



United Technologies

3Q 2019 Earnings Conference Call

October 22, 2019

| OTIS

| CARRIER

| PRATT & WHITNEY

| COLLINS AEROSPACE SYSTEMS

| NYSE: UTX

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Note: All results and expectations in this presentation reflect continuing operations unless otherwise noted.

This communication contains statements which, to the extent they are not statements of historical or present fact, constitute “forward-looking statements” under the securities laws. From time to time, oral or written forward-looking statements may also be included in other information released to the public. These forward-looking statements are intended to provide management’s current expectations or plans for our future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “expectations,” “plans,” “strategy,” “prospects,” “estimate,” “project,” “target,” “anticipate,” “will,” “should,” “see,” “guidance,” “outlook,” “confident,” “on track” and other words of similar meaning. Forward-looking statements may include, among other things, statements relating to future sales, earnings, cash flow, results of operations, uses of cash, share repurchases, tax rates, R&D spend, other measures of financial performance, potential future plans, strategies or transactions, credit ratings and net indebtedness, other anticipated benefits of the Rockwell Collins acquisition, the proposed merger with Raytheon Company (“Raytheon”) or the spin-offs by UTC of Otis and Carrier into separate independent companies (the “separation transactions”), including estimated synergies and customer cost savings resulting from the proposed merger with Raytheon, the expected timing of completion of the proposed merger and the separation transactions, estimated costs associated with such transactions and other statements that are not historical facts. All forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Such risks, uncertainties and other factors include, without limitation: (1) the effect of economic conditions in the industries and markets in which UTC and Raytheon operate in the U.S. and globally and any changes therein, including financial market conditions, fluctuations in commodity prices, interest rates and foreign currency exchange rates, levels of end market demand in construction and in both the commercial and defense segments of the aerospace industry, levels of air travel, financial condition of commercial airlines, the impact of weather conditions and natural disasters, the financial condition of our customers and suppliers, and the risks associated with U.S. government sales (including changes or shifts in defense spending due to budgetary constraints, spending cuts resulting from sequestration, a government shutdown, or otherwise, and uncertain funding of programs); (2) challenges in the development, production, delivery, support, performance and realization of the anticipated benefits (including our expected returns under customer contracts) of advanced technologies and new products and services; (3) the scope, nature, impact or timing of the proposed merger with Raytheon and the separation transactions and other merger, acquisition and divestiture activity, including among other things the integration of or with other businesses and realization of synergies and opportunities for growth and innovation and incurrence of related costs and expenses; (4) future levels of indebtedness, including indebtedness that may be incurred in connection with the proposed merger with Raytheon and the separation transactions, and capital spending and research and development spending; (5) future availability of credit and factors that may affect such availability, including credit market conditions and our capital structure; (6) the timing and scope of future repurchases by the companies of their respective common stock, which may be suspended at any time due to various factors, including market conditions and the level of other investing activities and uses of cash; (7) delays and disruption in delivery of materials and services from suppliers; (8) company and customer-directed cost reduction efforts and restructuring costs and savings and other consequences thereof (including the potential termination of U.S. government contracts and performance under undefinitized contract awards and the potential inability to recover termination costs); (9) new business and investment opportunities; (10) the ability to realize the intended benefits of organizational changes; (11) the anticipated benefits of diversification and balance of operations across product lines, regions and industries; (12) the outcome of legal proceedings, investigations and other contingencies; (13) pension plan assumptions and future contributions; (14) the impact of the negotiation of collective bargaining agreements and labor disputes; (15) the effect of changes in political conditions in the U.S. and other countries in which UTC, Raytheon and the businesses of each operate, including the effect of changes in U.S. trade policies or the U.K.’s pending withdrawal from the European Union, on general market conditions, global trade policies and currency exchange rates in the near term and beyond; (16) the effect of changes in tax (including U.S. tax reform enacted on December 22, 2017, which is commonly referred to as the Tax Cuts and Jobs Act of 2017), environmental, regulatory and other laws and regulations (including, among other things, export and import requirements such as the International Traffic in Arms Regulations and the Export Administration Regulations, anti-bribery and anti-corruption requirements, including the Foreign Corrupt Practices Act, industrial cooperation agreement obligations, and procurement and other regulations) in the U.S. and other countries in which UTC, Raytheon and the businesses of each operate; (17) negative effects of the announcement or pendency of the proposed merger or the separation transactions on the market price of UTC’ and/or Raytheon’s respective common stock and/or on their respective financial performance; (18) the ability of the parties to receive the required regulatory approvals for the proposed merger (and the risk that such approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of the transaction) and to satisfy the other conditions to the closing of the merger on a timely basis or at all; (19) the occurrence of events that may give rise to a right of UTC or Raytheon or both to terminate the merger agreement; (20) risks relating to the value of the UTC’s shares to be issued in the proposed merger with Raytheon, significant transaction costs and/or unknown liabilities; (21) the possibility that the anticipated benefits from the proposed merger with Raytheon cannot be realized in full or at all or may take longer to realize than expected, including risks associated with third party contracts containing consent and/or other provisions that may be triggered by the proposed transaction; (22) risks associated with transaction-related litigation; (23) the possibility that costs or difficulties related to the integration of UTC’s and Raytheon’s operations will be greater than expected; (24) risks relating to completed merger, acquisition and divestiture activity, including UTC’s integration of Rockwell Collins, including the risk that the integration may be more difficult, time-consuming or costly than expected or may not result in the achievement of estimated synergies within the contemplated time frame or at all; (25) the ability of each of UTC, Raytheon and the companies resulting from the separation transactions and the combined company to retain and hire key personnel; (26) the expected benefits and timing of the separation transactions, and the risk that conditions to the separation transactions will not be satisfied and/or that the separation transactions will not be completed within the expected time frame, on the expected terms or at all; (27) the intended qualification of (i) the merger as a tax-free reorganization and (ii) the separation transactions as tax-free to UTC and UTC’s shareowners, in each case, for U.S. federal income tax purposes; (28) the possibility that any opinions, consents, approvals or rulings required in connection with the separation transactions will not be received or obtained within the expected time frame, on the expected terms or at all; (29) expected financing transactions undertaken in connection with the proposed merger with Raytheon and the separation transactions and risks associated with additional indebtedness; (30) the risk that dissynergy costs, costs of restructuring transactions and other costs incurred in connection with the separation transactions will exceed UTC’s estimates; and (31) the impact of the proposed merger and the separation transactions on the respective businesses of UTC and Raytheon and the risk that the separation transactions may be more difficult, time-consuming or costly than expected, including the impact on UTC’s resources, systems, procedures and controls, diversion of its management’s attention and the impact on relationships with customers, suppliers, employees and other business counterparties. There can be no assurance that the proposed merger, the separation transactions or any other transaction described above will in fact be consummated in the manner described or at all. For additional information on identifying factors that may cause actual results to vary materially from those stated in forward-looking statements, see the joint proxy statement/prospectus (defined below) and the reports of UTC and Raytheon on Forms 10-K, 10-Q and 8-K filed with or furnished to the Securities and Exchange Commission (the “SEC”) from time to time. Any forward-looking statement speaks only as of the date on which it is made, and UTC assumes no obligation to update or revise such statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

