3%)
  - Partially Offset By International Growth

## Business Split



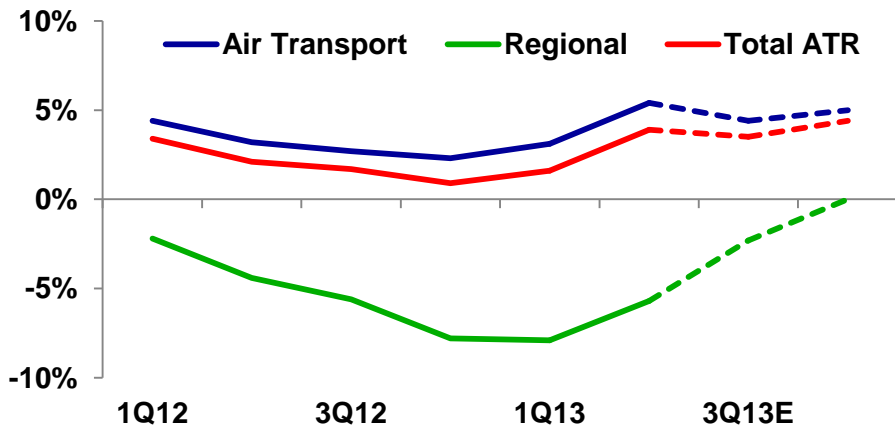
## Geographic Mix



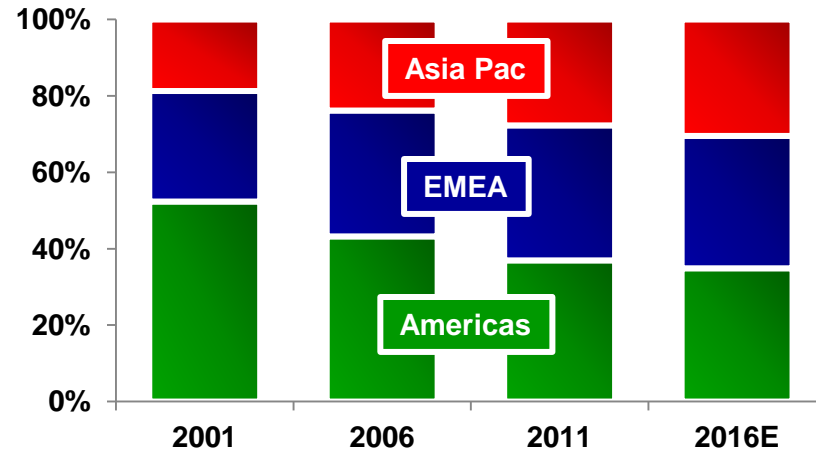
*Strong 2012, Well Positioned For Future*

