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# Johnson Controls



**November 2009**

## Forward-looking statement

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Johnson Controls, Inc. ("the Company") has made forward-looking statements in this presentation pertaining to its financial results for fiscal 2010 and beyond that are based on preliminary data and are subject to risks and uncertainties. All statements other than statements of historical fact are statements that are or could be deemed forward-looking statements and include terms such as "outlook," "expectations," "estimates," or "forecasts." For those statements, the Company cautions that numerous important factors, such as automotive vehicle production levels, mix and schedules, financial distress of key customers, the level and timing of investments in commercial buildings, energy prices, the strength of the U.S. or other economies, currency exchange rates, cancellation of or changes to commercial contracts, liquidity, the ability to execute on restructuring actions according to anticipated timelines and costs as well as other factors discussed in the Company's Form 8-k (filed March 9, 2009) could affect the Company's actual results and could cause its actual consolidated results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, the Company.

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## Three world-class businesses



### Interior experience

- Delivering world-class technologies that differentiate vehicle interiors and increase consumer demand



### Power solutions

- Providing the highest quality, lowest cost automotive batteries to help customers grow their market shares and to power the vehicles of tomorrow



### Building efficiency

- Providing HVAC and control systems to improve energy and operational efficiencies and reduce greenhouse gas emissions in buildings

## 2009: A challenging environment

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- Historic and rapid changes in our markets
- The breadth and depth of the downturn, combined with the freezing of the credit market, negatively impacted all our industries and markets
- Entered 2009 with existing softness in North American automotive and residential HVAC markets
- GM and Chrysler bankruptcies
- Access to capital



# 2009: Taking action...and advantage

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## Actions to align with the market environment

- Restructuring actions in Q4 2008 and Q2 2009
  - Workforce reductions
  - Plant consolidations
- Liquidity enhancements
  - Prioritized capital spending
  - Working capital improvements
  - Convertible debt offerings (early conversion completed September 2009)

## Exited 2009 positioned to benefit when the market recovers

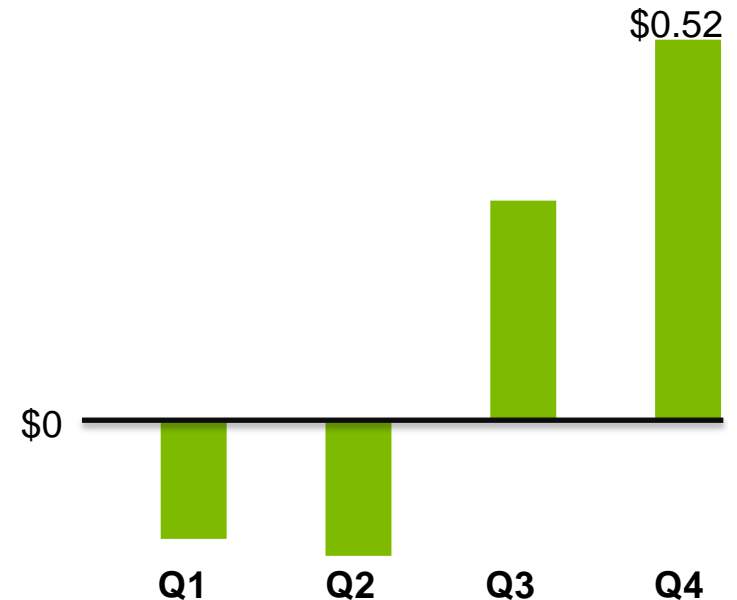
- Key accomplishments
  - Significantly improved cost structure
  - Established new business disciplines for automotive contracts to significantly de-risk the business
  - Increased leadership in buildings energy efficiency and sustainability market
  - Increased market share
  - Extended hybrid vehicle battery leadership

# Earnings recovery

## 2009 fourth quarter (ended Sept.30, 2009)

- Sales: \$7.9 billion vs. \$9.3 billion in 2008
- Segment income: \$514 million\*
  - Automotive Experience: profitable in all geographic regions
  - Power Solutions: record quarterly results
- Net income: \$339 million\*
  - \$0.52 per diluted share vs. \$0.73 in Q4 2008

## 2009 quarterly earnings per share



\*Excludes warranty charge, costs associated with exchange offer (financing charges) and non-recurring tax items

