Honeywell Aerospace

Great Position In A Good Industry

Financials

- Com Rev ($B)
- D&S Rev ($B)
- Seg Mgn %

2010: $10.7, 17.2%
2011: $11.5, 17.6%
2012E: $11.8 - $12.1, 18.6%

Businesses

Business Units
- D&S 42%
- BGA 19%
- ATR 39%

Commercial Regional Mix
- Americas 62%
- EMEA 27%
- Asia-Pac 11%

Note: 2012E Sales

Highlights

- Transformed, Customer Centric Organization
- Leading Portfolio and Technology
- Robust Commercial Up-Cycle
- Winning in The Marketplace – New Platforms and Aftermarket
- Manageable Defense Environment
# Transformed Organization

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<thead>
<tr>
<th>From</th>
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<tbody>
<tr>
<td>Product Organized</td>
<td>Customer Facing Organization</td>
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<tr>
<td>Bid Everything – Product-led Pursuits</td>
<td>Marketing/Product Management Excellence –</td>
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<td></td>
<td>Integrated Platform/Product Pursuits</td>
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<tr>
<td>Non-integrated Portfolio</td>
<td>Compete Across Portfolio, RMU Opportunities</td>
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<tr>
<td>Minimal Sales People Outside U.S. Census:</td>
<td>2x Int’l Sales &amp; Marketing Presence</td>
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<tr>
<td>~500 HC, or ~20% S&amp;M</td>
<td>Census: ~1000, or ~40% S&amp;M</td>
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<td>Federated Engineering Organization</td>
<td>Distributed Centers of Excellence</td>
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<td>4 Walls of the Factory</td>
<td>Network Capacity, Cross-Functional</td>
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<td>Capability</td>
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<td>Higher Cost Structure</td>
<td>Less G&amp;A; More Efficient R&amp;D, S&amp;M</td>
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<td>Capitalized Sales Incentives</td>
<td>100% Expense</td>
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<td>Drives Better Decision Making</td>
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**Customer Centric Organization... Strong Competitive Advantage**
Strong Aerospace Outlook

Sales

- $11.5B in 2011
- CAGR 4%
- ~$13B in 2014

Key Recent Wins

- >$20B in Unannounced OEM Orders Across the Portfolio
  - $9B Propulsion, $7B Avionics
  - $4B Mechanical Systems
- $2.5B Airline Wins 2011
  - $400M in APAC Wins in Q411
- $2.7B in D&S Wins 2011
  - Defense Book-to-Bill > 1
## Strong Pipeline Of New High Impact Aircraft

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<thead>
<tr>
<th>Aircraft</th>
<th>Status</th>
<th>Honeywell's Platform Position</th>
<th>Value</th>
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<tbody>
<tr>
<td>Gulfstream G650</td>
<td>Certified Deliveries Underway</td>
<td>Avionics</td>
<td>~$3B</td>
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<td>APU</td>
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<td>ECS/CP</td>
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<td>Lighting</td>
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<td>Embraer L500/450</td>
<td>Engine Operational</td>
<td>Engines</td>
<td>~$24B</td>
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<td>APU</td>
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<td>ECS/CP</td>
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<td>Cabin Mgmt Systems</td>
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<tr>
<td>A350</td>
<td>Simulator Operational</td>
<td>Avionics</td>
<td>~$18B</td>
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<td>APS</td>
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<td>AMS Perimeter</td>
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<td>CPCS</td>
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<td>COMAC C919</td>
<td>Signed Initial Joint Venture</td>
<td>APU</td>
<td>~$16B</td>
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<td>Brakes</td>
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<td>Flight Controls</td>
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<td>Avionics</td>
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<td>10 Unannounced</td>
<td>Won Development Underway</td>
<td>Avionics</td>
<td>~$20B</td>
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<td>Engines</td>
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<td>ECS/CP</td>
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<td>Components</td>
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**Broad, Unmatched Wins**
Expansive Product Breadth

Delivering New Innovations

- Enhanced Safety Products
- Air Traffic Modernization
- Innovative Mechanical and Electronic Solutions
- Airborne Connectivity

Unmatched Breadth, Uniquely Innovative
New Safety Innovations – Available Now

Smart Runway

“Approaching Runway Three-Four Left”

Reduces Runway Incursions

- Improves Safety of Landing and Taxi
- Reduces Pilot Workload
- Lowers Incident Costs
  - Currently 30 Runway Excursions/Year

Smart Landing

Reduces Landing Risk

- 3,000 Units Sold
- Certified for 10,000+ Aircraft
- 30,000+ Total Aircraft Available
- $500M Growth Opportunity