# Aerospace Macro Drivers

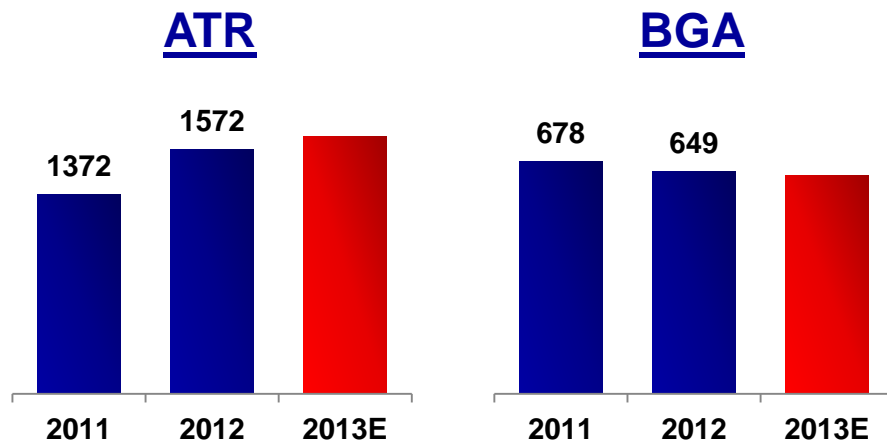
## Commercial Flight Hour Growth



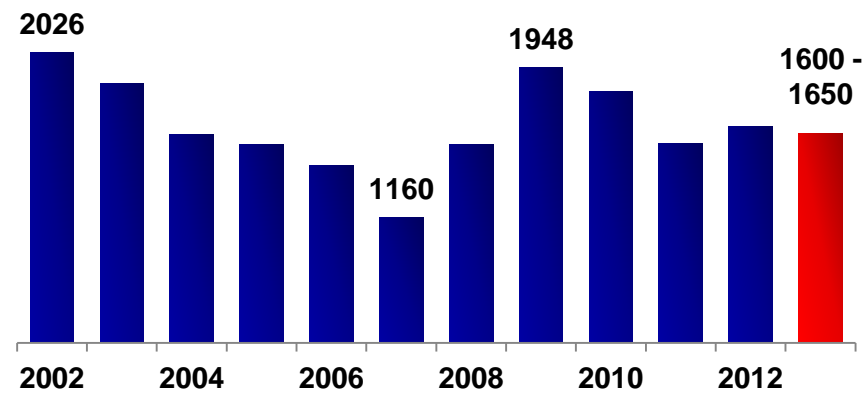
## Regional Share Of Flight Activity



## OE Deliveries



## Parked Aircraft



*Planning For A Continued Challenging Macro Environment*

# Big Wins – Last 3 Years

ATR	BGA	D&S
<b>\$16B</b> COMAC C919 APU, Flight Controls, Wheels & Brakes, Navigation, Components	<b>~\$6B</b> Bombardier CL350 HTF 7000 Engine	<b>\$1.5B</b> U.S. Army TIGER
<b>\$4.0B</b> Boeing 737MAX EBAS and Controllers	<b>\$3.6B</b> Bombardier TFE Engine	<b>\$0.9B</b> U.S. Air DoD Logistics Services
<b>\$2.8B</b> Embraer G2 Avionics	<b>\$3.7B</b> Unannounced Win Mechanical	<b>\$0.7B</b> Israeli Air Force M-346 Trainer
<b>\$2.7B</b> Components Wins	<b>\$0.8B</b> Unannounced Win Integrated Cockpit	<b>\$0.5B</b> NASA Goddard Space Flight Center
<b>\$1.4B</b> Airline Selectables	<b>\$0.8B</b> Unannounced Win Mechanical	<b>\$0.4B</b> Unannounced Helo Systems
<b>~\$1B</b> Irkut MS-21 APU, Avionics	<b>\$3.6B</b> PC-24 and Other AM & OE Programs	<b>\$0.2B</b> U.S. Army AGT1500 Abrams Engine
<i>... And Many Others</i>	<i>... And Many Others</i>	<i>... And Many Others</i>
 <p><b>\$28B</b> 2010-2012</p>	 <p><b>\$19B</b> 2010-2012</p>	 <p><b>\$15B</b> 2010-2012</p>

*Winning Big In All Segments*

# Strong Pipeline Of New High Impact Aircraft Honeywell

## HONEYWELL'S PLATFORM POSITION

Aircraft	Avionics	Engines	APUs	ECS/CP	Components	Other	Honeywell Value	Competitor Value
Embraer 2 <sup>nd</sup> Gen E-Jet	Green	NA		TBD	TBD	TBD	~\$3B	<\$1B
Boeing 737 Max	Green	NA	Green	Green	Green	TBD	~\$4B	\$2B (Displays)
Airbus A350	Green	NA	Green	Green		Green	~\$18B	\$6-\$9B (Avionics and Components)
COMAC C919	Green	NA	Green		Green	Green	~\$16B	<\$16B (Avionics, ECS and Other)
Gulfstream 650	Green	NA	Green	Green	Green	Green	~\$3B	----
Embraer L500/450	Green	Green	Green	Green	Green	Green	~\$24B	~\$2B (Avionics)
Bombardier CL350 (Engine), Pilatus PC-24 (Avionics) and 10 Unannounced	Green	Green	Green	Green	Green	Green	~\$23B	TBD
Alenia Aermacchi M-346	Green	Green	NA	Green	Green	Green	~1.5B	~\$0.5B

