High Growth Regions

Ben Driggs
V.P., Honeywell China Aerospace
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 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.
Honeywell Today

2010 Sales: $33.4B

- Transportation Systems: 13%
- Specialty Materials: 14%
- Automation & Control Solutions: 41%
- Aerospace: 32%

Recent Highlights

- Performed Well In Downturn
  - Great Positions In Good Industries

- Disciplined Cost Focus
  - Resources More Effective

- Continued Seed Planting
  - Winning with New Products & Technologies

Global Footprint

- Rest of World: 51%
- United States*: 49%

Portfolio Mix

- Short Cycle*: 57%
- Long Cycle: 43%

* Excludes CPG

Global Scope, Great Positions In Good Industries
China And India Summary

• China and India Quickly Emerged From the Downturn

• Both Regions Well Positioned for Sustainable Growth
  – Emerging Regions $\rightarrow$ High Growth Regions

• HON Technologies Aligned to Macro Trends
  – Energy Efficiency, Urbanization, Aerospace, Transportation

• HON Success Stories – “Becoming The Chinese Competitor”
  – ACS, UOP, TS, Aero, Honeywell Technology Solutions (HTS)

• HON Strategic Mindset to Leverage Opportunity
  – Low Cost Source $\rightarrow$ Local Manufacturing $\rightarrow$ Local Market Penetration
  – Current Focus: East for East (E4E), and East to West (E2W)

Big Driver Of HON’s Growth
Accelerating Growth

China Sales*

- ~35 Major Sites
- From ~1K to ~11K Employees
- $200M Investment Since 2003

India Sales*

- ~20 Major Sites
- From ~2,000 to ~11K Employees
- $250M Investment Since 2003

*Includes Local Destination and Aero OEM Sales Related to China / India Aircraft; Investment and Census Numbers to be Finalized

Close To 3x Revenue Growth Over Last 7 Years
Contribution to World GDP Growth

Forecast Contribution to World GDP Growth*

Leading EMR will represent ~46% of world GDP growth in 2015

Source: IMF World Economic Outlook Database
China Macro Trends

Urbanization

Incremental Numbers of Cities by 2025
Type of Cities, Populations

- 221 Cities >1M Population (Europe Has 35 Today)
- 300M People to be Urbanized (Almost the Size of the U.S Population Today)
- Accelerated Economic Growth from Central, West & Northeast Regions

New & Clean Energy

Target of Energy Efficiency Improvement
Tons of Coal / RMB10,000 GDP

- Positioned as the Prioritized and Key Industry in The 12th National Five-Year Plan (2011-2015)
- ~20% CAGR Planned by 2020: Capacity of Solar and Wind Power, and Bio-fuel Usage
- Subsidy Policy for New Energy Vehicles, 20+ Nuclear Power Stations Under Construction, Push for Green and Smart Buildings, etc.

Significant Opportunities In A Maturing Market
## China Policy – Focused Sector Growth

### Honeywell

#### Industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>China Position</th>
<th>HON Position/Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>#1 Since 2009 (by Sales Volume)</td>
<td>• Turbo, Fluorine Products</td>
</tr>
<tr>
<td>Construction</td>
<td>#1 Since 2008</td>
<td>• Specialty Products, Life Safety, ECC, ACS Security, Building Solutions, Fluorine Products</td>
</tr>
<tr>
<td>Semi-conductors</td>
<td>#1 Since 2005 (by Sales)</td>
<td>• Electronic Materials</td>
</tr>
<tr>
<td>Commercial Aerospace</td>
<td>#2 Since 2006 (Passenger &amp; Cargo)</td>
<td>• Aero ATR</td>
</tr>
<tr>
<td>Power</td>
<td>#2 Since 1994 (by Generation)</td>
<td>• Building Solutions, Process Solutions, Sensing &amp; Control, Specialty Products, UOP</td>
</tr>
<tr>
<td>Retailing</td>
<td>#3 Since 2004 (by Value)</td>
<td>• ECC, Scanning &amp; Mobility</td>
</tr>
<tr>
<td>Chemical</td>
<td>#4 Since 2005 (by Production)</td>
<td>• UOP, Process Solutions</td>
</tr>
</tbody>
</table>

