



# RBC Aerospace & Defense Conference

**Tim Mahoney**

President and CEO, Honeywell Aerospace

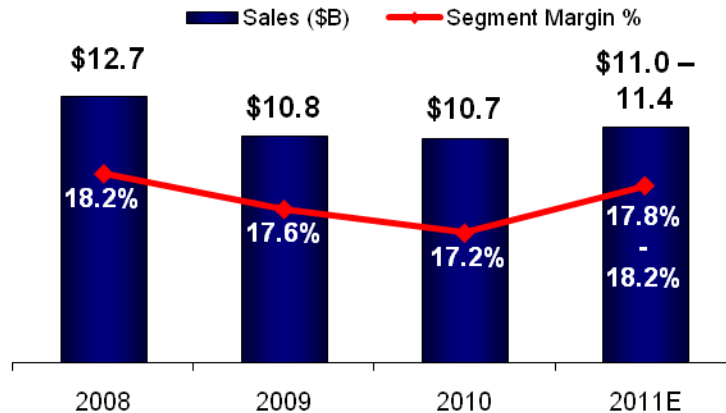
**Honeywell**

# Forward Looking Statements

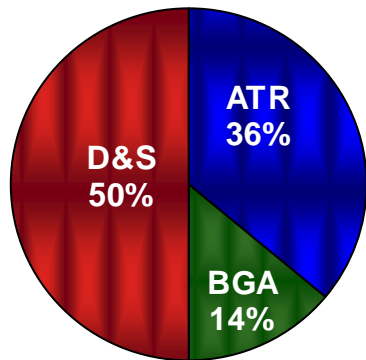
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This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, 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.

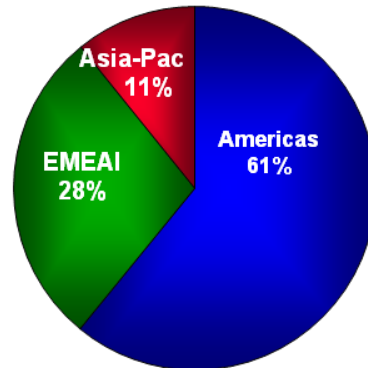
## Financials



## Business Units



## Commercial Mix



## Recent Highlights

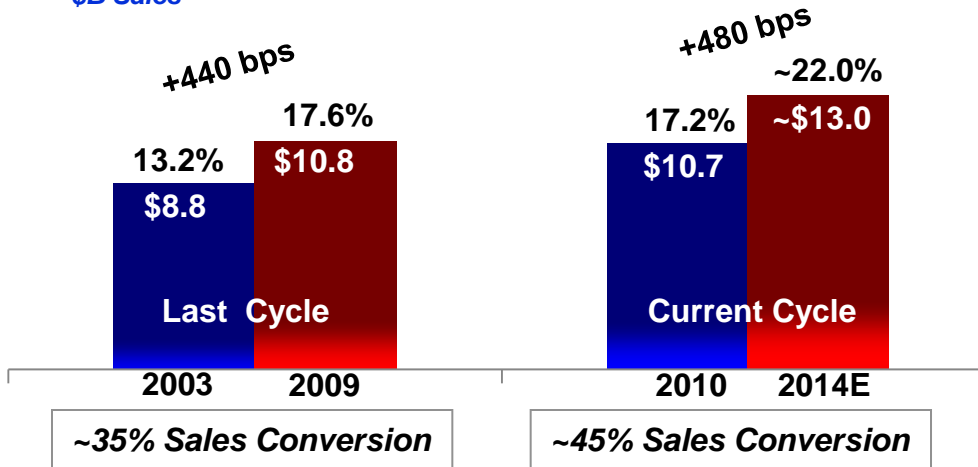
- **New Business Since Last Downturn**
  - Well Positioned for Global Growth
  - Building Backlog with Significant Customer Wins:
    - ◆ B&GA: >\$50B (G650, G250, Legacy 450/500, 6 Unannounced...)
    - ◆ AT&R: >\$40B (A350, C919 ...)
    - ◆ D&S: >\$40B (F35, CH-47, M1 Abrams, AW139 ...)
  - A 15% Lower Fixed Cost Structure
    - ◆ Reduced 7,700 Census, 63 Rooftops, 1.7M ft<sup>2</sup>
- **Portfolio and Technology Focus**
  - Unified Customer Approach Winning More Content
  - Unique Position and Strong Portfolio to Capture Next Wave of Growth

