Automation & Control Solutions

Roger Fradin
President and CEO
Honeywell Automation And Control Solutions

**Financials**

- 2009: $12.6B, 12.6%
- 2010: $13.7B, 12.9%
- 2011: $15.5B, 13.4%
- 2012E: $16.0 – $16.5B, 13.8 – 14.0%

**Disciplined Execution**

- Diversified, Balanced Portfolio
- Aligned to Key Global Macro Trends
- Growth Outpacing Global GDP
- Accelerating Margin Rate Expansion
- Strong Momentum, Winning in the Market

**Business Units**
- Process Solutions 20%
- Building Solutions 18%
- Scanning & Mobility 3%
- Security 16%
- Life Safety 21%
- S&C 4%
- ECC 18%

**Sector Mix**
- Infra 20%
- Res 16%
- Ind 39%
- Comm 25%

**Geographic Mix**
- Americas 48%
- Europe 31%
- ROW 21%

**Note:** 2011 Sales

**Strength And Breadth Of Portfolio Unmatched**
ACS Track Record

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales ($B)</td>
<td>$7.5</td>
<td>$15.5</td>
</tr>
<tr>
<td>Segment Profit</td>
<td>$0.8</td>
<td>$2.1</td>
</tr>
<tr>
<td>Segment Margin</td>
<td>11.3%</td>
<td>13.4%</td>
</tr>
</tbody>
</table>

~2X Growth

~3X Growth

+210 bps

Strong Sales Growth And Margin Expansion
ACS Portfolio Dynamics

ESS ~50%

Energy, Safety & Security
Environmental and Combustion Controls, Life Safety, Security, Scanning and Mobility, Sensing and Control

HPS ~20%

Honeywell Process Solutions

BSD ~30%

Building Solutions & Distribution
Building Solutions, ADI (Security and Fire Distribution)

Growing Faster Than Served Markets, Continued Margin Expansion Runway

• 10% Sales CAGR (‘06-‘11): NPI, New Wins, EM Expansion and M&A
• High-teens Margins; +100 bps/yr Last 3 Years

• 8% Sales CAGR (‘06-‘11): Adv. Solutions and Projects DD Growth
• Low-teens Margins with Room for Expansion

• 3% Sales CAGR (‘06-‘11): DD Energy Sales CAGR Last 5 Yrs
• Mid Single-digit Margins Overall; Service Margins Mid-teens

Balanced Portfolio Mix
## ACS End Market Environment

<table>
<thead>
<tr>
<th>End Market</th>
<th>% Sales</th>
<th>Outlook</th>
<th>2012 Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>38%</td>
<td></td>
<td>• Backlog Conversion Key Growth Driver</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Continued Strength in EM</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• 1H Softness Due to Difficult Comps, China Credit Tightening and EMEA Uncertainty</td>
</tr>
<tr>
<td>Residential</td>
<td>17%</td>
<td></td>
<td>• Modest Growth in U.S.; EMEA Flat</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• NPI and Energy Efficiency Drive Growth Above GDP</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Improving 1H to 2H ’12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• HVAC Headwind 1H Due to Slow Heating Demand</td>
</tr>
<tr>
<td>Commercial</td>
<td>26%</td>
<td></td>
<td>• Improving Conditions in U.S. Offset By Economic Uncertainty in Europe</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Energy Efficiency Retrofit Continues to Drive Developed Region Growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Some Moderation in Emerging Regions</td>
</tr>
<tr>
<td>Other</td>
<td>19%</td>
<td></td>
<td>• Backlog Conversion Drives Growth (Institutional / Infrastructure)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• U.S. and EM Strength Partially Offset By European Uncertainty</td>
</tr>
</tbody>
</table>