2019 Outlook



Adjusted EPS*

\$8.05 - \$8.15 up from \$7.90 - \$8.05

+13 cents

Increasing mid point of prior outlook



Sales

\$76.0 - \$76.5B from \$75.5 - \$77.0B



Organic sales*

4% - 5%



Free cash flow*

\$5.3 - \$5.7B up from \$4.5 - \$5.0B

Includes \$1.0B of one-time portfolio separation costs (prior outlook \$1.5B)

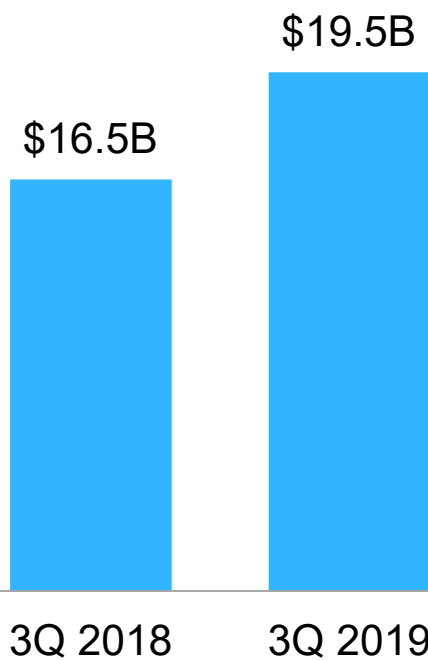
+\$750M

Increasing mid point of prior outlook

3Q 2019

Sales

Up 18%

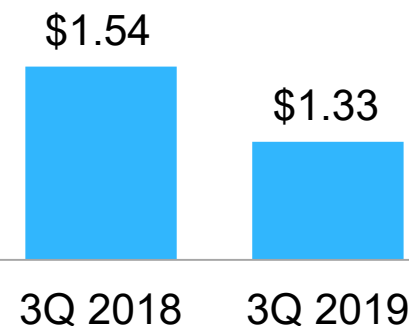


Organic*	5 pts.
FX	(1) pt.
Net Acq.	14 pts.

EPS

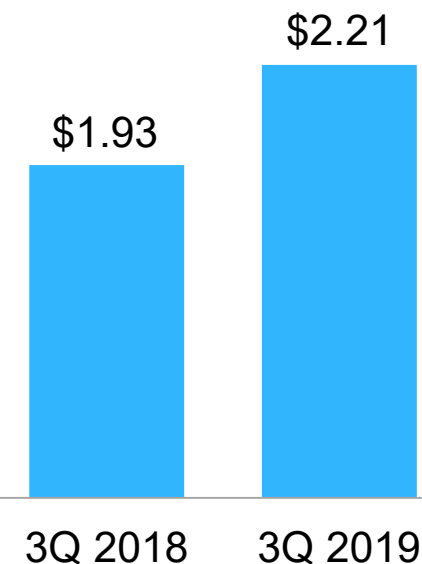
GAAP

Down 14%



Adjusted*

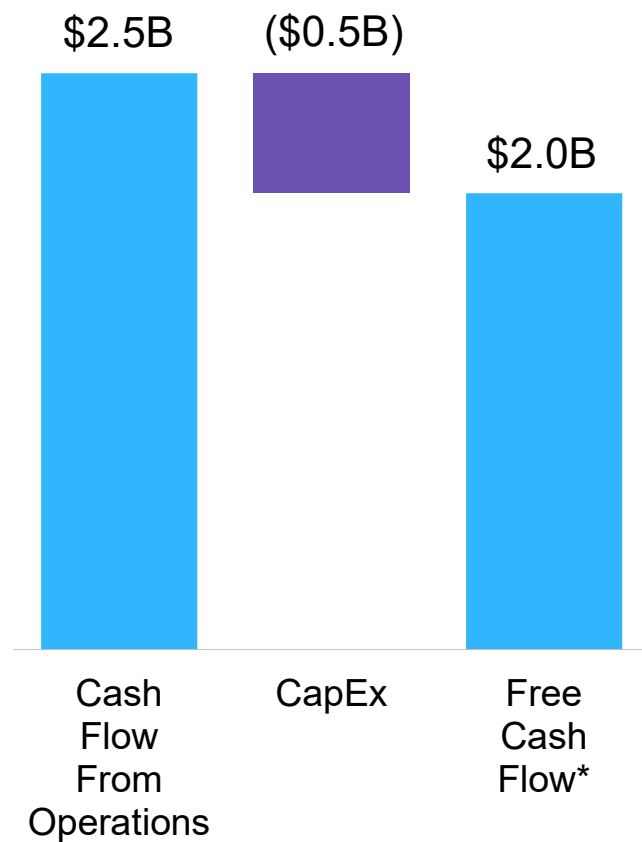
Up 15%



(\$0.39)	(\$0.88)
Restructuring/ Other items gain/(charge)	

Cash Flow

(attributable to common shareowners)