**• Impressive Performance In Downturn**  
**• Positioned For Strong Performance Through 2020**

# Margin Performance

## Higher Sales Conversion

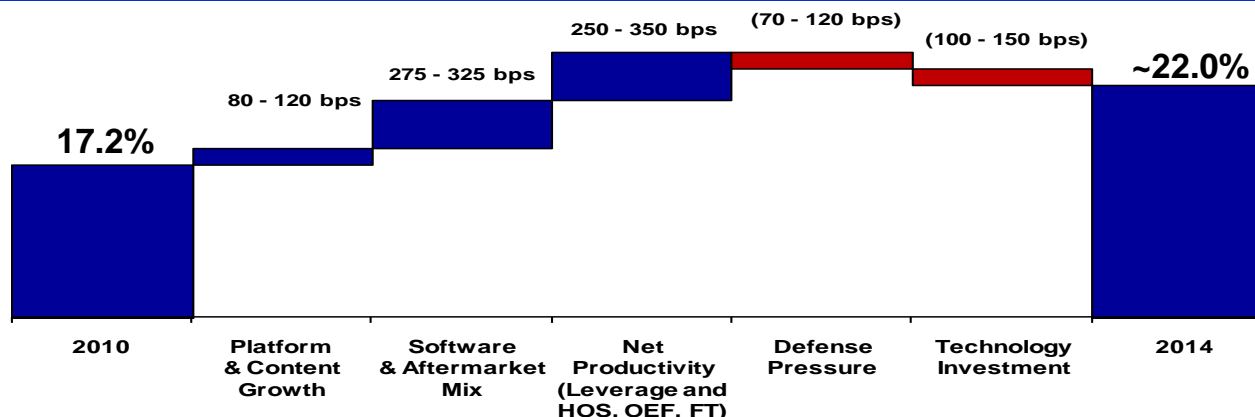
% Segment Margin  
\$B Sales



## Key Contributors

- More Efficient Structure
- Robust New Product Launches/ Win Rates
- Software Models/Upgrades Growth
- Strategic Repositioning
- Enablers Enhancing Benefits