*Broad, Unmatched Wins*



# Expansive Portfolio

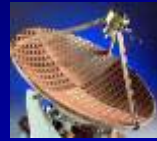
Honeywell

## Crew Interface



- Commercial Crew Interface & Displays
- Commercial Software Products
- Flight Management Systems
- Military Crew Interface
- Navigation Database & RNP Services

## Safety & Information Management



- Cabin Mgmt System
- Comm/Nav Radios
- DataLink/Data Mgmt & Recorders
- Long Range Communication
- Ground Proximity
- Radar
- Traffic Surveillance
- Integrated Surveillance
- SATCOM (Mil and Commercial) – Products And Services

## Navigation Systems & Sensors



- Commercial Navigation Systems
- Defense & Space Navigation Systems
- Inertial Sensors – Accelerometers
- Inertial Sensors – Gyros
- Non-Inertial Sensors
- Magnetics & Personal Nav Systems
- Precision Landing Systems
- Radiation-Hardened Components
- Space Navigation
- Tactical Navigation Grade Systems

## Propulsion



- AGT1500
- ALF502/LF507
- CFE738
- F124/F125
- HTF7000
- HTS900
- LTS101
- T55
- TFE731
- TPE331

## Platform Systems / High Integrity Controls



- Integrated Avionics System
- Real-time Information In A Tactical Environment (RITE)
- Space Systems
- Electronic Eng Controls
- Flight Controls
- Space Pointing & Stabilization

## Aero Services



- Vibration Monitoring/HUMS
- Zing™ Remote
- Maintenance Services Incl PBL
- Flight Support Services
- Logistics
- Physical And Cyber Security
- Technical Services
- Health, IT

## Mechanical Sub Systems



- Air & Thermal Systems
- Auxiliary Power Units
- Electric Power
- EM Actuation
- Valves And Electro-Hydraulics

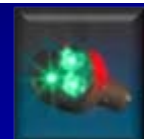
## Mechanical Components



## Wheels & Brakes



## Lighting



*Solutions Focused On Safety, Cost, And Efficiency*

# Large Installed Base Upgrade Opportunity

Honeywell

<b>ATR</b> <span style="color: red; font-weight: bold; border: 1px dashed red; border-radius: 50%; padding: 2px;">~24,000 Aircraft</span>	<b>BGA</b> <span style="color: red; font-weight: bold; border: 1px dashed red; border-radius: 50%; padding: 2px;">~50,000 Aircraft</span>	<b>D&amp;S</b> <span style="color: red; font-weight: bold; border: 1px dashed red; border-radius: 50%; padding: 2px;">~40,000 Aircraft</span>
		

## Market Needs Create Upgrade Opportunities

Efficiency	Safety	Reliability
<ul style="list-style-type: none"> <li>Improved Aircraft Routing</li> <li>Avoid Inclement Weather</li> <li>Reduced Fuel Burn</li> </ul>	<ul style="list-style-type: none"> <li>Improved Situational Awareness</li> <li>Avoid Runway Excursions And Incursions</li> <li>Incorporate Mandates</li> </ul>	<ul style="list-style-type: none"> <li>Increased Dispatch Rate</li> <li>Reduction In Delays &amp; Cancellations</li> <li>Enhanced Passenger Productivity</li> </ul>