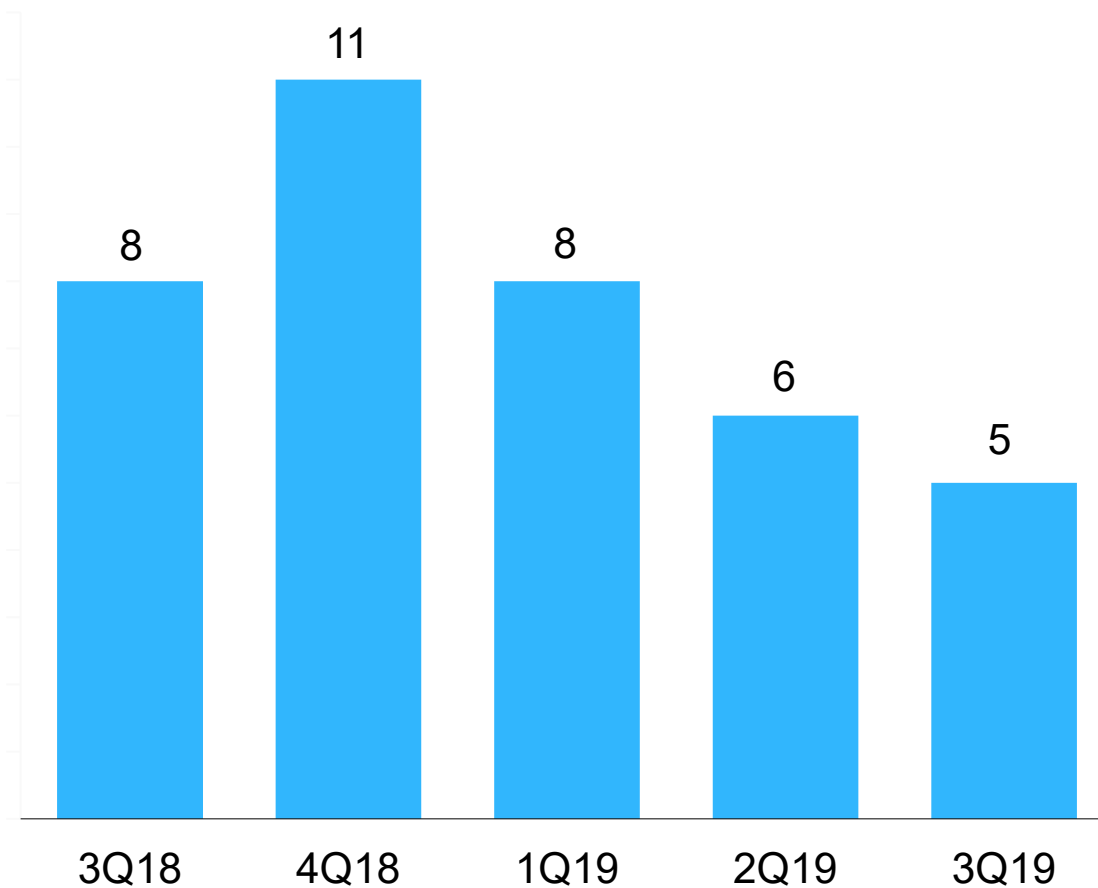


*See appendix for additional information regarding these non-GAAP financial measures.

Organic Sales Growth

(VPY %)

Quarterly Trend



3Q 2019

UTC = 5%

Commercial

Americas

0

EMEA

0

Asia

7

Aerospace

Commercial Aero

6

Military Aero

15

3Q 2019 Segment Highlights

Otis

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	3,307	3,307	3%
Operating profit	508	512	5%
ROS	15.4%	15.5%	0.3 pts

Organic sales up 4%*

Service up 6%

New equipment up 2%

Adjusted operating profit* up 7%**

Favorable price and mix

Higher service volume

New equipment orders up 6%

Americas up 10%

China up 5%



Otis Electric will further expand its footprint in Hangzhou by providing the city's Metro Line 7 with more than 150 elevators and escalators. The new subway line will connect Hangzhou Airport, West Lake area and the stadium for the Asian Games to be held in 2022.



Otis Americas has been awarded 1105 West Peachtree, a high-rise multi-tower mixed use project in downtown Atlanta. The project consists of 32 units total: 10 SkyRise® high rise elevators, 21Gen2® elevators, and 1 HydroFit® elevator.

*See appendix for additional information regarding these non-GAAP financial measures.

**At constant currency.

3Q 2019 Segment Highlights

Carrier

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	4,822	4,822	(1%)
Operating profit	685	861	0%
ROS	14.2%	17.9%	0.3 pts

Organic sales flat*

Global Fire & Security up 2%

Global HVAC flat

Transport Refrigeration down 6%

Adjusted operating profit* up 1%**

Higher pricing contribution

Material productivity

Lower Residential HVAC and Refrigeration volume

Adverse mix

Organic equipment orders down 11%

Transport Refrigeration down 68%

Global HVAC up 6%



Det-Tronics introduced a new high-speed deluge module (HSDM) for its Eagle Quantum Premier® (EQP) fire and gas safety controller. The HSDM is the industry's only listed flame detection and releasing system capable of an ultra-high-speed response of 100 milliseconds or less.

*See appendix for additional information regarding these non-GAAP financial measures.

**At constant currency.

3Q 2019 Segment Highlights

Pratt & Whitney

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	5,283	5,283	10%
Operating profit	471	471	15%
ROS	8.9%	8.9%	0.4 pts

Organic sales up 11%*

Sales up 10%

Military up 15%

Commercial OEM up 17%

Commercial aftermarket up 6%

Adjusted operating profit* up 15%

Military and commercial aftermarket volume growth

GTF cost reduction and favorable commercial OEM mix

Absence of prior year favorable aftermarket contract adjustments

Higher E&D and SG&A



The first Gulfstream G600, powered by Pratt & Whitney's PW815GA engines, was delivered to a North American customer in August, marking the entry into service of the engine and the long-range business jet.

*See appendix for additional information regarding these non-GAAP financial measures.

3Q 2019 Segment Highlights

Collins Aerospace

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	6,495	6,495	64%
Operating profit	1,167	1,195	91%
ROS	18.0%	18.4%	2.5 pts

Organic sales up 7%*

Pro-forma sales up 6%*

Commercial aftermarket up 17%

Military up 5%

Commercial OEM down 2%

Adjusted operating profit* up 91%

Contribution from Rockwell Collins

Drop through on organic volume

Synergy capture



Collins Aerospace Systems' SelfPass™ biometric solution is set to be installed at all of McCarran Airport's international gates. SelfPass™ takes less than one second to capture and process a passenger's facial image and eliminates the need to repeatedly present travel documents, making the process more efficient for passengers, airlines and airports.

*See appendix for additional information regarding these non-GAAP financial measures and pro-forma financial information.

Appendix

Use and Definitions of Non-GAAP Financial Measures

United Technologies Corporation reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP").

We supplement the reporting of our financial information determined under GAAP with certain non-GAAP financial information. The non-GAAP information presented provides investors with additional useful information, but should not be considered in isolation or as substitutes for the related GAAP measures. Moreover, other companies may define non-GAAP measures differently, which limits the usefulness of these measures for comparisons with such other companies. We encourage investors to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

Adjusted net sales, organic sales, adjusted operating profit, adjusted net income, adjusted earnings per share ("EPS"), and the adjusted effective tax rate are non-GAAP financial measures. Adjusted net sales represents consolidated net sales from continuing operations (a GAAP measure), excluding significant items of a non-recurring and/or nonoperational nature (hereinafter referred to as "other significant items"). Organic sales represents consolidated net sales (a GAAP measure), excluding the impact of foreign currency translation, acquisitions and divestitures completed in the preceding twelve months and other significant items. Adjusted operating profit represents income from continuing operations (a GAAP measure), excluding restructuring costs and other significant items. Adjusted net income represents net income from continuing operations (a GAAP measure), excluding restructuring costs and other significant items. Adjusted EPS represents diluted earnings per share from continuing operations (a GAAP measure), excluding restructuring costs and other significant items. The adjusted effective tax rate represents the effective tax rate (a GAAP measure), excluding restructuring costs and other significant items. For the business segments, when applicable, adjustments of net sales, operating profit and margins similarly reflect continuing operations, excluding restructuring and other significant items. Management believes that the non-GAAP measures just mentioned are useful in providing period-to-period comparisons of the results of the Company's ongoing operational performance.

Free cash flow is a non-GAAP financial measure that represents cash flow from operations (a GAAP measure) less capital expenditures. Management believes free cash flow is a useful measure of liquidity and an additional basis for assessing UTC's ability to fund its activities, including the financing of acquisitions, debt service, repurchases of UTC's common stock and distribution of earnings to shareholders.