# 2010

## A return to profitable growth

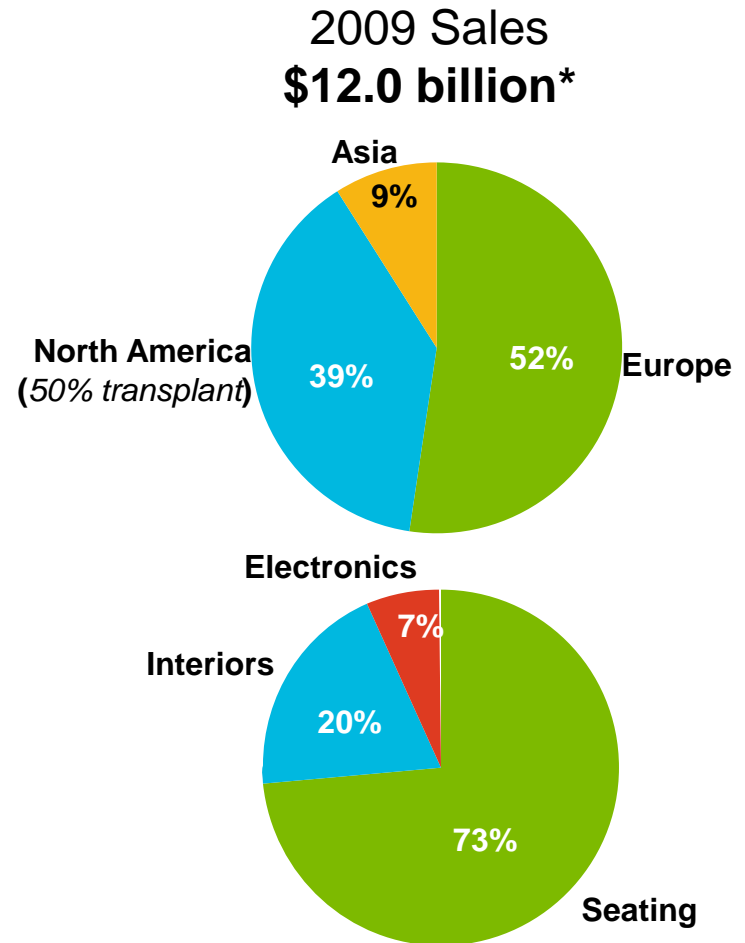
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- Markets are beginning to stabilize
- Increasing benefits from cost improvement initiatives
- Our strategies and offerings will take advantage of the global growth megatrends
  - Energy efficiency
  - Sustainability
  - Emerging markets
- We have the financial strength to accelerate our investments in growth
  - Organic
  - Acquisitions

# Automotive Experience

Leading global provider of systems and components for seats, overhead systems, doors, cockpits, electronics and complete interiors

- Global capability, supplying more than 30 million cars per year
  - 250 locations in 33 countries
  - More than 1/3 in low-cost countries
- Diversified customer and product portfolio
- 60 major launches expected in 2010
- \$2.5 billion backlog of net new business for 2010 – 2012



\* Excludes \$1.8B unconsolidated revenue in China

## 2009: Right-sizing and risk mitigation

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### Successfully realigned cost structure

- Break-even now at approximately 8.3M units in North America and 14.3M units in Europe

### Risk mitigation

- More selective approach to target business
- Established minimum financial hurdle rates for new business
- Lower commodity risk via indexing of material economics
- Increased customer upfront funding for engineering, R&D and tooling / volume independent recovery

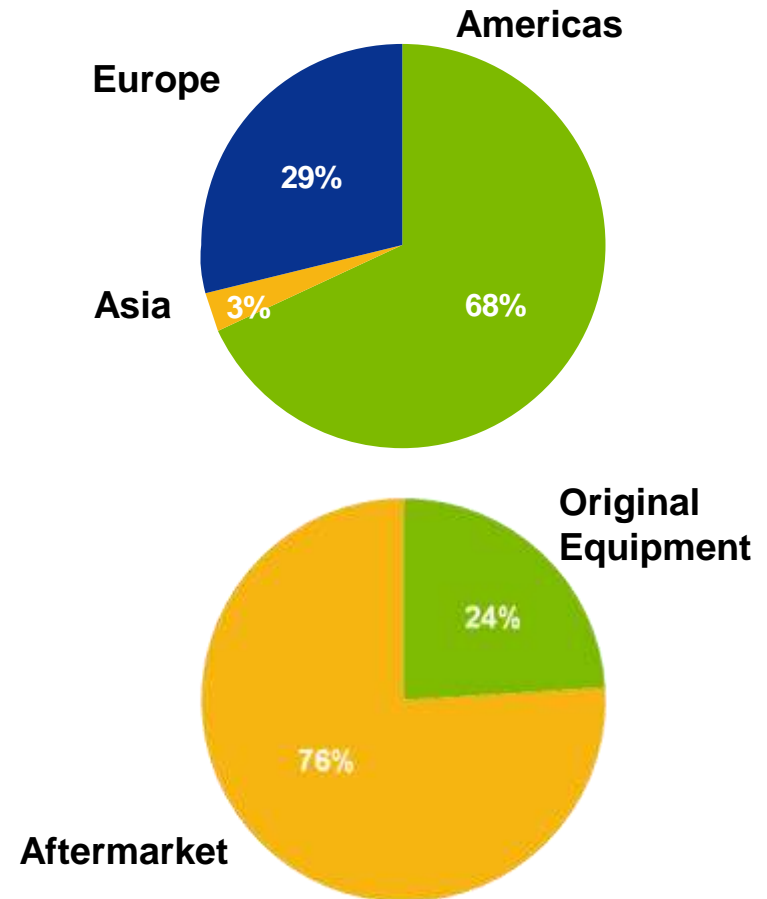


**New contracts must be in line with our long-term growth strategies**

# Power Solutions

- Largest global provider of automotive batteries
  - #1 global market share (36%)
    - Continuing to gain share
  - Largest provider to the automotive aftermarket
  - Original equipment (OE) batteries for the top automakers worldwide
- First-to-market provider of Li-ion batteries for hybrid applications
- Quality and cost leader
- Largest consumer and recycler of lead in the world