## Driving Upgrade Growth

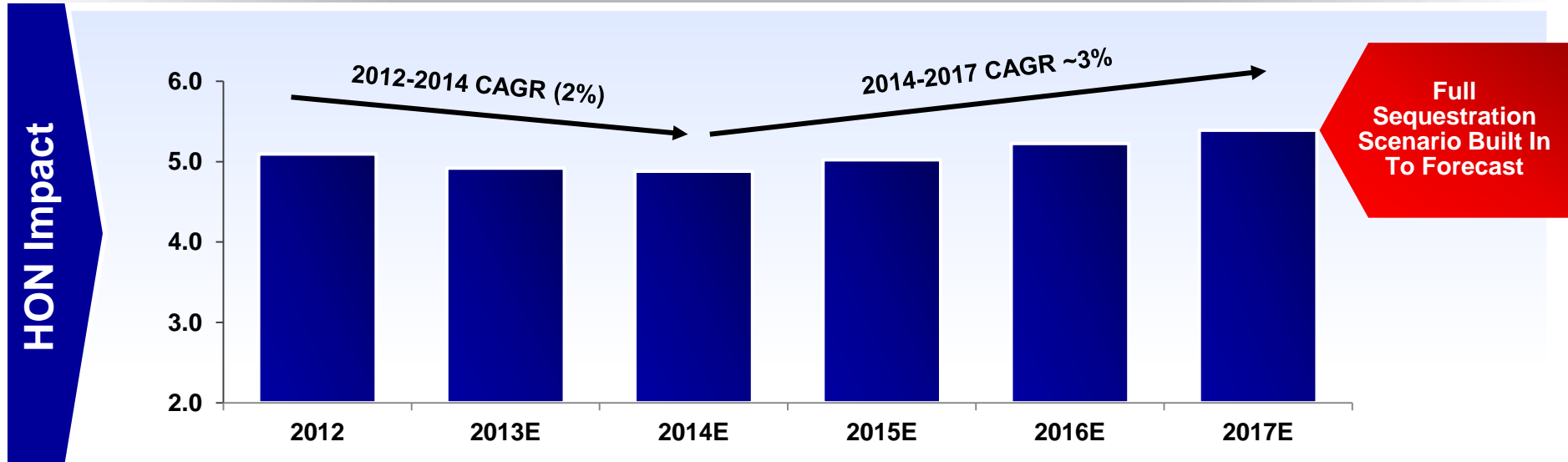
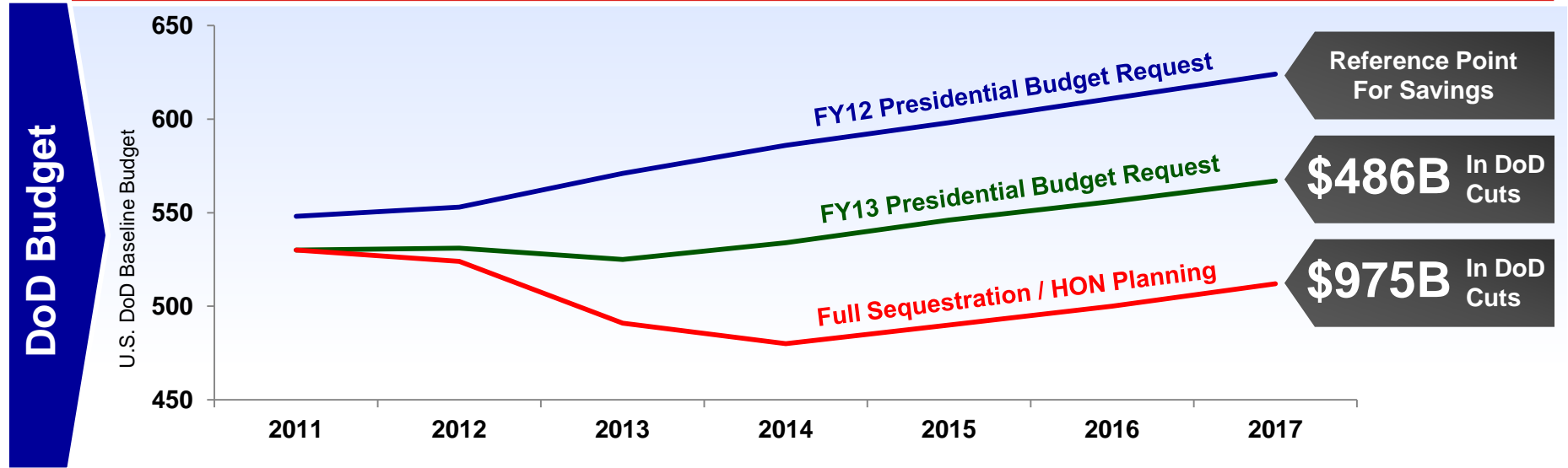