A reconciliation of the non-GAAP measures to the corresponding amounts prepared in accordance with GAAP appears in the tables in this Appendix. The tables provide additional information as to the items and amounts that have been excluded from the adjusted measures.

When we provide our expectation for adjusted EPS, adjusted operating profit, adjusted effective tax rate, organic sales and free cash flow on a forward-looking basis, a reconciliation of the differences between the non-GAAP expectations and the corresponding GAAP measures (expected diluted EPS from continuing operations, operating profit, the effective tax rate, sales and expected cash flow from operations) generally is not available without unreasonable effort due to potentially high variability, complexity and low visibility as to the items that would be excluded from the GAAP measure in the relevant future period, such as unusual gains and losses, the ultimate outcome of pending litigation, fluctuations in foreign currency exchange rates, the impact and timing of potential acquisitions and divestitures, and other structural changes or their probable significance. The variability of the excluded items may have a significant, and potentially unpredictable, impact on our future GAAP results.

Important Information about the Proposed Merger

Additional Information

In connection with the proposed merger, on September 4, 2019, UTC filed with the SEC an amendment to the registration statement on Form S-4 originally filed on July 17, 2019, which includes a joint proxy statement of UTC and Raytheon that also constitutes a prospectus of UTC (the “joint proxy statement/prospectus”). The registration statement was declared effective by the SEC on September 9, 2019, and UTC and Raytheon commenced mailing the joint proxy statement/prospectus to shareowners of UTC and stockholders of Raytheon on or about September 10, 2019. Each party will file other documents regarding the proposed merger with the SEC. In addition, in connection with the separation transactions, subsidiaries of UTC will file registration statements on Form 10 or Form S-1. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT DOCUMENTS FILED OR THAT WILL BE FILED WITH THE SEC WHEN THEY BECOME AVAILABLE, BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain copies of the registration statements and the joint proxy statement/prospectus free of charge from the SEC’s website or from UTC or Raytheon. The documents filed by UTC with the SEC may be obtained free of charge at UTC’s website at www.utc.com or at the SEC’s website at www.sec.gov. These documents may also be obtained free of charge from UTC by requesting them by mail at UTC Corporate Secretary, 10 Farm Springs Road, Farmington, CT, 06032, by telephone at 1-860-728-7870 or by email at corpsec@corphq.utc.com. The documents filed by Raytheon with the SEC may be obtained free of charge at Raytheon’s website at www.raytheon.com or at the SEC’s website at www.sec.gov. These documents may also be obtained free of charge from Raytheon by requesting them by mail at Raytheon Company, Investor Relations, 870 Winter Street, Waltham, MA, 02451, by telephone at 1-781-522-5123 or by email at invest@raytheon.com.

No Offer or Solicitation

This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

2019 Expectations

(YoY)

	Organic sales change*	Reported sales change	Adjusted operating profit change* (Including translational FX)
Otis	up low-mid single	up slightly	\$0 – 25M
Carrier	flat	down low single	(\$125) – (100M)
Pratt & Whitney	up high single	up high single	\$225 – 250M
Collins Aerospace	up mid-high single	up ~55%	\$1,850 – 1,875M

*See appendix for additional information regarding these non-GAAP financial measures.

2019 Expectations

Collins Aerospace

<u>Organic* Sales Detail</u>		<u>July Outlook</u>		<u>October Outlook</u>
Commercial OE		up low single		flat
Commercial AM		up high single		up low teens
Military		up mid single		up ~10%
Total Organic*		up mid single		up mid to high single
Total Reported		up ~50%		up ~55%
<u>Adjusted Operating Profit*</u>		<u>July Outlook</u>		<u>October Outlook</u>
Commercial OE/AM	+	150 – 175	+	200 – 225
Military	+	~75	+	~100
Incremental Rockwell Collins EBIT	+	1,375 – 1,400	+	~1,425
Synergies	+	~200	+	~250
Integration / Other costs	—	~125	—	~150
2019 expectations (Excluding FX)	+	\$1,675 – 1,725M	+	\$1,825 – 1,850
FX	+	~25	+	~25
2019 expectations (Including FX)	+	\$1,700 – 1,750M	+	\$1,850 – \$1,875

Carrier

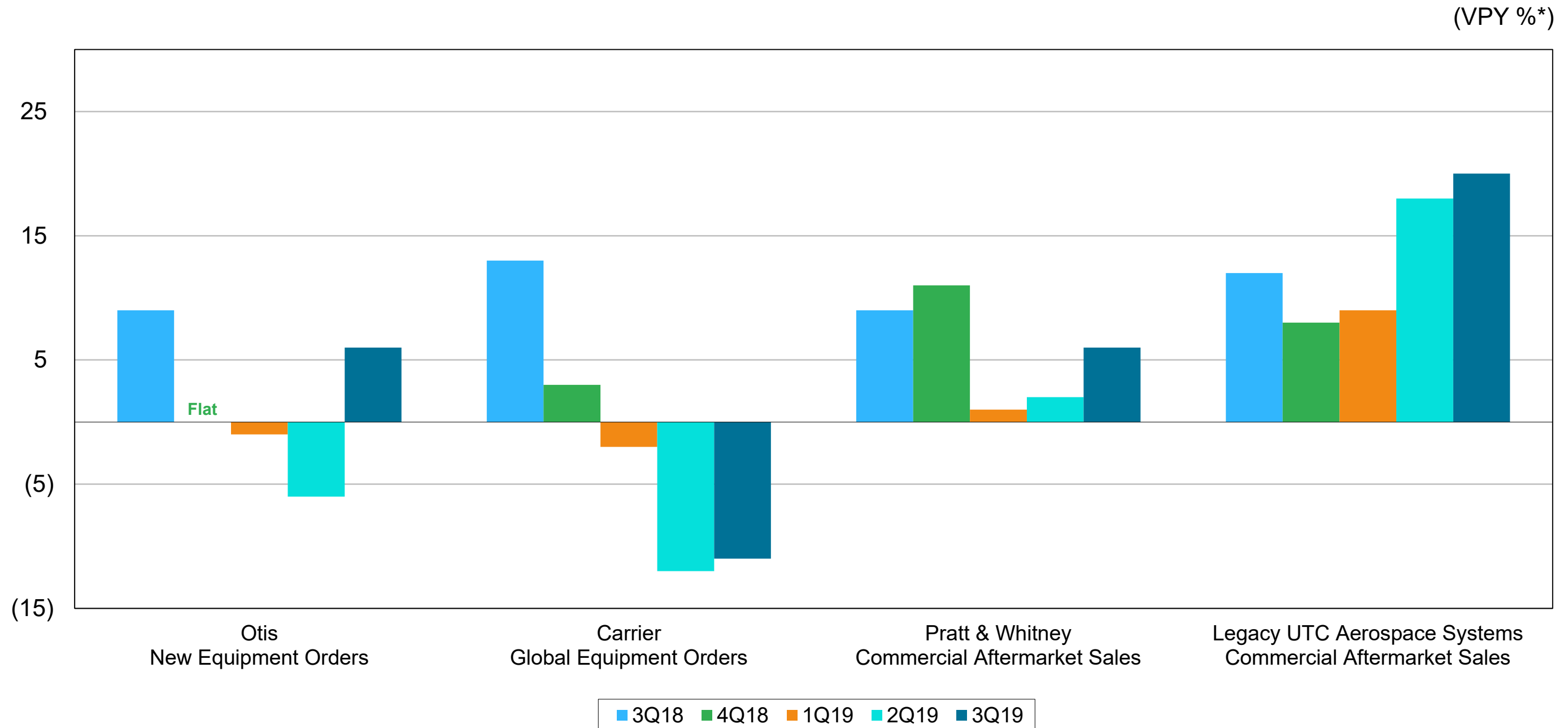
(\$ millions)