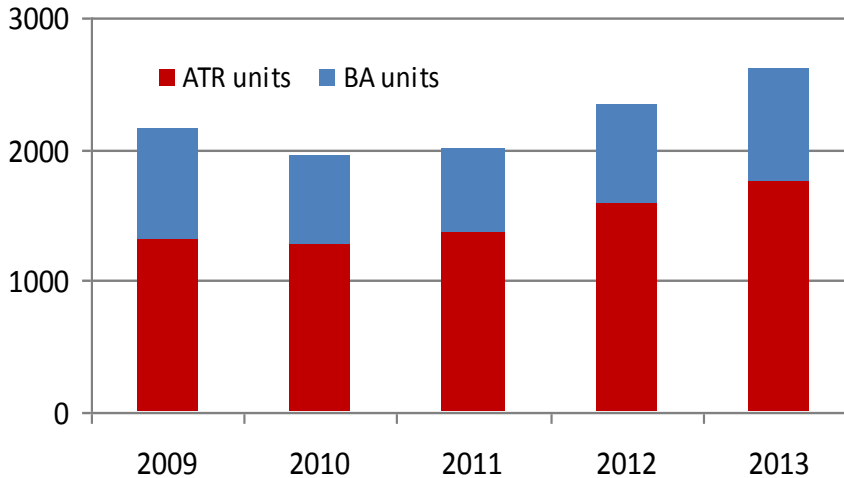
## Margin Rate Improvement Walk



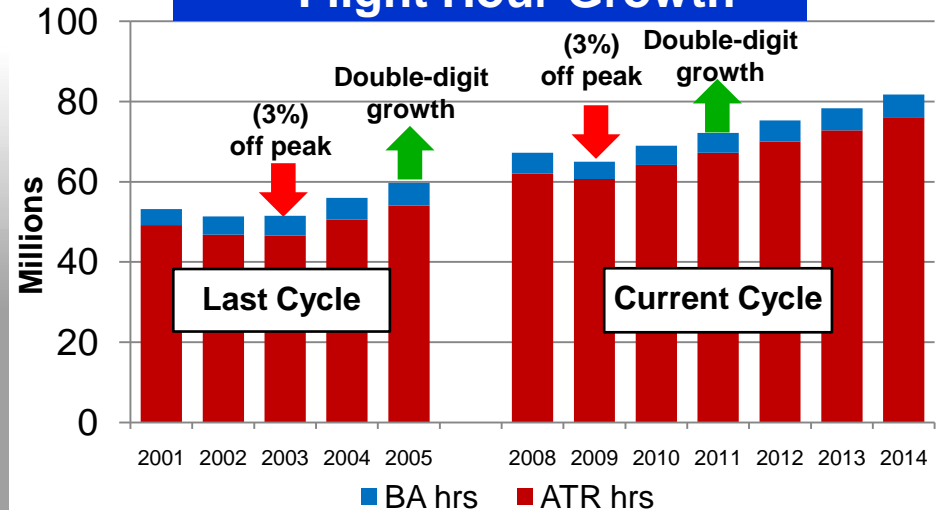
**Margin Runway Surpasses Prior Peak**

# Industry Outlook

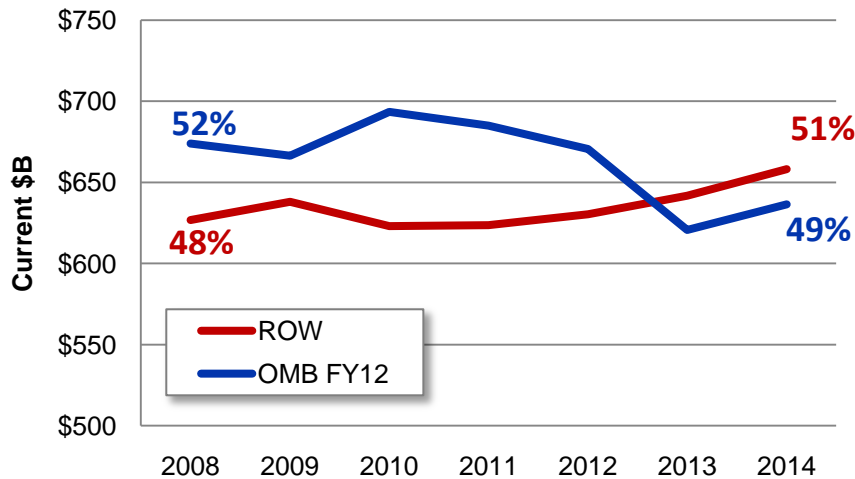
## New Aircraft Deliveries



## Flight Hour Growth



## Defense Budgets

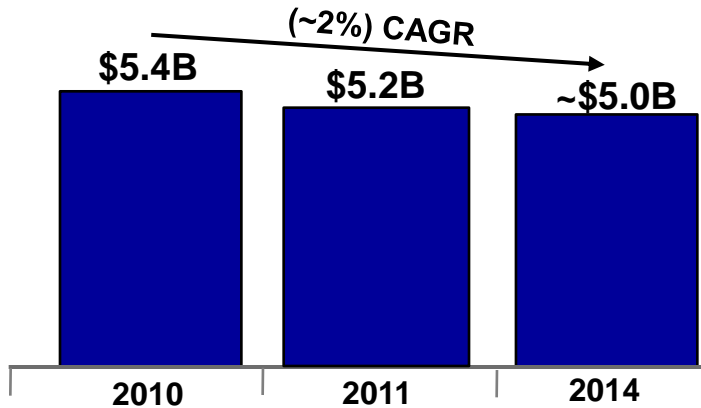


- Expecting a Cycle of Expansion in Aircraft Delivery
- Increasing Production Rates for Existing Aircraft, New Models Entering Service
- Expecting Flight Hour Growth to Moderate in 2H11 Due to Fuel Price Pressures
- U.S. Continuing Resolutions/Anticipated Budget Signal High Risk for Troubled Defense Programs
- Shift in Defense Funding to Resets, Cyber and Asymmetric Threats
- International Defense Growth in MEA, India, APAC