2009 sales  
**\$4.0 billion**



# Strategic priorities

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- Advanced battery leadership and growth
  - AGM for microhybrids
  - Lithium ion for HEV, PHEV, EV applications
- Grow global lead acid market in all regions via continued technology, quality and cost leadership & service
- Grow Americas and European share via the wholesale channel
- Aggressively expand in emerging markets
- Invest in vertical integration to drive improved margins



# Expanding leadership in lithium-ion hybrid vehicle battery systems

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## Established customer relationships

- Mercedes-Benz S-Class hybrid in European / U.S. showrooms now
- BMW 7 Series ActiveHybrid will be in production later this year
- Azure Dynamics Balance™ Hybrid Electric launches summer of 2010
- Exclusive supplier of PHEV battery systems to Ford; in showrooms 2012

## New customer commitments...

- Jaguar Land Rover partnership agreement
- Volkswagen EV program
- Ford/Azure Transit Connect EV production contract; launch in 2010

Awarded \$299M by DOE, the largest ARRA grant, to build domestic lithium-ion manufacturing capacity

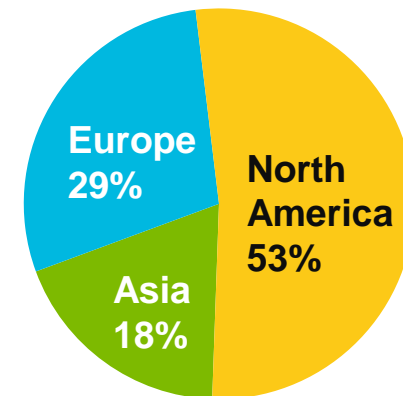
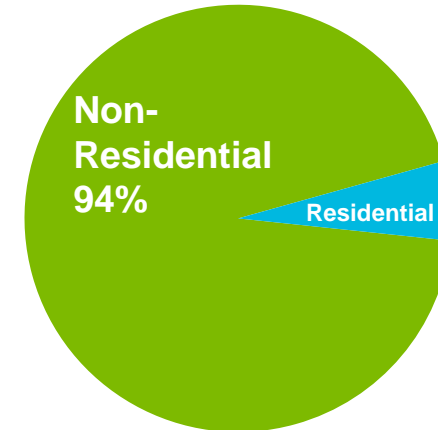


# Johnson Controls Building Efficiency

**Johnson Controls makes buildings in 125 countries more comfortable, productive and safe**

- Products or services in more than 1 million buildings globally
  - Services and solutions, HVAC equipment, control systems
- Our offerings are necessary to provide a comfortable indoor environment at the lowest operating cost
- Working with Johnson Controls delivers a payback: reduced energy and improved operational costs
- Positioned to take advantage of global growth megatrends: energy efficiency and sustainability