**HON Well Positioned For Accelerated Shift**
## Executing East 4 East And East 2 West

<table>
<thead>
<tr>
<th></th>
<th><strong>E4E</strong></th>
<th><strong>E2W</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>On the Ground</strong></td>
<td><strong>Localized MNC</strong></td>
<td><strong>Chinese Competitor</strong></td>
</tr>
<tr>
<td>ISC Localization</td>
<td>• Local Sourcing</td>
<td>• Locally Competitive Operations</td>
</tr>
</tbody>
</table>
|                      | • Local Manufacturing                                                   | • Fully Developed Local Supply Base                                     |• World-Class Operation
|                      | • Local Supply Base                                                    |                                                                         |• Global Standards |
| **R&D**              | • Local Tech Support, QA & Testing                                     | • Core Local COEs                                                       |
|                      | • Customization and Application Development                             | • Full Product Ownership                                                |• Full Scale R&D – Global COE
|                      |                                                                         | • Design-to-Cost                                                        |• High Velocity   |
| **Channel**          | • Local Sales Force in Tier 1 & Key a/c’s                              | • Fully Deployed Nation-Wide Network                                   |• Take Advantage of Global Channels |
|                      | • Rely on Distributors                                                 | • Local Partnership                                                    |                                               |
|                      |                                                                         | • Multi-Brand                                                          |                                               |
| **Customer Segment** | • High-End                                                              | • Significant Play in Mid-Segment                                      |• Mid-Segment Offerings for the World |
|                      | • Tailored Mid-Segment Offerings                                       | • Selective Low-End                                                    |                                               |
| **Marketing**        | • Global Driven, Local Support                                         | • Live With the Customer                                               |• Take Advantage of Global Relationships |
|                      | • Full Local Marketing Capability & Intelligence                        |                                                                         |                                               |
| **IP**               | • Trademark Registration and Protection                                 | • Patent Filing Mainly for Local Market                                |• Patent Filing for Both Local and Global |
|                      | • Detailed Measures to Protect “Know-How”                              |                                                                         |                                               |

### Winning Strategy

- Executing East 4 East And East 2 West
- **E4E**:
  - On the Ground
  - Local Sourcing
  - Local Manufacturing
  - Local Supply Base

- **E2W**:
  - Global Challenger
  - World-Class Operation
  - Global Standards

- **Channel**
  - Fully Deployed Nation-Wide Network
  - Local Partnership
  - Multi-Brand

- **Customer Segment**
  - Significant Play in Mid-Segment
  - Selective Low-End

- **Marketing**
  - Live With the Customer

- **IP**
  - Patent Filing Mainly for Local Market

- **R&D**
  - Core Local COEs
  - Full Product Ownership
  - Design-to-Cost

- **ISC Localization**
  - Local Sourcing
  - Local Manufacturing
  - Local Supply Base

- **Marketing**
  - Global Driven, Local Support
  - Full Local Marketing Capability & Intelligence

- **IP**
  - Trademark Registration and Protection
  - Detailed Measures to Protect “Know-How”
Becoming The Chinese Competitor – The Essence

**Reality of “Chinese Competitors”**

- **DREAM BIG**, and with a Long Term Vision
- Intelligent **RISK TAKING** in Building Scale and in Moving From the Core to Adjacencies
- **OPEN** Attitude to Less Familiar New Ideas, New Business Models, and New Technologies
- **ENTREPRENEURSHIP** and Ownership
- “**CAN DO**” Attitude
- **ADAPTIVE** to Market Changes

- Live with the **CUSTOMER**
- Particular About **SPEED** and Efficiency
- **RAPID** Decision Making and Strong **EXECUTION**
- Relentlessly Expand in **MID SEGMENT** and Seek for **COST REDUCTION**
- Releasing **TALENTS’** Potentials, Challenging Them, and Letting Them Succeed
- Quickly Evolving From Imitator to **INNOVATOR**

**Infusing Flexibility And Agility Into HON DNA**
“Become The Chinese Competitor” Checklist

1. Best in Class Cost Vis-a-vis Local Companies in Mfg, Sourcing, Supply Chain, Logistics, etc.
   • Vendor Capability / Scalability
   • Local Autonomy

2. Local PAC Process With Real Adequate Local Authority, Local R&D / ENG Capability
   • Best in Class Vis-a-vis Local Companies in New Product Launch

3. Best in Class Vis-a-vis Local Companies in National Coverage
   • Requisite Flexibility in Pricing and Commercial Terms Based on Local Context

4. Share of Revenue From Mid-Segment

5. “Live with the Customer”
   • Visibility on Overall Sector, and Understanding of Competition Landscape

6. Best People Empowered
   • Local Decision on Local Hiring Based on Local Criteria, and Headcount Flexibility

Detailed Metrics To Benchmark And Track Progress
Cross Company Captive R&D

- Global Scalable Model, Leveraged Around the World
- Extensive Resources, Fully Integrated into All Businesses
- Global Program Management Reduces NPI Cycle Time with 24/7 Development
- Synergies with Global / Regional Marketing and Customers
- Cross Leverage of COEs, Platforms and Talent between Businesses
- CMMI (Level 5), ISO Certifications
- World Class Design-Test-Certification Lab Infrastructure