<u>Organic* Sales Detail</u>		<u>July Outlook</u>		<u>October Outlook</u>
Global HVAC		up low to mid single		up slightly
Global Fire & Security		up low single		up slightly
Global Refrigeration		up low single		down low single
Total Organic*		up low single		flat
Total Reported		flat		down low single
<u>Adjusted Operating Profit*</u>		<u>July Outlook</u>		<u>October Outlook</u>
Volume / mix	+	25 – 75	—	(100) – (75)
Net price / (cost) / productivity **	+	~75	+	~150
E&D / investment	—	~25	—	~25
One timers / Taylor / other	—	~50	—	~100
2019 expectations (Excluding FX)	+	\$25 – 75M	—	\$(75) – (50)
FX	—	~25	—	~50
2019 expectations (Including FX)	+	\$0 – 50M	—	\$(125) – (100)

*See this appendix for additional information regarding these non-GAAP financial measures.

**Includes pricing, commodities, tariffs, logistics, inflation, and non-E&D overhead costs.

Key Market Trends



Otis 12 Month Rolling New Equipment Orders

(VPY %*)

Trailing 12 months as of	<u>3Q 19</u>
Americas	(4%)
EMEA	(3%)
Asia	<u>2%</u>
Total Otis	(1%)

3Q 2019 Financial Data

(% VPY*)

Commercial Sales

<u>Otis</u>	<u>Americas</u>	<u>EMEA</u>	<u>Asia</u>	<u>Total</u>
New equipment	down mid single digit	down low single digit	up low double digit	up low single digit
Service	up high single digit	up mid single digit	up high single digit	up mid single digit

<u>Carrier</u>	<u>Americas</u>	<u>EMEA</u>	<u>Asia</u>	<u>Total</u>
Residential HVAC	down slightly			down slightly
Commercial HVAC	up slightly	flattish	up mid single digit	up slightly
Fire & security product	up low single digit	up low single digit	up mid single digit	up low single digit
Fire & security field	up low single digit	up low single digit	down slightly	up slightly
Transport refrigeration				down mid single digit
Commercial refrigeration				down mid single digit

Aerospace Sales

<u>Pratt & Whitney</u>		<u>Legacy UTC Aerospace Systems</u>	
Commercial OEM	up high teens	Commercial OEM	down high single digit
Commercial aftermarket	up mid single digit	Commercial aftermarket	up ~20%
Military	up mid teens	Military	up mid teens

*% VPY for Otis, Carrier and Legacy UTC Aerospace Systems sales are on an organic basis. % VPY for Pratt on a reported basis.

3Q 2019 Sales Reconciliation

	<u>Total Growth</u>	<u>Organic</u>	<u>FX</u>	<u>Net Acquisitions</u>	<u>Other</u>
Otis	3%	4%	(2%)	0%	1%
Carrier	(1%)	0%	(2%)	1%	0%
Pratt & Whitney	10%	11%	(1%)	0%	0%
Collins Aerospace	<u>64%</u>	<u>7%</u>	<u>(1%)</u>	<u>58%</u>	<u>0%</u>
Total UTC*	18%	5%	(1%)	14%	0%

Selected Metrics

Pratt & Whitney engine shipments to customers

	2018					2019			
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>YTD</u>
Military*	25	43	36	47	151	39	58	53	150
Large commercial**	124	210	198	247	779	189	173	165	527
Pratt & Whitney Canada*	503	492	546	641	2,182	524	593	607	1,724

*Excludes APUs.

**Large commercial excludes industrial engine shipments.

Segment Data – GAAP

UNITED TECHNOLOGIES CORPORATION

SEGMENT DATA - Reported

(\$ Millions except per share amounts)

Otis

	Q1	Q2	Q3	YTD 2019
Net Sales	3,096	3,348	3,307	9,751
Operating Profit (a)	426	515	508	1,449
Operating Profit %	13.8%	15.4%	15.4%	14.9%

Carrier

Net Sales	4,323	4,962	4,822	14,107
Operating Profit (a),(e),(u),(kk),(oo),(pp)	529	836	685	2,050
Operating Profit %	12.2%	16.8%	14.2%	14.5%

Pratt & Whitney

Net Sales (o)	4,817	5,150	5,283	15,250
Operating Profit (a),(l)	433	424	471	1,328
Operating Profit %	9.0%	8.2%	8.9%	8.7%

Collins Aerospace Systems

Net Sales	6,513	6,576	6,495	19,584
Operating Profit (a),(f),(o),(y),(z),(qq)	856	1,172	1,167	3,195
Operating Profit %	13.1%	17.8%	18.0%	16.3%

Total Segments

Net Sales	18,749	20,036	19,907	58,692
Operating Profit	2,244	2,947	2,831	8,022
Operating Profit %	12.0%	14.7%	14.2%	13.7%

Corporate, Eliminations, and Other

Net Sales:				
Other	(384)	(402)	(411)	(1,197)
Operating Profit:				
General corporate expenses	(98)	(124)	(113)	(335)
Eliminations and other				
(a),(b),(d),(h),(i),(k),(n),(p),(q),(r),(x),(aa),(bb),(cc),(dd),(hh),(ii),(jj)	(101)	(239)	(232)	(572)

Consolidated

Net Sales	18,365	19,634	19,496	57,495
Operating Profit	2,045	2,584	2,486	7,115
Operating Profit %	11.1%	13.2%	12.8%	12.4%

Non-service pension (benefit) cost (kk)

Interest expense, net (j),(s),(t),(ee),(ll)

Income from operations before income taxes

Income tax expense (c),(g),(m),(u),(v),(ff),(gg),(mm),(nn)

Effective Tax Rate

Income from operations

Net income

Less: Noncontrolling interest in subsidiaries' earnings (w)