2009 sales  
**\$12.5 billion**



# Non-residential buildings

## Near term industry environment

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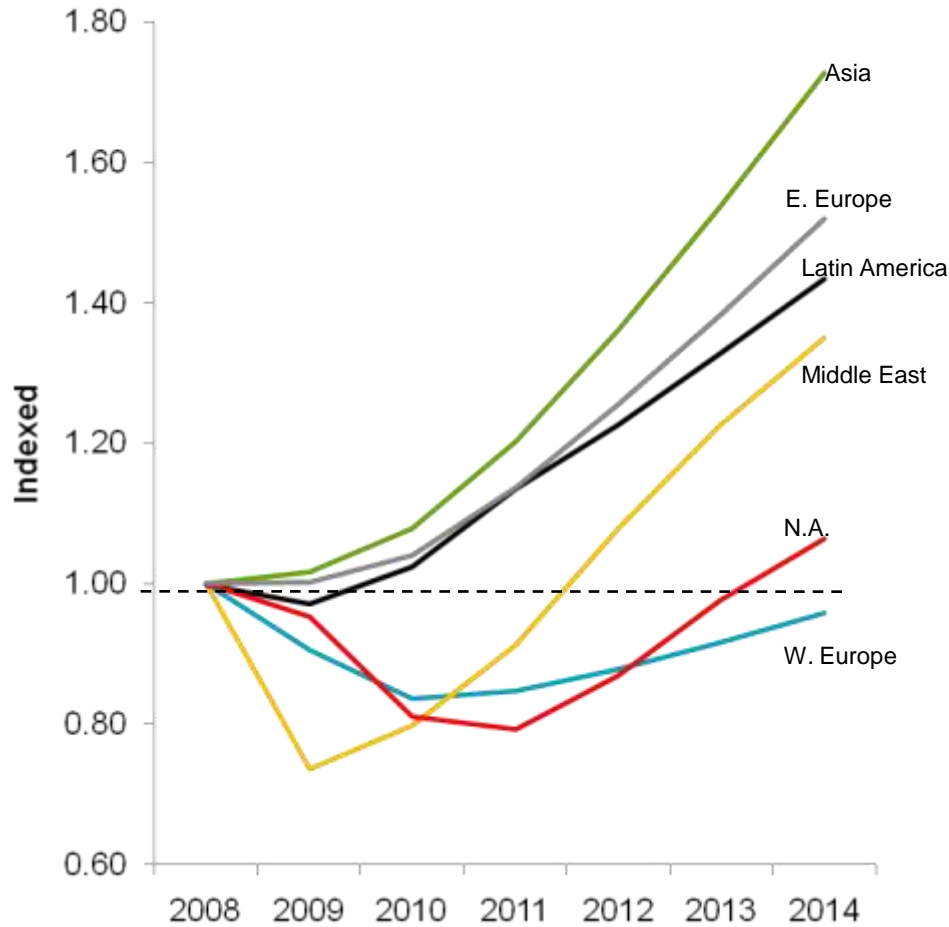
- Softening new construction continuing in mature markets
    - North American “institutional” market, which represents more than half our new construction sales, has largely outperformed the overall market
  - Capital constraints resulting in atypical customer behavior (deferrals)
  - U.S. government stimulus expected to have a positive impact beginning in the second half of 2010
  - Increasing likelihood of energy efficiency / sustainability legislative requirements worldwide
  - Momentum building for greenhouse gas reduction
    - Global 1000 companies shifting from measurement to action
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# Growth opportunity

## Emerging markets

**Global Non-Residential Construction Forecast:**  
**2008-2014**



Source: Global Insight

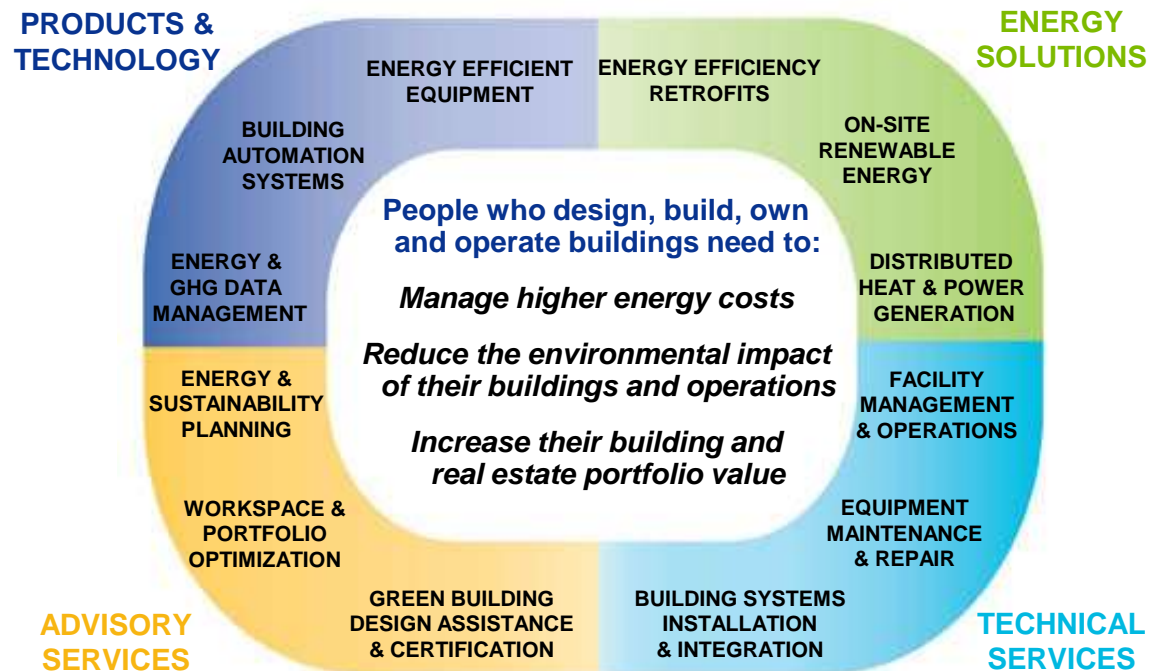
	'08-'09 CAGR	'09-'10 CAGR	'10-'11 CAGR	'11-'12 CAGR	'12-'13 CAGR
North America	-5%	-15%	-2%	10%	12%
Western Europe	-10%	-8%	1%	4%	4%
Eastern Europe	0%	4%	9%	10%	10%
Asia	2%	6%	11%	13%	13%
Middle East	-26%	8%	14%	18%	14%
Latin America	-3%	5%	11%	8%	8%