New Innovations Address Highest Safety Issues
Delivering ATM Benefits

- ATM Modernizing Worldwide to Increase Capacity, Reliability, Safety and Affordability
- HON Leading Way with Integrated Comms, Nav, Surveillance and Automation Solutions That Provide Unmatched Customer Value
- >$50B Addressable Market for Honeywell

**Honeywell Offering Examples**

**Comms**
- Satcoms (EMS) - Now
- VHF Radios - Now
- Datalink - Now

**Surveillance**
- SmartView - Now
- GBAS - Now
- Multi-Sys GNSS - 2016

**Navigation**
- ADS-B Out - Now
- Displays - Now
- ADS-B In - 2013

**Automation**
- On-Board Auto Flight Routing - 2018
- Auto Tower (With HON ACS) - 2020

**End to End System Solutions**

- Taxi To Gate
- Approach/Landing
- Cruise
- Flight Planning
- Taxi To Runway
- Take-Off/Climb

**Monetizing ATM Solutions Today**
Mechanical And Electronic Innovations

**Electric Taxi**

- **APU-Driven Taxi**
  - Saves Fuel
  - Reduces Engine Maintenance Costs
  - No Pushback Tug Required
  - Lower Emissions
  - ~$10B Opportunity Size

**Integrated Controls**

- **APEX Cockpit Control of HON Mechanical Systems**
  - Cabin Pressure with FMS
  - Distinctive Capability
  - Sold on 90% of APEX Systems

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Honeywell - Safran
Competitor 1
Competitor 2
Competitor 3

<table>
<thead>
<tr>
<th></th>
<th>Avionics</th>
<th>Electric Power</th>
<th>Wheels/Brakes</th>
<th>APUs</th>
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<tbody>
<tr>
<td>Honeywell - Safran</td>
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<tr>
<td>Competitor 1</td>
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<td>Competitor 2</td>
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<td>Competitor 3</td>
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Airborne Connectivity Offerings

- Demand for Connectivity Rapidly Growing
  - Double to >8K Aircraft by 2014

- Integration of EMS Into HON Creates Industry’s Strongest Offering:
  - Broadest Product Range
  - Industry Leading Technology
  - HON “Smarts” Inside >75% of Other’s Products
  - Largest Installed Base – Every ATR Broadband Solution

- Ability to Combine Satcom with Other HON Products to Create New Offerings

Great Position With Differentiated Technology
Honeywell Defense & Space

D&S Sales

- Highly Diversified Across 300+ Platforms
  - Less Than 3% Exposure on Any One
- Low Exposure to War Spending
  - ~20% of U.S. DOD Spending, ~5% of HON
- Benefits of Balanced Portfolio Next 5 Years
  - Modest Decline vs. Broad Market Outlook
- Aligning Resources to Capture Growth Areas
  - Investing in Modifications / Upgrades
  - Position for Wins in High Growth Regions – South Korea, India, Israel, Middle East
- Broad Based Service Offerings
  - Performance Based Logistics Product Maintenance
  - Service Life Extensions – Safety, Efficiency

Mix Profile

- International 19%
- Other 12%
- DoD Baseline 64%
- DoD War Spending (OCO) 5%

Little Exposure To DoD War Spending
Defense & Space Opportunities

Aftermarket / RMU Growth
- **CAGR 16%**
- RMUs
  - 2011
  - 2016
- **Capability**: Propulsion, SATCOM, Navigation
- **Operational Efficiency**: Condition Based Maint.
- **Modernization**: Navigation, Displays
- **Safety**: Terrain Avoidance, Weather Radar

Focused International Growth
- **CAGR 4%**
- India
  - 2011
  - 2016
- **CAGR 27%**
- Pacific Rim
  - 2011
  - 2016
- **Jaguar Re-Engine**
- **Modernization**
- **Local Platforms**
- **Helicopters**
- **Fighters**
- **Upgrades**

Opportunities Offset DoD Budget Declines
Commercial Aero Outlook

Air Transport & Regional Outlook

- HON Well Positioned on Growing Fleets
- Key New Aircraft Entering Service
  - 2011: B787, B747-8
  - 2014: A350
  - 2016: C919, 320NEO, 737Max
- Existing Production Rates Rising
  - Narrow Bodies, B777, A330
- Backlog At Historic Highs

Business & General Aviation Outlook

- HON OE Sales CAGR 7%+
- HON OE Sales CAGR 13%+

- Key High Content Aircraft Entering Service
  - 2012: G650, G280
  - 2013: Legacy 450/500, Falcon 2000S

• 7 More Unannounced Wins EIS in 2015-2018
  - Avionics and Mechanical Systems

HON Growth Outpacing Market
Commercial Aftermarket Drivers

Global ATR Flight Hours

- ~8M Flight Hours Above Previous Cycle
- 650+ Net Aircraft Out of Warranty vs. Parked
- ~400 A/C > 16 Years Old Returned to Service
- Oil Prices and RASM Support Continued Growth