China Census

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>230</td>
</tr>
<tr>
<td>2010</td>
<td>1,300</td>
</tr>
<tr>
<td>2014</td>
<td>1,750</td>
</tr>
</tbody>
</table>

India Census

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1,200</td>
</tr>
<tr>
<td>2010</td>
<td>4,900</td>
</tr>
<tr>
<td>2014</td>
<td>7,025</td>
</tr>
</tbody>
</table>
**China Helps Create A Total Solution**

**Global**
- Traditional Portfolio
  - Fire Alarm System
  - Fire Panel
  - Conventional Devices
  - Explosion-Proof Devices
  - Clip Devices
  - Flash Scan Devices

**China**
- NPI Products From China
  - N-6000 Fire Alarm System Targeting Mid-end Segment
  - Rp-1002plus Releasing Panel
  - XLS-1000 Aspiration System
  - Linear Heat Cable System
  - Electrical Leakage Monitoring System
  - Gas Detector
  - Flame Detector

- Localized Products
  - Onyx Series Fire Alarm System
  - New 3rd Party Interface
  - Conventional and Explosion-Proof Devices

- China M&A
  - PA Systems

**HLS Becoming The Chinese Competitor**

- Built Total Solution/One-Stop Offerings to Meet Customer Needs

- Through Rigorous Application of E4E Strategy, Key Success Factors:
  - Local PAC Process Allowing Speed to Customer (1 Yr vs. >2yrs on Average)
  - Local Engineering Based on Local Customer Needs

- Helped to Strengthen Already Extensive National Sales Networks
  - Total Solution Expedient for Distributors

- Consequently Strengthened Global Position – E2W
  - Rapidly Filled Global Product Gaps
  - New Products Sold to Other EM and Potentially to Developed Countries

**Profitable Sales Grown From $18M To $75M At 20+% CAGR**
HPS Strategy: Local Designs 4 Local

**Existing System**

- Control and IO Designed for Higher End Customers
- Built in Cabinet Structured Designed for Large Scalability
- Server Grade PC’s and Higher End Platforms

**New System**

- Build Alternate Platform Offering Leveraging Experion Software and Existing Platforms
- China Local Designers
- In-Region Dedicated Product Mgmt, R&D and Ops Team
- Differentiated Branding, Go-to-Customer Strategy, etc.
Aero: Building Local Aerospace Industry

COMAC C919
- APU, Engine Control, Installation Kit, and Starter Generator
- Wheels and Brakes
- Avionics – IRS and Air Data
- Primary Flight Controls

NON C919 Focus
- General Aviation
- Helicopters
- Air Traffic Management

Seed Planting
- New Organization With China Focus
- Expanded Engineering, Localized ISC
- Strengthened Gov’t Relationships
- Aggressive Approach to Pursuits
- Focus on Strategic Relationships

A Brighter Future
- COMAC C919: $16B+ Lifetime Value
- Emerging Opportunities and Cooperative Projects
- Reaping Rewards is Not All: Great Positioning, Becoming Chinese Player, Mindset Change, etc.

Positioning HON As Leading Player
# E4E Turbo In China And India

<table>
<thead>
<tr>
<th>Megatrends</th>
<th>Honeywell Solution</th>
<th>Turbo Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-Cost Microcars India</td>
<td>First 2-Cyl Diesel Turbo</td>
<td></td>
</tr>
<tr>
<td>Microvan Growth China</td>
<td>Local Dev – Microgas Turbo</td>
<td></td>
</tr>
<tr>
<td>Growth of Tier 2/3 Cities China &amp;</td>
<td>Local Dev – Light CV Turbos</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure Investment &amp;</td>
<td>China Heavy Duty CV Turbos</td>
<td></td>
</tr>
<tr>
<td>Economic Growth China</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Local Product Ownership**
- **Local Sourcing**
- **Local Manufacturing**

**Becoming The Local Turbo Competitor**
2010 – 2014 Growth Trajectory

China

Sales*

Census

India

Sales*

Census

*Includes local destination and Aero OEM sales related to China / India aircraft

Big Driver Of HON’s Future
Key Takeaways

• China and India Well Positioned for Sustainable Higher Growth

• HON Portfolio Aligned to Local Needs and Macro Trends
  – Mid-Segment, Energy Efficiency, Urbanization, Aerospace, Transportation

• HON Fully on Track For Local Design, Manufacturing, Selling
  Driving Growth and Success in Local Regions →
  HON Is “The Chinese Competitor”

• Combined With Top Int’l Management, Global Brands and
  Channel – HON Executing E2W Strategies Globally

China And India → Growth Engines For HON