# Growth opportunity

## Energy efficiency and sustainability

### Why Johnson Controls?

- No one can match our consulting, design, operation and measurement capabilities
  - Global execution
  - Real, tangible, measurable and guaranteed savings
  - Differentiated advisory capabilities
  - Enterprise-wide visibility to GHG footprint, utility spend, and progress achieved by projects

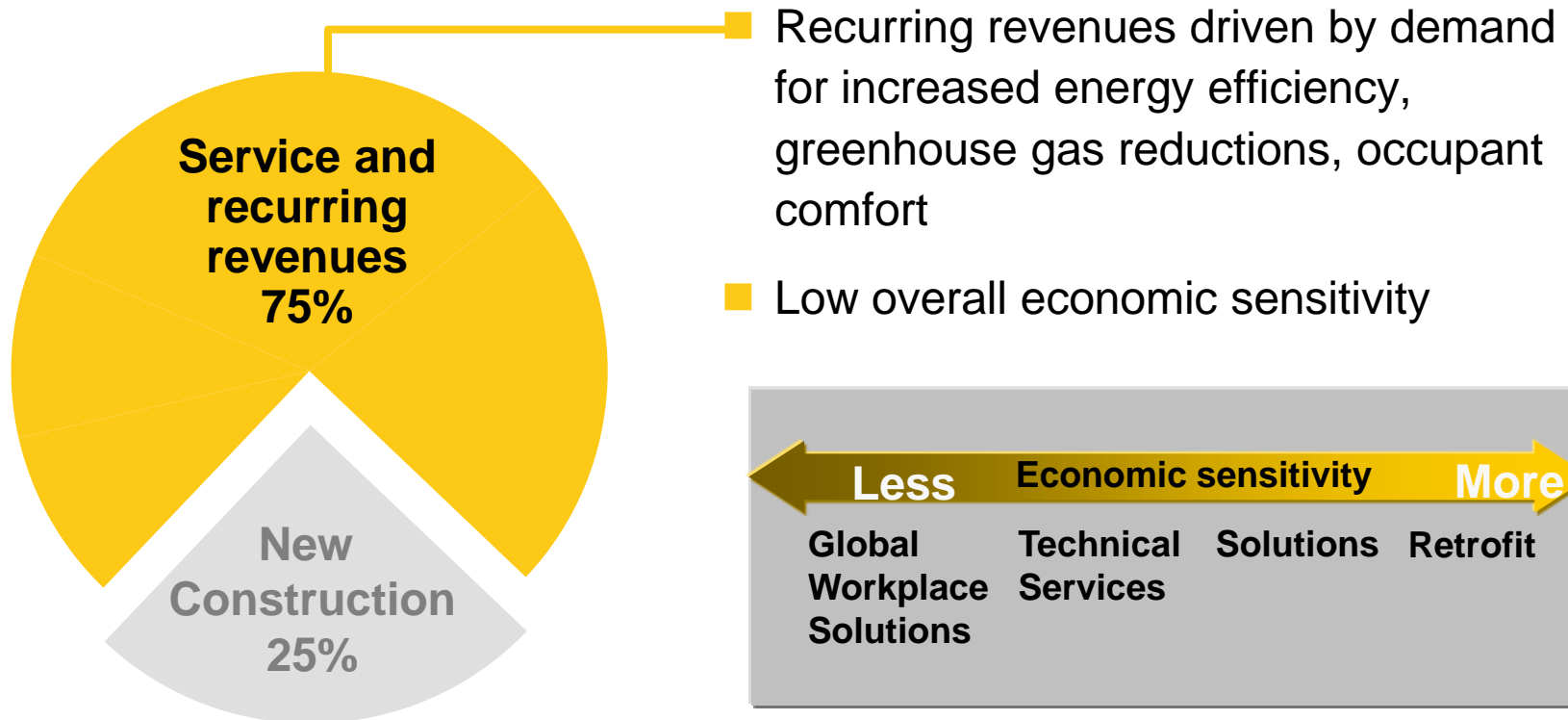


**Continuing to expand our capabilities organically and through acquisitions**

# Building Efficiency

High level of recurring revenues

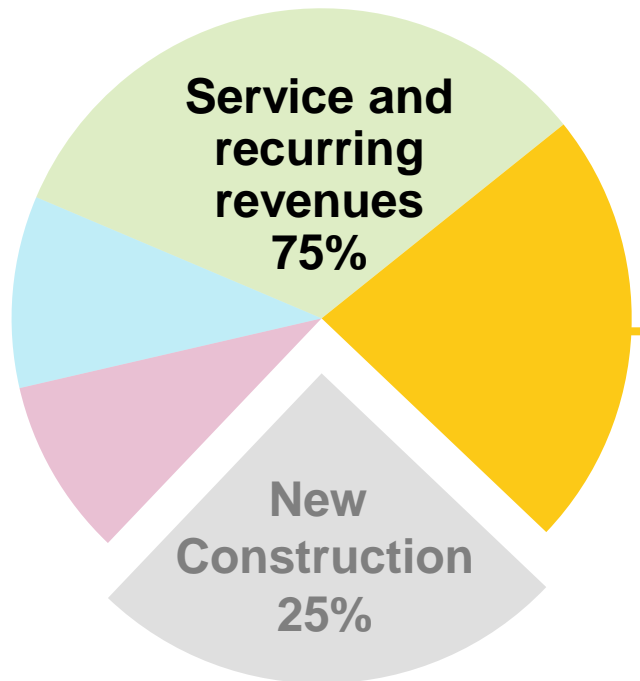
## Building Efficiency commercial building sales



# Building Efficiency

High level of recurring revenues

## Building Efficiency commercial building sales



### Global Workplace Solutions

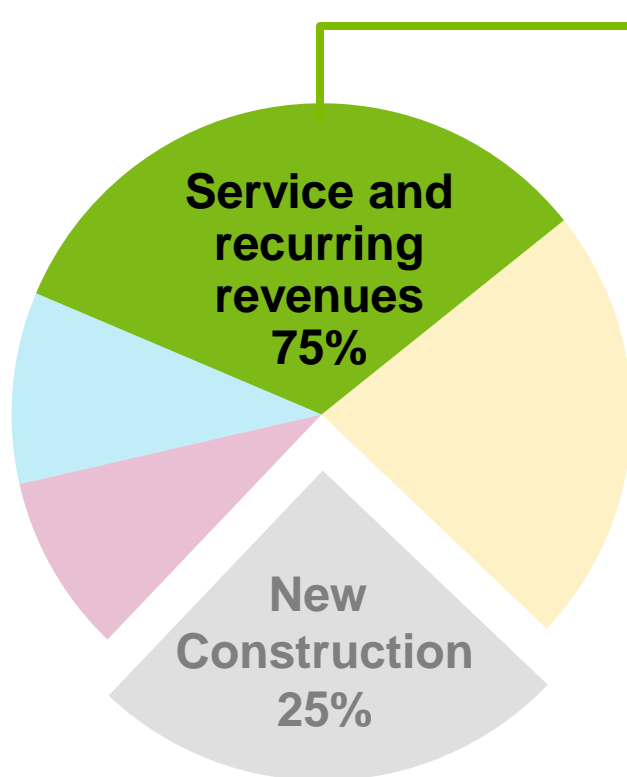