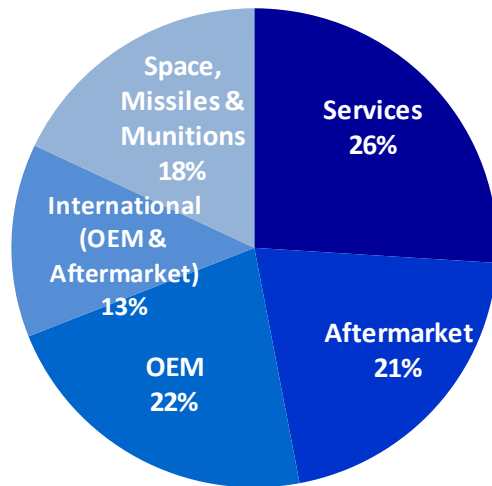
**Commercial Recovery More Than Offsets Defense Decline**

# Defense & Space Outlook

## D&S Sales Outlook



## Mix Profile



## Highlights

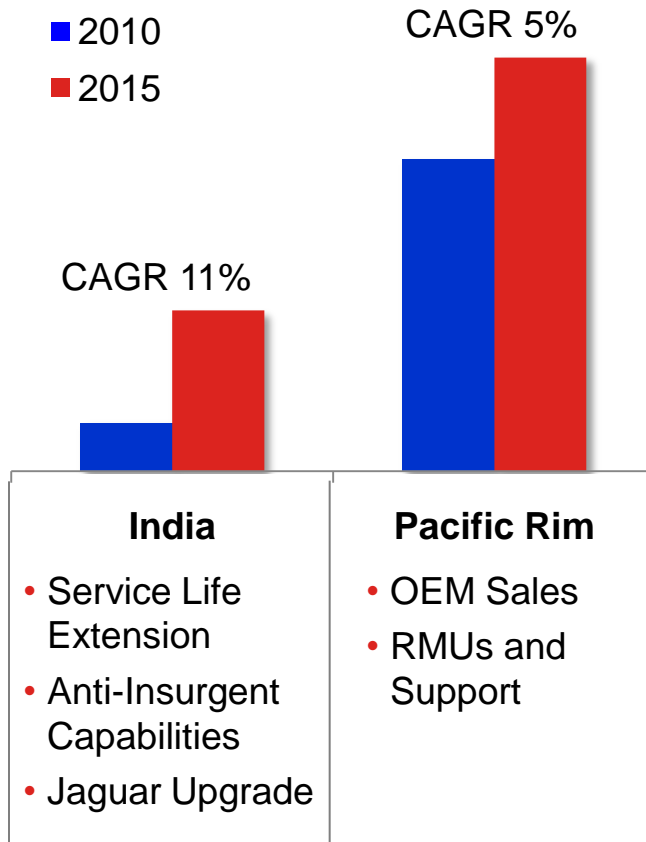
- **Highly Diversified Across 300+ Platforms**
  - No More than 3% Exposure on Any One
- **Low Exposure to War Spending**
  - ~20% of U.S. DOD Spending, ~5% of HON
- **Benefits of Balanced Portfolio Next 5 Years**
  - Modest Decline vs. Broad Market Outlook
- **Aligning Resources to Capture Growth Areas**
  - International, Asymmetric, Services
- **Investing in New Technologies to Meet Evolving Needs**
  - Soldier Systems, UAS

***Defense Decline Manageable***

# Strategic Defense & Space Growth

Honeywell

## Expanding in Strong International Markets



## Growth Through Service Offerings

### Service Life Extension Programs/Upgrades

- C-17: Formation Flight System Upgrade
- Bell 407: New Engine Upgrade Offering
- Avionics, APU and Component Upgrades: CH-47, C-130, M-346 ...