### More Challenging Global Macro Environment
ACS Core Strategies

- Great Positions in Good Industries

- Commercial Excellence / Growth Mindset

- Innovation Through Technology and NPI

- Globalization and High Growth Region Expansion

- Continue to Grow Through Strategic Acquisitions

- Leverage Core Process Initiatives
## Great Positions In Good Industries

<table>
<thead>
<tr>
<th>Segment</th>
<th>Position</th>
<th>Market Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Comfort Controls</td>
<td>1</td>
<td>Energy Savings, Productivity</td>
</tr>
<tr>
<td>Building Controls</td>
<td>1</td>
<td>Energy Efficiency, Emissions Legislation, Safety</td>
</tr>
<tr>
<td>Residential Combustion</td>
<td>1</td>
<td>Energy Savings, Comfort, IAQ</td>
</tr>
<tr>
<td>Sensing</td>
<td>3</td>
<td>Safety, Construction, Healthcare Innovations</td>
</tr>
<tr>
<td>Security</td>
<td>1</td>
<td>Security, Productivity, New Technology Adoption</td>
</tr>
<tr>
<td>Fire Systems</td>
<td>1</td>
<td>Safety, Codes and Regulations, Comm. Construction</td>
</tr>
<tr>
<td>Personal Protective Equipment</td>
<td>1</td>
<td>Safety, Codes and Regulations, Cost of Incidents</td>
</tr>
<tr>
<td>Gas Detection</td>
<td>1</td>
<td>Safety, Codes and Regulations, Industrial Production</td>
</tr>
<tr>
<td>AIDC – Scanning and Mobility</td>
<td>2</td>
<td>Productivity, Security, New Technology Evolution</td>
</tr>
<tr>
<td>Process Solutions</td>
<td>2</td>
<td>Safety, Security and Energy Efficiency, Installed Base</td>
</tr>
<tr>
<td>Building Solutions</td>
<td>2</td>
<td>Energy Efficiency, Sustainability, IT Convergence</td>
</tr>
</tbody>
</table>
ACS Aligned To Global Macro Trends

Safety

Security

Wireless

Energy Efficiency

Productivity
Building Our Great Positions: 2011 Progress

Safety

Highlights
• Acquired King’s Safetywear, Fire Sentry
• Successful Sperian Integration
• HLS Cross-Selling on Track to $200M Goal
• Key Safety Sensor Wins: Goodrich Actuation Systems, Boeing, ResMed

Innovations
• 80+ New Safety Products
• Smart PPE: Enabled Safety Products, Safety Community
• Build-Out Key Platforms: TruStability® Pressure Sensors and Limitless™ Wireless Solutions

Security

Highlights
• $300M in Critical Infrastructure Orders
• Key Wins: Casino Niagara, Houston Airport System, Heathrow Terminal 2, Belaya Dacha Outlet Village Moscow

Innovations
• Total Connect 2.0
• LynxTouch
• MAXPRO NVR-XE
• Faster Emergency Response School Systems
Building Our Great Positions: 2011 Progress

Energy Efficiency

Highlights
- $500M in New Energy Savings Performance Contracts (ESPCs)
- Smart Grid Wins: China, Europe, Hawaii
- Caspian Pipeline Consortium
- Wal-Mart China

Innovations
- Largest Awardee of DOE Grants
- Attune™ - Advisory Services Launch
- Comfort Point Open – 2\(^{nd}\) Generation

Productivity

Highlights
- $1B in New Oil & Gas Orders
- Shell Pearl GTL Plant: $300M
- City of L.A. Wastewater: $88M
- EMS Technologies Acquisition
- Starbucks
- First UPS DIAD V Units Shipped

Innovations
- Universal I/O in Safety Systems, PlantCruise
- Dolphin 99EX, Scanphone, Xenon Color, Youjie
### Commercial Excellence / Growth Mindset

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer An Afterthought</td>
<td>Customer Focused/Winning with Customers</td>
</tr>
<tr>
<td>Fiefdoms</td>
<td>Cross-ACS and HON Collaboration</td>
</tr>
<tr>
<td>Global Presence Retrenched</td>
<td>Accelerated Global Expansion</td>
</tr>
<tr>
<td>Living for the Quarter</td>
<td>Short and Long-term Focused</td>
</tr>
<tr>
<td>Minimal People Investment</td>
<td>Invested in People – Talent, Training, Compensation</td>
</tr>
<tr>
<td>Census: Sales-5,100; Marketing-800</td>
<td>Census: Sales-9,000; Marketing-1,650</td>
</tr>
<tr>
<td>Marketing vs. Sales</td>
<td>Tight Marketing-to-Sales Linkage</td>
</tr>
<tr>
<td>Weak Compensation Linkage</td>
<td>Increased Variable Pay, Cost Leverage</td>
</tr>
<tr>
<td>Negative Pricing</td>
<td>Analytic Pricing Tools – Positive Price</td>
</tr>
</tbody>
</table>

Driving A High Return On Commercial Investment
Innovation: Lifeblood For ACS Growth

New Products - #1 Driver Of Honeywell Growth And Profitability

- R&D Investment up 90%
- Resources up 125%
- Cycle Times Reduced 40%
- NPI up ~3X

Sales / HC

Power of VPD™

Accelerating Scale And Speed Of New Product Introductions
Smart PPE: Worker Safety…In The Digital Age