- On-site management and operation of facilities
- Primary customers: Global 1000
- Multi-year contracts
- Counter-cyclical: companies looking to cut costs turn to outsourcing



# Building Efficiency

High level of recurring revenues

## Building Efficiency commercial building sales



### ■ Technical services

- Van-based repair, maintain services via local Johnson Controls branch offices
- Typically contracts: one or more years
- Not highly economically sensitive; deferred maintenance leads to higher energy costs, equipment failure
- High renewal rates
- Highest service penetration in N. America
- Service culture developing in China, Middle East

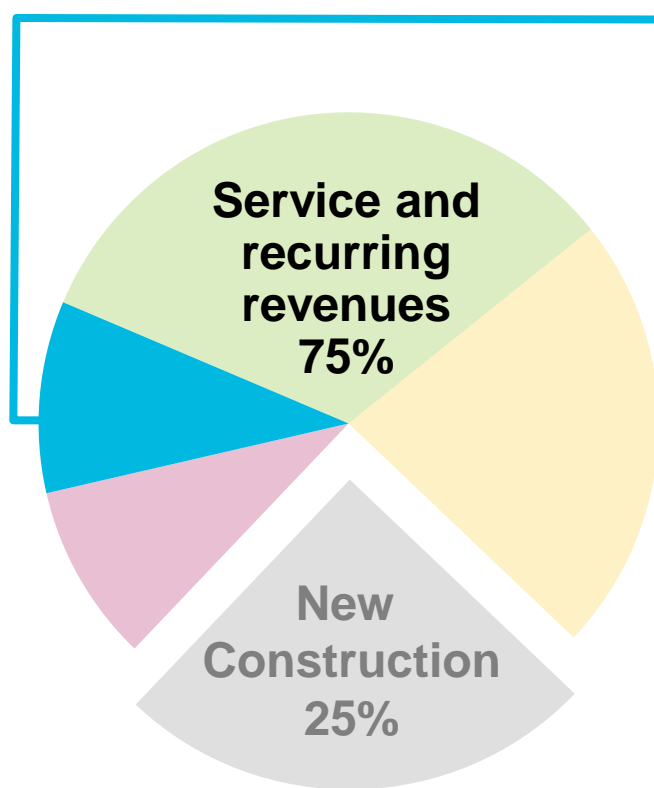


# Building Efficiency

High level of recurring revenues

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## Building Efficiency commercial building sales