### Services Expansion

- Performance-Based Logistics Programs
- HTSI Expansion – Uptime/Availability Services, Pull-Thru of SM, ACS Products

### International Growth

- Mods/Upgrades to Western, Russian Platforms (CBM, Avionics, APUs)
- HTSI and Product Growth in Saudi Arabia, South Korea, India, SE Asia, and E. Europe
- China Commercial Helos (AC311, AC425)

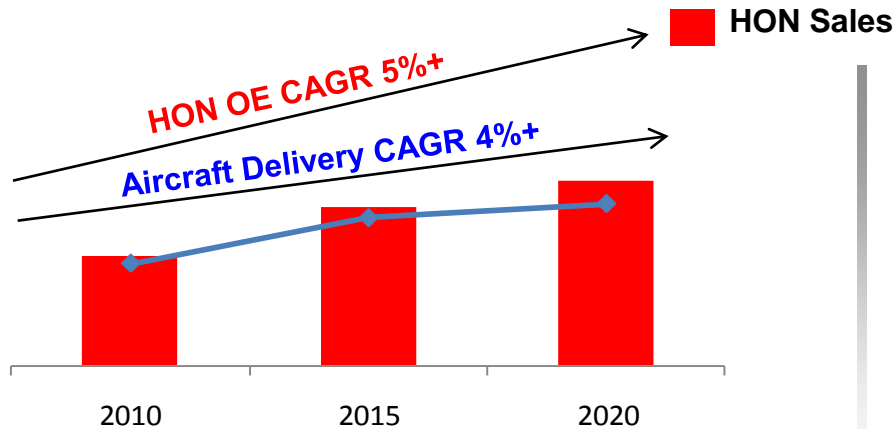
***Increasing Int'l Presence, Extending Into Adjacencies***



# Commercial Aero Outlook

Honeywell

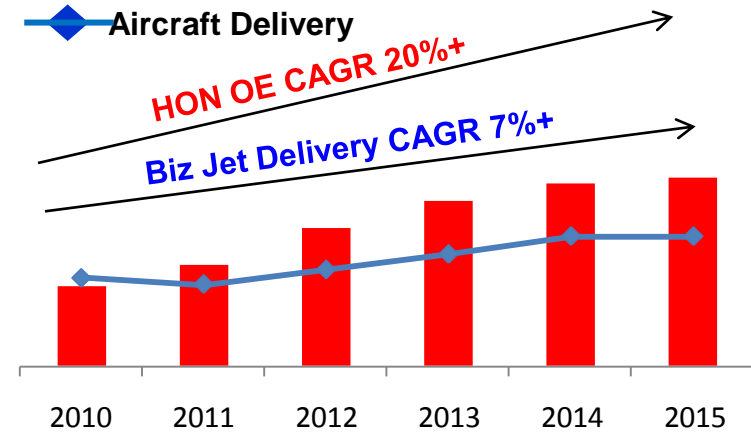
## Air Transport & Regional Outlook



### Highlights

- HON Well Positioned on Growing Fleets
- Backlog at Historic Highs
- Narrowbody Production Increases Near Term
- A350 – Significant Platform Win
- Secured Major Role on C919
- Continued ATM Uptake

## Business & General Aviation Outlook



### Highlights

- HON in the Sweet Spot of Industry Growth
- Significant HON Growth in 2011
- High HON Content Aircraft to Outgrow Others
- G250 / Embraer L500/450 – Significant HON Mechanical Content
- G650 + 6 Unannounced – High Avionics Value

**Industry Outlook + Share Gains = Outperformance**



# Aligned To Macro Trends

## Changing Market Landscapes

### Commercial OE

- New AT/BA Aircraft OEMs
- Many New Platform/Upgrade Initiatives

### Commercial Aftermarket

- Flight Hours Growing
- Changing Operator Business Practices

### Defense & Space

- Traditional 'Big Program Spending' Declines
- Needs Shifting From Conventional to "Hybrid"

## Opportunities for Honeywell

- Winning with New Customers – COMAC, AVIC
- Picking the Winning Platforms and Sub-Systems
- Exciting Evolution at Traditional Customers
- Leveraging Core – APUs, W&Bs, Lighting, Avionics ...