Integrating More Technology Into And With Traditional PPE Equipment

Digitally Enabled Equipment
- Identification, RFID, Bar Codes
- Sensing & Actuation
  - Chem, Mech, Electrical
- Identification
  - Biometrics, RFID
- Sensing
  - Vital Signs, Hazards
- Communication
  - Wi-Fi, Cell, BlueTooth
- Location, Zoning
  - GPS, RSSI
- Access Control
  - Biometrics, RFID
- Video Compliance
  - Image Recognition
- Emergency Communication

Digitally Enabled Worker
- Digitally Enabled Site

Customer Value
- End-to-end Solution That will Improve Compliance and Safety Outcomes
- Minimizes Complexity and Costs Associated with Managing Compliance

Business Value
- Significant PPE Product Differentiation; Unique HON Capability
- Broader Solution Pull Through, with Recurring SaaS Revenue Streams

Extending Product Leadership To Solutions Model; Driving New Sales Opportunities
The Connected Home: Honeywell Total Connect

- Offers Homeowners and Light Commercial Building Owners Ability To:
  - Remotely Access and Control Security, HVAC, Lighting, Video Look-In and Locks From Tablet, Smartphone and Web Portal
  - Ensure Property is Safe and Secure and Occupants are Comfortable
  - Engage a Contractor for Repair, Replacement Upgrades
  - Receive Diagnostic Information on System Performance

- Segment Opportunity
  - Current Installed Base: 150M Homes, 10M Buildings
  - Security, HVAC and CE Contractors
  - Brick & Mortar and Online Retailers

Customer Value
- Full Suite of Mobility Offerings
- Proactive Decision-Making for Energy, Repair, Safety and Security Decision

Business Value
- Expands Reach of Existing Channels and Offerings
- Extends Applications for Recurring Revenue

Leveraging The Prevalence Of Broadband And Mobile Devices
Mobility: From No Presence To Leading Position

Product Portfolio

2003
No AIDC Presence

2008

2012

Customer Value
- Dolphin™ 99EX Secured Industry Standard Status Among T&L Customers
- Mobility Performance, Durability & Reliability Plus Service Made Simple™ Offers Piece of Mind
- Remote Mastermind™ for Mobility Connects Customers with Their Field Assets
- Broadest Portfolio in $15B AIDC Industry

Business Value
- Velocity Product Development™ Resulted in Rapid Mobility NPI
- Secured Key Mobility Accounts: UPS, Starbucks, Exapaq, Grupo Modelo
- Mobility Connects Customer Base to Enhance Both Support and Products
- Mobility Drives Market Growth

Great Position In Growing B2B Mobility Industry
PlantCruise: New Mid-Market Control System

Experion: Largest Capital Projects in The World

- Shah Gas
- LA Wastewater
- Shell GTL
- ExxonMobil PNG

Re-Engineered by China and India w/ China Supply
Monetizing Experion IP: 9 Month Intro - VPD™
China Launch: $6M in Wins Before Intro!
Next: India, Southeast Asia, Latin America

Mid Markets in Emerging Countries: $1B Total Market

Customer Value
- Superior Control System Offering Providing Better Safety, Reliability, Efficiency at Price Point Competitive with Local Chinese Suppliers
- Easier to Use and Faster to Configure

Business Value
- Growth in Underserved Chemicals, Power and Metals Markets in Emerging Regions
- Improved Cost Position to Drive Better Growth and Increased Margins

$100M HPS Opportunity in Underserved Market
Globalization And High Growth Region Expansion

**Globalization**

- 2003: $3.9B (53%)
- 2011: $9.4B (60% ~13% CAGR)

**High Growth Regions**

- Matching Customer Footprint
- Strengthened Leadership Teams
- Scaling Local Market NPI

- 2006: $3.6B (47%)
- 2010: $6.1B (40% ~6% CAGR)
- 2016: Projected: ~$9.4B

- 14% CAGR (2006 – 2016)

**Projected 2016 Sales:**
- China: ~$2B
- India: ~$1B
- Mid. East: ~$1B

Empowering Local Teams To Drive Growth
### Growth Driver: Strategic Acquisitions

#### Enhanced Core

<table>
<thead>
<tr>
<th>Acquisitions</th>
<th>Position Before</th>
<th>Position Today</th>
<th>EV/EBITDA Headline</th>
<th>EV/EBITDA Expectation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Controls</td>
<td>#1</td>
<td>#1</td>
<td>~12x</td>
<td>~5x</td>
</tr>
<tr>
<td>Energy/Smart Grid</td>
<td>New Market</td>
<td>#1</td>
<td>~15x</td>
<td>~2x</td>
</tr>
</tbody>
</table>