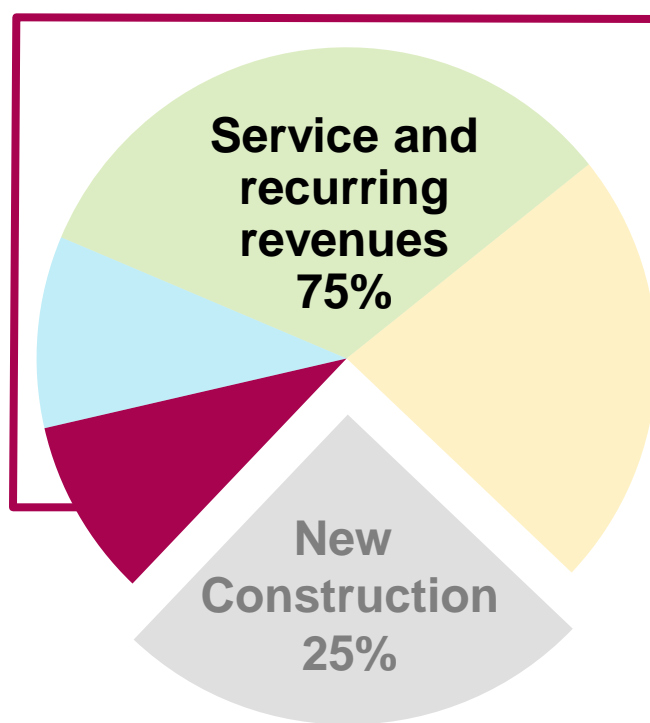
### Solutions

- Bundled offerings, driven by energy efficiency improvements / alt. energy
- HVAC equipment and controls installations, coupled with multi-year service contracts
- Popular in government and education buildings as it requires no capital outlay and provides positive cash flow; offsets bonding, tax revenue issues
- Primarily North America
- Clinton Climate Initiative bringing performance contracting to new markets

# Building Efficiency

High level of recurring revenues

## Building Efficiency commercial building sales



### ■ Retrofit

- Primarily replacement of HVAC equipment and controls at end of life or failure
- Not generally deferrable for prolonged periods
- Includes engineering and installation services

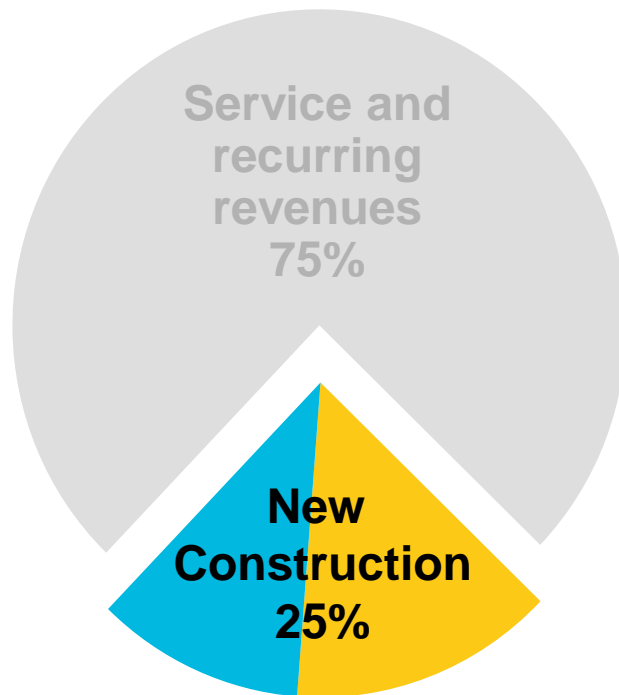


# Building Efficiency

High level of recurring revenues

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## Building Efficiency commercial building sales



### ■ North America

- High concentration in "institutional" buildings
  - Government, healthcare, education
  - Institutional sector historically performs significantly better than overall construction market; true this cycle as well
  - October ABI: 3 point increase in billings

### ■ International

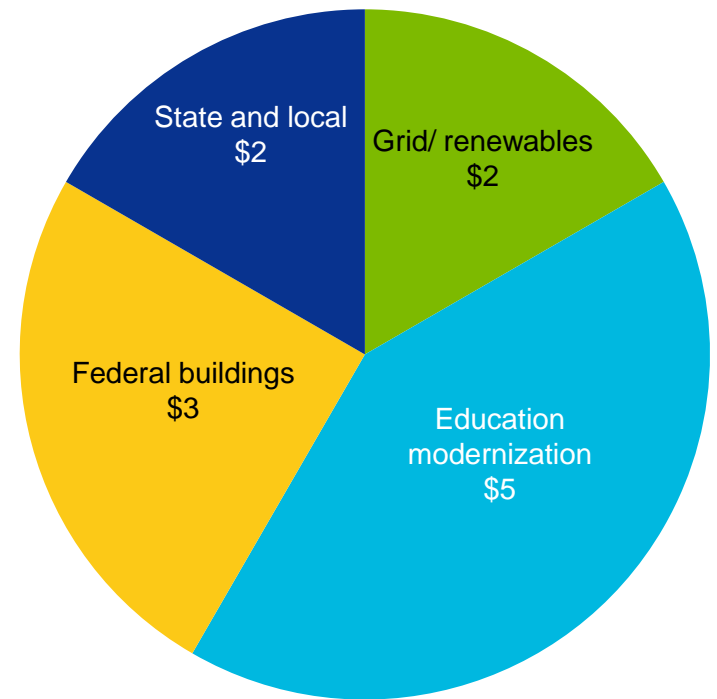
- Europe down
  - Middle East recovering
  - China up low double-digit
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# Growth opportunity