- Leverage Existing Positions on BFE
- Deliver Efficiency, Safety Value to Operators
- Spares Recovering; AM Recoupling to Flight Hours
- Discretionary Upgrades/Restocking Upside

- Targeted International Focus and Growth
- Leverage Commercial Solutions and Upgrades
- Grow in New Spaces – Asymmetric Warfare, UAS
- Continue to Optimize Fixed Cost Base

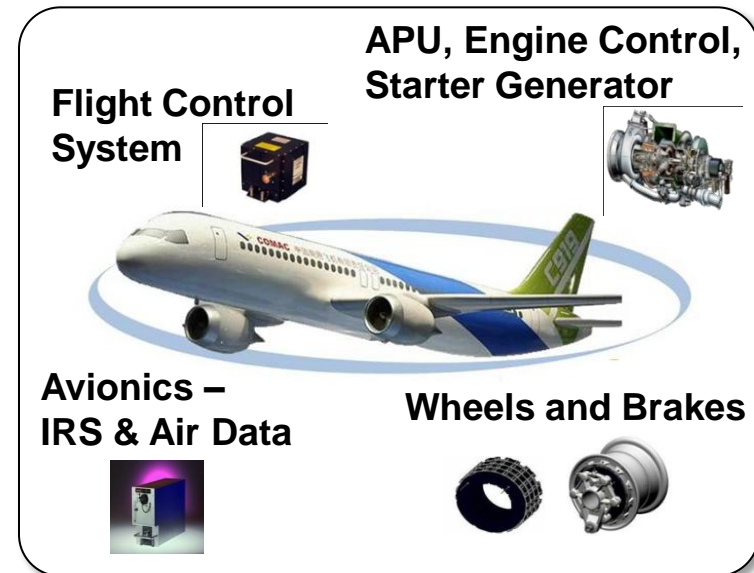
***Well Positioned To Capture Favorable Macros →  
Upside Potential***

# Winning With New Customers

Honeywell

- **Three of Four C919 Wins Involve Joint Ventures With Companies in China**
  - Forging New Relationships With In-Country Suppliers That Will Help Honeywell Aerospace Win Other Programs
- **AVIC/Honeywell Steering Committee**
  - Provides Forum for Capturing Business Beyond the C919 Program
    - ◆ AC-311
    - ◆ Y12F
- **Ground Floor With New OEMs**
  - Business Aviation
  - General Aviation
  - Helicopters
  - Air Traffic Modernization

>2,000 C919 Aircraft — ~\$16B



Y12F



***Expanding Established Asia Presence & Partnerships***

# Strong Competitive Advantages

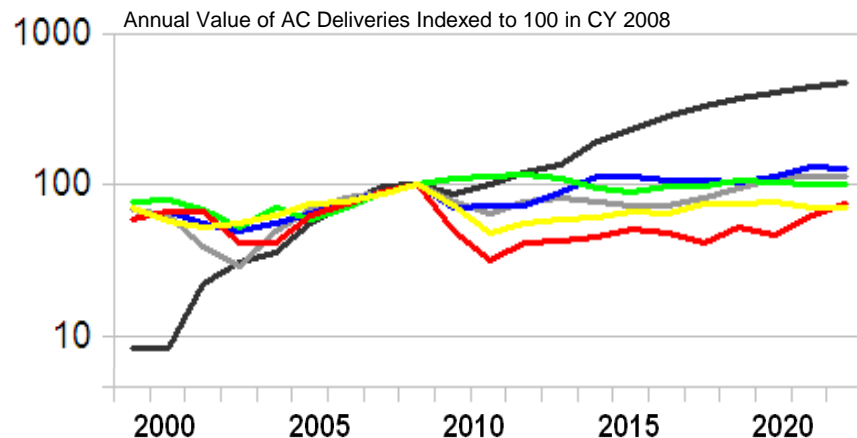
Honeywell



**Large Installed Base, Differentiated Portfolio & Support**

# Great Positions in Good Industries

## Top Honeywell B&GA Customers Growing the Fastest



OEM	HON content
— Embraer	++
— Gulfstream	++
— Bombardier	+
— Dassault	+
— HBC	+
— Cessna	---