> \$700M Short-Cycle Sales Target In 2013



# Managing Current Defense Landscape

Honeywell

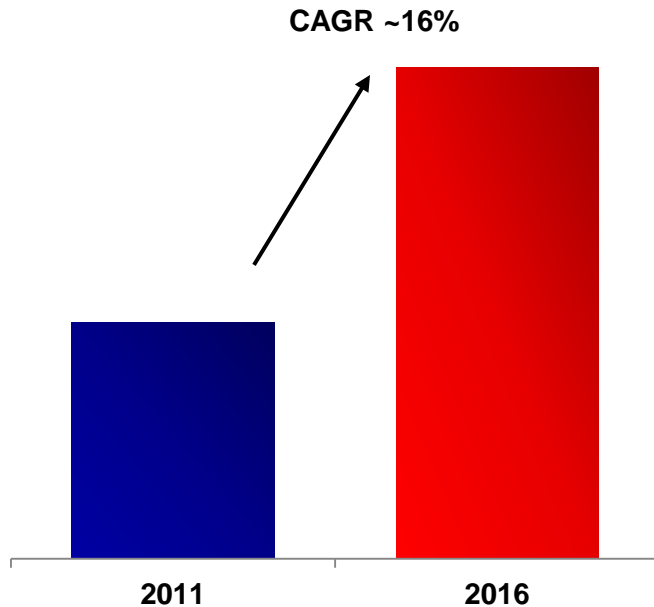


*Full Sequestration Impact To 2013, Covered By Contingency*

# D&S Growth Opportunities

## Retrofits / Modifications / Upgrades

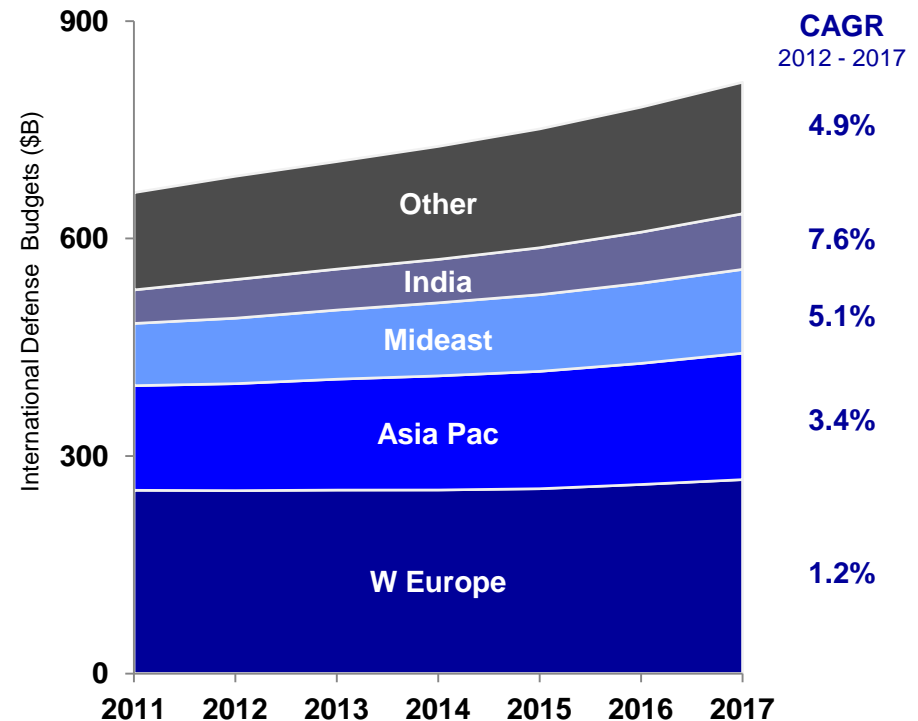
- **Capability:** Propulsion, SATCOM, Navigation
- **Productivity:** Condition Based Maintenance
- **Life Extension:** Navigation, Displays
- **Safety:** Terrain Avoidance, Weather Radar



*Focused On Safety, Efficiency, And Productivity*

## International

- **People:** In Region/Country Addressing Local Needs
- **Channels:** OEM/Commands/Partners
- **Products:** Significant Refresh Opportunities