Regional Share Of Flight Activity

- EM Mix Expanded ~20 Pts Last 10 Years
- Offsets Slower Growth in Developed Regions
- Increased Balance Reduces Volatility
- Growth Outlook Driven by New A/C Deliveries

Flight Hour Growth Continues
Emerging Regions Increasing Share
Huge Install Base Opportunity For Upgrades

- Improves Safety, Increases Readiness and Reduces Operating Costs
- US Army Equipped Aircraft Getting 5-8% Improved Readiness and Fewer In-flight Aborts
- 176 CH-47 AC Already Equipped
- $350M+ Market Opportunity

Commercial Upgrade:
Nitrogen Generation System
- Reduces Risk of Fuel Tank Fire by Replacing Oxygen with Nitrogen
- OE Production Began in 2010
- Retrofits are Mandated By 2017
- $300M+ Program Value

Defense Upgrade:
Health Monitoring System for CH-47 Chinook Helicopter
- Improves Safety, Increases Readiness and Reduces Operating Costs
- $225M Short-Cycle Sales Target In 2012

$450M Short-Cycle Sales Target In 2012

Customer Needs Driving RMU Adoption
Broadening Our Global Reach

PHOENIX-CENTRIC
- Phoenix-based R&D
- Limited International Manufacturing
- U.S. DoD Focused
- Limited in China
- Limited in India
- Domestic Aftermarket Focus

CHINA
- Major C919 Winner
- High Aftermarket Win Rate
- Local Capabilities
  - Supply Chain
  - RDE Capability
  - Sales and Support Coverage
- Commercial MRO Licensee
- Mahindra General Aviation

INDIA
- Jaguar Re-Engine
- HAL Platform Engines
  - Helicopter
  - Trainer
- Commercial MRO Licensee
- Mahindra General Aviation

BRAZIL
- Helicopter RMUs for Oil & Gas
- Commercial MRO Licensee
- Airline Growth

TURKEY
- Airline Selectables
- Helo Upgrades
- F-16, UAVs, Trainers

INDONESIA
- Engines to Indonesian Aero
- Airline Selectables
- F-16, Helo Safety Upgrades

UNITED ARAB EMIRATES
- Emirates Airlines Satcom
- Regional Depot Established
- Chinook Fleet Modernization

VIETNAM
- Developing MRO Capability
- Airline Strategic Partnering

In Past → China / India Success → New Growth Regions

Replicating Success Across High Growth Regions
Execution: Honeywell Enablers Deliver

HOS Deployment Status

<table>
<thead>
<tr>
<th>Year</th>
<th>Sites Deployed</th>
<th>Bronze Certified</th>
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<tbody>
<tr>
<td>2010</td>
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<td>2011</td>
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<td>2012</td>
<td>41</td>
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<td>2013</td>
<td>77</td>
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Silver Site Performance Example

- **Inventory**: DOS 38% Better
- **Quality**: PPM 98% Better
- **Delivery**: OTR 27 pts Higher
- **Productivity**: 8.6 pts Higher

Net ERP Benefits

- Europe, APAC, U.S. Deployments
- Functional Transformation Leverage
- 100% of Sales on SAP in 2014

Run Rate

- 2007
- 2008
- 2009
- 2010
- 2011
- 2012E
- 2013
- 2014E

HOS Delivering Results And Sustaining Our Future
**Execution: VPD™ Generates Results**

<table>
<thead>
<tr>
<th>Previous State</th>
<th>Core Program Investment</th>
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<tbody>
<tr>
<td><strong>Point Products</strong></td>
<td><em>Multiple Applications</em></td>
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**Long-Term Outlook Update**

**Sales**

*Long Term Target: 4 - 6% CAGR*

*2012 Up 3 - 5%*

- **2010:** $10.7B
- **2011:** $11.5B
- **2012:** $11.8 - 12.1B
- **2013:** $12.7 - 13.3B
- **2014:** 

**Segment Margin**

*Long Term Goal: 21 - 23%*

*2012 Expanding 70 - 100 bps*

- **2010:** 17.2%
- **2011:** 17.6%
- **2012:** 18.3 - 18.6%
- **2013:** 21 - 23%
- **2014:** 

**Consistent Growth Outlook**
Why We Outperform

• Transformed, Customer-Centric Organization
  - 2x International Sales and Marketing Presence
  - More Efficient Cost Structure, Higher Incremental Margins

• Leading Portfolio And Technologies
  - Benefiting From Robust Commercial Up-Cycle
  - Strong Backlog → Growth Outlook Offsetting Defense

• Near- and Long-Term Growth Prospects
  - Customer Needs Driving Near-Term RMU Sales
  - ATR and BGA Outpacing Industry Growth