## Systems Leadership in AT&R Evidenced by Win Rate

- **Next Generation Avionics Leader**
  - Safety Revolution Sky to Ground
  - Air Traffic Modernization Leader
- **Most Efficient Mechanical Systems**
  - Optimized Perimeters
  - Winning, Improving Auxiliary Power
- **Expanding Components Positions**
  - Low-Cost Engineering, Sourcing
  - Needs-Based Engineering
- **Maintenance, Solutions Leader**
  - Strong Win Rates on Operator Options
    - ◆ 2010-14E: APU 75%, Avionics 60%
    - ◆ Strong Growth Platforms: 737NG, 777, 787, A320, A330, A350

**Strategic Wins, Delivering High-Value Growth**

# Unmatched Offerings: An ATM View

## >\$70B Global Air Traffic Modernization Opportunity Next 15 years

- With >30% growth over next 5 years

## Right Relationships

- Contributing to global ATM standards
  - Selected by Aviation Industry Corporation of China for first ATM lab there
  - Steady progress with SESAR (only U.S.-based member)
- Engaged in key trials with major airlines

## Strong Portfolio to Capitalize Early And Broadly

## Capturing Current, Near-Term and Long-Term Market Needs

- ~\$1B Sales in 2011 → Growing 7% CAGR
- Accretive to Segment Margins

### Honeywell Product Lines For ATM

Precision Navigation Systems

Precision Guidance and Landing

Flight Management Systems

Cockpit Displays and Controls



















Safety Suites – Terrain, Traffic, Weather

Radios and Communications

On-Board Datalinks

***Uniquely Positioned To Lead Air Traffic Modernization***

# Great Positions On Newer Aircraft

Aircraft	Honeywell's Platform Position					Competition
 <b>A350</b>	 <b>Avionics</b>	 <b>APS</b>	 <b>AMS Perimeter</b>	 <b>CPCS</b>	<b>~\$18B</b>	<b>~2-3x Less</b>
 <b>Embraer L500/450</b>	 <b>Engines</b>	 <b>APU</b>	 <b>ECS/CP</b>	 <b>Cabin Mgmt Systems</b>	<b>~\$24B</b>	 <b>~\$2B</b> <b>Avionics</b>
 <b>Gulfstream G650</b>	 <b>Avionics</b>	 <b>APU</b>	 <b>ECS/CP</b>	 <b>Lighting</b>	<b>~\$3B</b>	<b>— ~\$0.1B</b>
<ul style="list-style-type: none"> <li><b>Unannounced 1</b></li> <li><b>Unannounced 2</b></li> <li><b>Unannounced 3</b></li> <li><b>Unannounced 4</b></li> <li><b>Unannounced 5</b></li> <li><b>Unannounced 6</b></li> </ul>	 <b>Avionics</b>	<b>Details Unannounced</b>		 <b>Mechanical</b>	<b>~\$11B</b>	<b>TBD</b>  <b>Life of Program Value</b>

**Broad, Unmatched Wins**

- **Great Positions, Unmatched Technologies**
  - Well Positioned With Favorable Commercial Macro Trends
  - Robust Backlog – Sustainable Growth Outlook
- **Execution Focus**
  - More Efficient Cost Structure, Higher Incremental Margins This Cycle
  - Realigning Resources to Mitigate Defense Pressures
- **Near- and Long-Term Growth Prospects**
  - Explosive BGA OE Outlook Next 5 Years
  - Delivering Above ATR Replacement Cycle
  - ATM → Industry Position, Breadth of Solutions, Differentiated Opportunity

***Winning In The Marketplace***