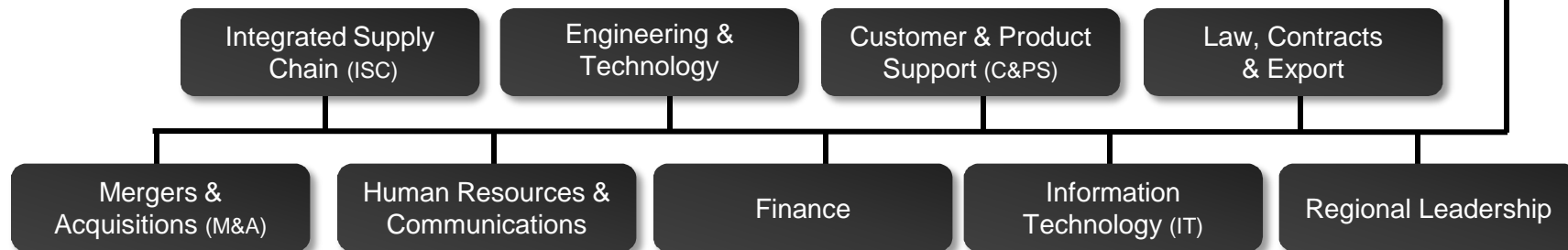
*International Defense Budget Growing*

*HON Well Positioned Despite DoD Spending Cuts*

# Aerospace Structure

Honeywell

- **3 Customer Facing Organizations**
  - Single Point Of Contact For Customer
  - Aligned With Market Verticals
- **Integrated Product Roadmaps Owned By M&PM**
  - 84 Product Lines, 10 Product Families
- **Proactive Cost Management**
  - Aggressive Indirect Cost Reduction Since 2010
- **Shared Support Structure**
  - Engineering Resources Shared Across Projects, Businesses
  - Single Supply Chain Drives Sourcing And Mfg Efficiencies
  - Centralized Back-Office Functions (Finance, IT, HR)
  - Common Systems (SAP) Support Structure

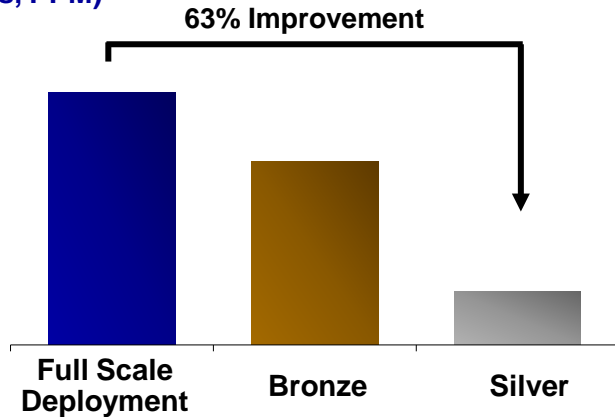


*Matrix Organization Provides Flexibility*

# HOS: 2012 Performance

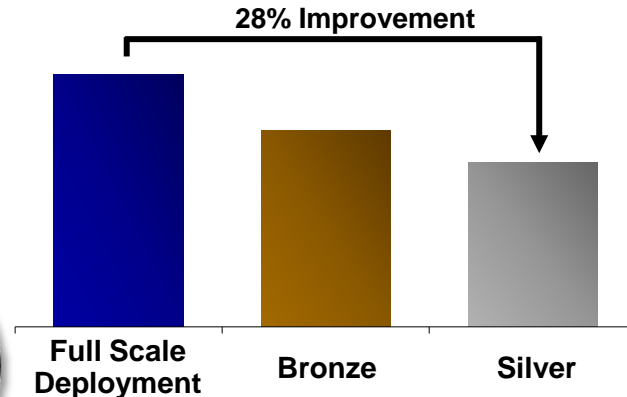
## Quality

(Defects, PPM)