Net income attributable to common shareowners

Net income attributable to common shareowners:
Income from operations

2018				
Q1	Q2	Q3	Q4	2018
3,037	3,344	3,223	3,300	12,904
450	488	486	491	1,915
14.8%	14.6%	15.1%	14.9%	14.8%
4,376	5,035	4,880	4,631	18,922
592	1,645	844	696	3,777
13.5%	32.7%	17.3%	15.0%	20.0%
4,329	4,736	4,789	5,543	19,397
413	397	109	350	1,269
9.5%	8.4%	2.3%	6.3%	6.5%
3,817	3,962	3,955	4,900	16,634
588	569	610	536	2,303
15.4%	14.4%	15.4%	10.9%	13.8%
15,559	17,077	16,847	18,374	67,857
2,043	3,099	2,049	2,073	9,264
13.1%	18.1%	12.2%	11.3%	13.7%
(317)	(372)	(337)	(330)	(1,356)
(104)	(126)	(109)	(136)	(475)
(11)	(97)	(102)	(26)	(236)
15,242	16,705	16,510	18,044	66,501
1,928	2,876	1,838	1,911	8,553
12.6%	17.2%	11.1%	10.6%	12.9%
(191)	(192)	(188)	(194)	(765)
229	234	258	317	1,038
1,890	2,834	1,768	1,788	8,280
(522)	(695)	(419)	(990)	(2,626)
27.6%	24.5%	23.7%	55.3%	31.7%
1,368	2,139	1,349	798	5,654
1,368	2,139	1,349	798	5,654
(71)	(91)	(111)	(112)	(385)
1,297	2,048	1,238	686	5,269
1,297	2,048	1,238	686	5,269

	Q1	Q2	Q3	YTD 2019	Q1	Q2	Q3	Q4	2018
Operations									
Earnings per share - basic	1.58	2.22	1.34	5.14	1.64	2.59	1.56	0.83	6.58
Earnings per share - diluted	1.56	2.20	1.33	5.09	1.62	2.56	1.54	0.83	6.50
Total EPS attributable to common shareowners									
Total basic earnings per share	1.58	2.22	1.34	5.14	1.64	2.59	1.56	0.83	6.58
Total diluted earnings per share	1.56	2.20	1.33	5.09	1.62	2.56	1.54	0.83	6.50
Weighted average number of shares outstanding (millions)									
Basic shares	853.2	854.4	855.1	854.2	789.9	790.5	791.3	822.7	800.4
Diluted shares	860.7	863.7	864.1	862.9	800.4	799.6	801.8	831.4	810.1

	Q1	Q2	Q3	YTD 2019	Q1	Q2	Q3	Q4	2018
Effective Tax Rate - ops	21.8%	18.1%	47.3%	29.6%	27.6%	24.5%	23.7%	55.3%	31.7%

Segment Data – Notes

The earnings release and conference-call discussion adjust 2019 and 2018 segment results for restructuring costs as well as certain significant non-recurring and/or non-operational items.

The following restructuring costs and significant non-recurring and/or non-operational items are included in current and prior year GAAP results and have been excluded from the adjusted results (non-GAAP measures) presented in the earnings release and conference-call discussion.

(a) Restructuring costs as included in 2019 and 2018 results:

	2019				2018				
	Restructuring Costs				Restructuring Costs				
	Q1	Q2	Q3	YTD 2019	Q1	Q2	Q3	Q4	2018
Operating Profit									
Otis	(25)	(15)	(4)	(44)	(26)	(23)	(3)	(19)	(71)
Carrier	(33)	(30)	(34)	(97)	(14)	(21)	(17)	(28)	(80)
Pratt & Whitney	(14)	(3)	-	(17)	-	(3)	-	10	7
Collins Aerospace Systems	(39)	(17)	(27)	(83)	(27)	(33)	(17)	(83)	(160)
Total Segments operating profit	(111)	(65)	(65)	(241)	(67)	(80)	(37)	(120)	(304)
General corporate expenses	(1)	(1)	(1)	(3)	(2)	(2)	-	(1)	(5)
Eliminations and other	-	-	-	-	-	-	-	-	-
Total consolidated operating profit	(112)	(66)	(66)	(244)	(69)	(82)	(37)	(121)	(309)
Non-service pension costs	-	-	-	-		2			2
Total UTC Net Income	(112)	(66)	(66)	(244)	(69)	(80)	(37)	(121)	(307)

- (b) Q1 2018: Approximately \$30 million of transaction and integration costs related to merger agreement with Rockwell Collins.
- (c) Q1 2018: Approximately \$44 million of unfavorable income tax adjustments related to the estimated impact of the U.S tax reform legislation, including the effects related to repatriation of undistributed foreign earnings provision and other revaluations of U.S deferred taxes.
- (d) Q2 2018: Approximately \$20 million of transaction and integration costs related to merger agreement with Rockwell Collins.
- (e) Q2 2018 Approximately \$795 million of pre-tax gains related to the divestiture of Taylor Co from Carrier.
- (f) Q2 2018 Approximately \$48 million of unfavorable charges associated with asset impairment at Collins Aerospace Systems.
- (g) Q2 2018: Approximately \$2 million of unfavorable income tax adjustments related to the estimated impact of the U.S tax reform legislation, including the effects related to repatriation of undistributed foreign earnings provision and other revaluations of U.S deferred taxes.
- (h) Q3 2018 Approximately \$21 million of transaction and integration costs related to merger agreement with Rockwell Collins.
- (i) Q3 2018 Approximately \$4 million of pre-tax gains related to the divestiture of Taylor Co from Carrier.
- (j) Q3 2018 Approximately \$22 million of pre-tax interest charges related to the Rockwell Collins acquisition.
- (k) Q3 2018 Approximately \$23 million of pre-tax charges associated with the Company's intention to separate its commercial businesses.
- (l) Q3 2018 Approximately \$300 million of pre-tax charges resulting from customer contract matters.
- (m) Q3 2018 Approximately \$6 million of unfavorable income tax adjustments related to the estimated impact of the U.S tax reform legislation, including the effects related to repatriation of undistributed foreign earnings provision and other revaluations of U.S deferred taxes.
- (n) Q4 2018 Approximately \$47 million of transaction and integration costs related to merger agreement with Rockwell Collins.
- (o) Q4 2018 Approximately \$102 of costs related to amortization of Rockwell Collins inventory fair value adjustment.
- (p) Q4 2018 Approximately \$4 million of pre-tax charges associated with the Company's intention to separate its commercial businesses.
- (q) Q4 2018 Approximately \$11 million of pre-tax charges related to transaction expenses associated with a potential disposition.
- (r) Q4 2018 Approximately \$21 million of pre-tax gains related to agreement with a state taxing authority for monetization of tax credits.
- (s) Q4 2018 Approximately \$24 million of pre-tax interest adjustment related to the Rockwell Collins acquisition.
- (t) Q4 2018 Approximately \$4 million of favorable pre-tax interest adjustment related to agreement with a state taxing authority for monetization of tax credits.
- (u) Q4 2018 Approximately \$692 million of unfavorable income tax adjustments related to repatriation of undistributed foreign earnings which is now accessible as a result of tax reform.
- (v) Q4 2018 Approximately \$29 million of unfavorable income tax adjustments resulting from the Company's announcement of its intention to separate its commercial businesses.
- (w) Q4 2018 Approximately \$7 million of favorable Noncontrolling interest resulting from the Company's announcement of its intention to separate its commercial businesses.
- (x) Q1 2019 Approximately \$9 million of transaction and integration costs related to merger agreement with Rockwell Collins.
- (y) Q1 2019 Approximately \$181 of costs related to amortization of Rockwell Collins inventory fair value adjustment.
- (z) Q1 2019 Approximately \$25 million of unfavorable charges associated with the loss on the sale of a business at Collins Aerospace Systems.
- (aa) Q1 2019 Approximately \$55 million of pre-tax charges associated with the Company's intention to separate its commercial businesses.
- (bb) Q2 2019 Approximately \$10 million of transaction and integration costs related to merger agreement with Rockwell Collins.
- (cc) Q2 2019 Approximately \$26 million of transaction costs related to merger agreement with Raytheon.
- (dd) Q2 2019 Approximately \$154 million of pre-tax charges associated with the Company's intention to separate its commercial businesses.
- (ee) Q2 2019 Approximately \$58 million of favorable pre-tax interest related to tax settlements.
- (ff) Q2 2019 Approximately \$264 million of favorable income tax adjustments related to several tax settlements.
- (gg) Q2 2019 Approximately \$100 million of unfavorable income tax expenses related to separation of commercial businesses.
- (hh) Q3 2019 Approximately \$11 million of transaction and integration costs related to merger agreement with Rockwell Collins.
- (ii) Q3 2019 Approximately \$25 million of transaction costs related to merger agreement with Raytheon.
- (jj) Q3 2019 Approximately \$132 million of pre-tax charges associated with the Company's intention to separate its commercial businesses.
- (kk) Q3 2019 Approximately \$98 million of pre-tax charges associated with pension curtailment.
- (ll) Q3 2019 Approximately \$5 million of favorable pre-tax interest related to tax settlements.
- (mm) Q3 2019 Approximately \$8 million of favorable income tax adjustments related to several tax settlements.
- (nn) Q3 2019 Approximately \$517 million of unfavorable income tax expenses related to separation of commercial businesses.
- (oo) Q3 2019 Approximately \$108 million of charges related to an investment impairment at Carrier.
- (pp) Q3 2019 Approximately \$34 million of charges related to a consultant contract termination at Carrier.
- (qq) Q3 2019 Approximately \$1 million of pre-tax charges associated with the Company's intention to separate its commercial businesses.