## Increased role of government

- To date, stimulus has held back projects that normally would have been already awarded
- Federal projects furthest along in bidding process; education the slowest
- Expected to meaningfully impact revenue starting in 2H 2010; greater impact in 2011
- Current JCI bidding activity
  - 3,300 bids
  - Value of \$2.7 billion

**United States - \$12 B target JCI addressable market opportunity**



# 2010 Outlook

- Greater market stability
  - Good growth expected in certain geographic markets: China automotive, Middle East buildings
- Increasing benefits from restructuring actions
  - Incremental 2010 benefit: \$0.25 - \$0.40 per diluted share
  - Final plant closures in 2010; timing tied to automotive OE plant closures
- Commodities not expected to be a significant factor
  - Copper hedges
  - Indexing in Automotive Experience

## FY 2010 guidance\*

### Sales

Approx. \$31B (+9%)

### EPS

Approx. \$1.35 – 1.45

### Segment inc. margin

+250 bps

### Net financing charges

Approx \$200 - \$210

### Cap ex.

\$625-675m

### Net debt to cap

Below 20%

\* Guidance issued 10/13/09

## Fiscal 2010 key assumptions\*

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### Automotive build

	<u>2009</u>	<u>2010e</u>
North America	8.6m	9.8m
Europe	15.8m	15.8m
China (passenger vehicles)	7.0m	8.3m

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### Construction spending

Residential – U.S.	-18%	+18%
Non-residential – U.S.	-13%	-15%
– Institutional buildings	-3%	+1%
Non-residential – Western Europe	+2%	-8%
– Asia / Middle East / Latin America	-26% to +2%	+4% to +8%

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\*Announced 10/13/09

# Automotive Experience

## 2010 Financial outlook\*

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### Sales up 13%

- Volume recovery in North America
- Growth in emerging markets
- Largely via unconsolidated joint ventures
- Takeover business re-sourced from distressed competitors
- Significant number of launches in Europe

### Segment margin 1.3% - 1.6%

- Benefits of restructuring
- Return to profitability in North America and Europe
- Continued growth in China, Japan and Korea
- Increased investment in engineering and product development

### Mid-term margin potential: 6-7%

- Market share growth
- Volume recovery in all markets
- Continued growth in Asia
- Benefits of restructuring
- New business quoting disciplines
- Margin target consistent with return metrics

\* Guidance issued 10/13/09

# Power Solutions

## 2010 Financial outlook\*

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### Sales up 17% (up 6% excluding lead)

- Volume gains across all regions
- Market share growth
- New contract wins
- Benefit of global capacity expansion

### Segment margin 11% – 11.2%

- Manufacturing process efficiency improvements
- Restructuring savings / higher utilization rates
- Growing investment in hybrid technology – government funding secured

**Mid-term underlying margin potential: +200 to +250 bps vs. 2010**

- Manufacturing improvements
- Vertical integration
- Improved product mix

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\* Guidance issued 10/13/09

# Building Efficiency

## 2010 Financial outlook\*

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### Sales up 3%

- Emerging market growth, partially offset by mature market declines
- Strong solutions pipeline due to order deferrals
- Slow maturation of ARRA related orders
- Relatively stable service demand
- Second half recovery anticipated

### Segment margin of 5.6% - 5.8%

(6.9% - 7.1% excluding GWS)

- Benefits of volume growth in emerging markets
- Turnaround in residential business
- Investments in future growth opportunities

**Mid-term margin potential: 10%**  
(excluding Global Workplace Solutions)

- Market share growth
- Restructuring benefits
- Infrastructure/ emerging market investments

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\* Guidance issued 10/13/09

# Johnson Controls

## Summary

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- Positioned for a return to profitable growth – in both mature and new markets
- Strategies and offerings aligned with global growth megatrends
  - Energy efficiency
  - Sustainability
  - Emerging markets
- Market insight and customer relationships to adapt to and lead industry change
- Management expertise in effectively deploying capital and creating shareholder value
- World class cost discipline
- Financial strength to accelerate our investments in growth opportunities

**We believe our unique capabilities and growth strategies will enable us to sustainably outperform our markets**