## Inventory

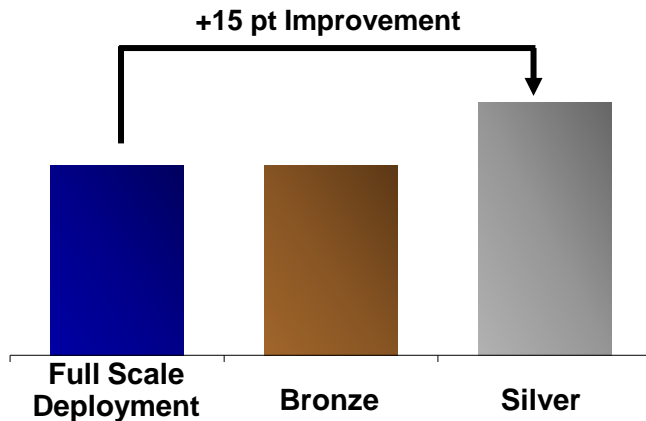
(Days Of Supply)



% Bronze + Sites

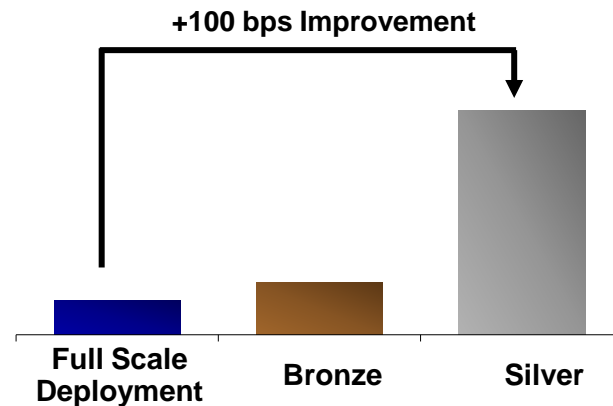
## Delivery

(OTTR)



## Productivity

(Net Productivity %)



*HOS Delivering Results And Sustaining Our Future*

# HON Growth Drivers

Business	Recent Wins*	Key Growth Drivers
<p><b>Commercial OE Wins</b></p>	<p><b>~\$18B</b></p>	<ul style="list-style-type: none"> <li>• <b>Winning On The Right Platforms</b> <ul style="list-style-type: none"> <li>- Uniquely Broad Mechanical And Electrical Portfolio</li> <li>- New Developing Market (HGR) Platforms</li> <li>- Upgrades To Large Installed Base</li> </ul> </li> </ul>
<p><b>Components</b></p>	<p><b>~\$4B</b></p>	<ul style="list-style-type: none"> <li>• <b>Differentiated Products and Technologies</b> <ul style="list-style-type: none"> <li>- Reducing Fuel Consumption</li> <li>- Shift From Pneumatics / Hydraulics To Electro-Mechanical</li> <li>- More Precise, Lower Size, Lower Weight Sensors</li> </ul> </li> </ul>
<p><b>Connectivity</b></p>	<p><b>~\$3B</b></p>	<ul style="list-style-type: none"> <li>• <b>Capitalizing on EMS Acquisition and Technology</b> <ul style="list-style-type: none"> <li>- Exclusive Inmarsat/GX Aviation Partnership</li> <li>- Leading Broadband To Aircraft Evolution</li> </ul> </li> </ul>
<p><b>International Defense</b></p>	<p><b>~\$1B</b></p>	<ul style="list-style-type: none"> <li>• <b>International Defense Budgets Growing</b> <ul style="list-style-type: none"> <li>- Historically Underserved</li> <li>- History Of Wins: Israeli M-346 Trainer F124 Engine</li> <li>- &gt; \$200M in Unannounced International RMU Wins</li> </ul> </li> </ul>

\* Lifetime Value

*>\$25B In High Margin Recent Wins → Future Growth*



- **Delivering Strong Results And More To Come**
  - Investing In Differentiated Products And Technologies
  - Driving Efficiency, Productivity, And Transparency
- **Growing On The Right Platforms; Well-Positioned In New Areas**
  - Unique Combination Of Mechanical And Electrical Offerings
  - Connectivity, EGTS, SmartLanding / SmartRunway, Mech Components
- **Organizational Structure And Capability Working Well**
  - More Efficient Cost Structure, Higher Incremental Margins
  - Enablers Reaching Critical Mass → More Margin Expansion Runway

*Poised To Outperform: Innovation To Execution*