Segment Data – Adjusted

UNITED TECHNOLOGIES CORPORATION SEGMENT DATA - Adjusted (Unaudited) (\$ Millions except per share amounts) <i>Otis</i> Net Sales Operating Profit (a) Operating Profit % <i>Carrier</i> Net Sales Operating Profit (a),(e),(u),(kk),(oo),(pp) Operating Profit % <i>Pratt & Whitney</i> Net Sales (o) Operating Profit (a),(l) Operating Profit % <i>Collins Aerospace Systems</i> Net Sales Operating Profit (a),(f),(o),(y),(z),(qq) Operating Profit % <i>Total Segments</i> Net Sales Operating Profit Operating Profit % <i>Corporate, Eliminations, and Other</i> Net Sales: Other Operating Profit: General corporate expenses (a) Eliminations and other (a),(b),(d),(h),(i),(k),(n),(p),(q),(r),(x),(aa),(bb),(cc),(dd),(hh),(ii),(jj) <i>Consolidated</i> Net Sales Operating Profit Operating Profit % Non-service pension (benefit) cost (kk) Interest expense, net (j),(s),(t),(ee),(ll) Income from operations before income taxes Income tax expense (c),(g),(m),(u),(v),(ff),(gg),(mm),(nn) Effective Tax Rate Income from operations Net income Less: Noncontrolling interest in subsidiaries' earnings (w) Net income attributable to common shareowners Net income attributable to common shareowners: Income from operations	Ex Rest & Significant non-recurring and non-operational items 2019				Ex Rest & Significant non-recurring and non-operational items 2018				
	Q1	Q2	Q3	Q3 YTD	Q1	Q2	Q3	Q4	Q4 YTD
	3,096	3,348	3,307	9,751	3,037	3,344	3,223	3,300	12,904
	451	530	512	1,493	476	511	489	510	1,986
	14.6%	15.6%	15.5%	15.3%	15.7%	15.3%	15.2%	15.5%	15.4%
	4,323	4,962	4,822	14,107	4,376	5,035	4,880	4,631	18,922
	562	866	861	2,289	606	871	857	724	3,058
	13.0%	17.5%	17.9%	16.2%	13.8%	17.3%	17.6%	15.6%	16.2%
	4,817	5,150	5,283	15,250	4,329	4,736	4,789	5,543	19,397
	447	427	471	1,345	413	400	409	340	1,562
	9.3%	8.3%	8.9%	8.8%	9.5%	8.4%	8.5%	6.1%	8.1%
	6,513	6,576	6,495	19,584	3,817	3,962	3,955	4,900	16,634
	1,101	1,189	1,195	3,485	615	650	627	721	2,613
	16.9%	18.1%	18.4%	17.8%	16.1%	16.4%	15.9%	14.7%	15.7%
	18,749	20,036	19,907	58,692	15,559	17,077	16,847	18,374	67,857
	2,561	3,012	3,039	8,612	2,110	2,432	2,382	2,295	9,219
	13.7%	15.0%	15.3%	14.7%	13.6%	14.2%	14.1%	12.5%	13.6%
	(384)	(402)	(411)	(1,197)	(317)	(372)	(337)	(330)	(1,356)
	(97)	(123)	(112)	(332)	(102)	(124)	(109)	(135)	(470)
	(37)	(49)	(64)	(150)	19	(77)	(58)	15	(101)
	18,365	19,634	19,496	57,495	15,242	16,705	16,510	18,044	66,501
	2,427	2,840	2,863	8,130	2,027	2,231	2,215	2,175	8,648
	13.2%	14.5%	14.7%	14.1%	13.3%	13.4%	13.4%	12.1%	13.0%
	(208)	(216)	(205)	(629)	(191)	(190)	(188)	(194)	(763)
	431	418	406	1,255	229	234	236	297	996
	2,204	2,638	2,662	7,504	1,989	2,187	2,167	2,072	8,415
	(478)	(641)	(645)	(1,764)	(497)	(520)	(509)	(332)	(1,858)
	21.7%	24.3%	24.2%	23.5%	25.0%	23.8%	23.5%	15.9%	22.1%
	1,726	1,997	2,017	5,740	1,492	1,667	1,658	1,740	6,557
	1,726	1,997	2,017	5,740	1,492	1,667	1,658	1,740	6,557
	(79)	(99)	(109)	(287)	(71)	(91)	(111)	(119)	(392)
	1,647	1,898	1,908	5,453	1,421	1,576	1,547	1,621	6,165
	1,647	1,898	1,908	5,453	1,421	1,576	1,547	1,621	6,165