#### New Adjacencies

<table>
<thead>
<tr>
<th>Acquisitions</th>
<th>Position</th>
<th>EV/EBITDA Headline</th>
<th>EV/EBITDA Expectation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Protection</td>
<td>None</td>
<td>~11x</td>
<td>~6x</td>
</tr>
<tr>
<td>Gas Detection</td>
<td>None</td>
<td>~12x</td>
<td>~4x</td>
</tr>
<tr>
<td>Industrial Combustion</td>
<td>None</td>
<td>~7x</td>
<td>~5x</td>
</tr>
<tr>
<td>AIDC</td>
<td>None</td>
<td>~12x</td>
<td>~5x</td>
</tr>
</tbody>
</table>

**Building Great Positions In $50B High Growth Industries**
# Applying Honeywell Process Discipline To M&A

## The Honeywell M&A Playbook

<table>
<thead>
<tr>
<th>Growth</th>
<th>Productivity</th>
<th>Cash</th>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sales Excellence</td>
<td>• HON Operating System</td>
<td>• Receivables, Payables and Cash Processes</td>
<td>• Respectfully Combine Cultures</td>
</tr>
<tr>
<td>• Marketing and Pricing Excellence</td>
<td>• Value Engineering</td>
<td></td>
<td>• Best of Both Talent</td>
</tr>
<tr>
<td>• Advanced R&amp;D and HTS Labs</td>
<td>• Functional Transformation</td>
<td></td>
<td>• Employer of Choice</td>
</tr>
<tr>
<td>• NPI/VPD™</td>
<td>• Direct Materials</td>
<td></td>
<td>(Training, Career Path, Comp.)</td>
</tr>
<tr>
<td>• Electronics and Wireless Excellence</td>
<td>• Indirect Expenses</td>
<td></td>
<td>• HON Performance and Development</td>
</tr>
<tr>
<td>• One Honeywell</td>
<td>• Factory Transitions</td>
<td></td>
<td>• Health, Safety, Environmental</td>
</tr>
<tr>
<td>• Globalization</td>
<td>• Six Sigma</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Gov’t Relations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Acquisitions Process</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Process Drives Our Successful Track Record
Making Our Business Better

Honeywell Operating System

- 133 Sites in Full Scale Deployment
  - 94% of Conversion Costs
- 7 Silver and 66 Bronze Sites
  - 50% of Factory Footprint
- All Global Sites Bronze by 2014; 50% Silver by 2016

Typical HOS Results From Launch To Silver

- 363% Improvement
- 11 Pt Improvement
- 29% Reduction
- 31% Improvement

SAP / FT

- Backbone for All Business Processes
- 58% Complete at End 2012
- Lookback Process for Continued Enhancements at Live Sites

Benefits

- 2010: $100M
- 2012: $150M
- 2014: $165M
- 2016: $200M

Process Initiatives Enabling Margin Expansion
Margin Expansion

Segment Margin

Process Initiatives (HOS, FT and VPD™)


12.9%  +75–100 bps  +75–100 bps  +50–75 bps  +50–75 bps  15-16%

Volume Leverage
- OEF
- Indirects
- Fixed Cost Discipline

Operational Excellence
- HOS
- NPI and VPD™
- COPQ

FT and ERP
- Common Process
- Common System

Commercial Excellence
- Pricing
- Sales and Marketing Excellence

Strong Growth And Margin Expansion Outlook
Long-Term Outlook Update

**Sales**

*Long Term Target: 6 - 9% CAGR*

*2012 Up 3 - 6%*

($B)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (B)</td>
<td>$13.7</td>
<td>$15.5</td>
<td>$16.0 - 16.5</td>
<td>$17.4 - 19.4</td>
<td></td>
</tr>
</tbody>
</table>

**Segment Margin**

*Long Term Goal: 15.0 - 16.0%*

*2012 Expanding ~50 bps*

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment Margin</td>
<td>12.9%</td>
<td>13.4%</td>
<td>13.8-14.0%</td>
<td>15.0 - 16.0%</td>
<td></td>
</tr>
</tbody>
</table>

*On Track To Deliver Five-Year Plan*
ACS – The Best Is Yet To Come

• Diversified, Balanced Portfolio

• Aligned to Key Global Macro Trends

• Growth Outpacing Global GDP

• Accelerating Margin Rate Expansion

• Strong Momentum, Winning in the Market