Total EPS Impact of Restructuring & Significant non-recurring and non-operational items	Q1	Q2	Q3	Q3 YTD	Q1	Q2	Q3	Q4	Q4 YTD
Operations	(0.35)	0.00	(0.88)	(1.23)	(0.15)	0.59	(0.39)	(1.12)	(1.11)
Earnings per share - basic	1.93	2.22	2.23	6.38	1.79	2.00	1.95	1.95	7.69
Earnings per share - diluted	1.91	2.20	2.21	6.32	1.77	1.97	1.93	1.95	7.61
Total EPS attributable to common shareowners	1.93	2.22	2.23	6.38	1.79	2.00	1.95	1.95	7.69
Total basic earnings per share	1.91	2.20	2.21	6.32	1.77	1.97	1.93	1.95	7.61
Total diluted earnings per share									
Weighted average number of shares outstanding (millions)									
Basic shares	853.2	854.4	855.1	854.2	789.9	790.5	791.3	822.7	800.4
Diluted shares	860.7	863.7	864.1	862.9	800.4	799.6	801.8	831.4	810.1

Effective Tax Rate - ops	Q1	Q2	Q3	Q3 YTD	Q1	Q2	Q3	Q4	Q4 YTD
	21.7%	24.3%	24.2%	23.5%	25.0%	23.8%	23.5%	15.9%	22.1%

Segment Adjusted Operating Profit Reconciliation

<i>(dollars in millions - Income (Expense))</i>	Quarter Ended September 30, (Unaudited)		Nine Months Ended September 30. (Unaudited)	
	2019	2018	2019	2018
Otis				
Net sales	\$ 3,307	\$ 3,223	\$ 9,751	\$ 9,604
Operating profit	\$ 508	\$ 486	\$ 1,449	\$ 1,424
Restructuring	(4)	(3)	(44)	(52)
Adjusted operating profit	\$ 512	\$ 489	\$ 1,493	\$ 1,476
Adjusted operating profit margin	15.5%	15.2%	15.3%	15.4%
Carrier				
Net sales	\$ 4,822	\$ 4,880	\$ 14,107	\$ 14,291
Operating profit	\$ 685	\$ 844	\$ 2,050	\$ 3,081
Restructuring	(34)	(17)	(97)	(52)
Gain on sale of Taylor Company	\$ —	\$ 4	\$ —	\$ 799
Investment impairment	(108)	—	(108)	—
Consultant contract termination	\$ (34)	\$ —	\$ (34)	\$ —
Adjusted operating profit	\$ 861	\$ 857	\$ 2,289	\$ 2,334
Adjusted operating profit margin	17.9%	17.6%	16.2%	16.3%
Pratt & Whitney				
Net sales	\$ 5,283	\$ 4,789	\$ 15,250	\$ 13,854
Operating profit	\$ 471	\$ 109	\$ 1,328	\$ 919
Restructuring	—	—	(17)	(3)
Charge resulting from customer contract matters	—	(300)	—	(300)
Adjusted operating profit	\$ 471	\$ 409	\$ 1,345	\$ 1,222
Adjusted operating profit margin	8.9%	8.5%	8.8%	8.8%
Collins Aerospace Systems				
Net sales	\$ 6,495	\$ 3,955	\$ 19,584	\$ 11,734
Operating profit	\$ 1,167	\$ 610	\$ 3,195	\$ 1,767
Restructuring	(27)	(17)	(83)	(77)
Loss on sale of business	—	—	(25)	—
Amortization of Rockwell Collins inventory fair value adjustment	—	—	(181)	—
Asset impairment	\$ —	\$ —	\$ —	\$ (48)
Costs associated with the Company's intention to separate its commercial businesses	\$ (1)	\$ —	\$ (1)	\$ —
Adjusted operating profit	\$ 1,195	\$ 627	\$ 3,485	\$ 1,892
Eliminations and other general corporate expenses				
Operating profit	\$ (345)	\$ (211)	\$ (907)	\$ (549)
Restructuring	(1)	—	(3)	(4)
Transaction and integration costs related to merger agreement with Rockwell Collins, Inc.	(11)	(21)	(30)	(71)
Costs associated with the Company's intention to separate its commercial businesses	(132)	(23)	(341)	(23)
Transaction expenses associated with the Raytheon Merger	(25)	—	(51)	—
Adjusted operating profit	\$ (176)	\$ (167)	\$ (482)	\$ (451)
UTC Consolidated				
Operating profit	\$ 2,486	\$ 1,838	\$ 7,115	\$ 6,642
Restructuring	(66)	(37)	(244)	(188)
Total significant non-recurring and non-operational items included in Operating Profit above	(311)	(340)	(771)	357
Consolidated Adjusted operating profit	\$ 2,863	\$ 2,215	\$ 8,130	\$ 6,473

EPS Reconciliation

Reconciliation of Diluted Earnings per Share to Adjusted Diluted Earnings per Share

(dollars in millions except per share amounts)

	2019				2018				
	Q1	Q2	Q3	Q3 YTD	Q1	Q2	Q3	Q4	Total
Diluted earnings per share attributable to common shareowners	\$ 1.56	\$ 2.20	\$ 1.33	\$ 5.09	\$ 1.62	\$ 2.56	\$ 1.54	\$ 0.83	\$ 6.50
Net income from operations attributable to common shareowners	1,346	1,900	1,148	4,394	1,297	2,048	1,238	686	5,269
Adjustments to net income from operations attributable to common shareowners:									
Restructuring costs	(112)	(66)	(66)	(244)	(69)	(80)	(37)	(121)	(307)
Rockwell Collins Transaction & Integration costs	(9)	(10)	(11)	(30)	(30)	(20)	(21)	(47)	(118)
Carrier - Taylor Divestiture	-	-	-	-	-	795	4	-	799
Carrier - Investment impairment	-	-	(108)	(108)	-	-	-	-	-
Carrier - Consultant contract termination	-	-	(34)	(34)	-	-	-	-	-
Collins Aerospace Systems - Asset Impairment/Subsequent loss on sale	(25)	-	-	(25)	-	(48)	-	-	(48)
Corp costs associated with the Company's intention to separate its commercial businesses	(55)	(154)	(132)	(341)	-	-	(23)	(4)	(27)
Costs associated with the Company's intention to separate its commercial businesses	-	-	(1)	(1)	-	-	-	-	-
Raytheon transaction costs		(26)	(25)	(51)	-	-	-	-	-
Transaction expenses associated with a potential disposition	-	-	-	-	-	-	-	(11)	(11)
Pratt - Charge resulting from customer contract matters	-	-	-	-	-	-	(300)	-	(300)
Amortization of Rockwell Collins inventory fair value adjustment	(181)	-	-	(181)	-	-	-	(102)	(102)
Adjustment related to agreement with a state taxing authority for monetization of tax credits	-	-	-	-	-	-	-	21	21
Other significant non-recurring and non-operational items included in non-service pension	-	-	98	98	-	-	-	-	-
Other significant non-recurring and non-operational items included in interest expense, net	-	58	5	63	-	-	(22)	(20)	(42)
Income tax benefit on restructuring costs and significant non-recurring and non-operational items	81	36	24	141	19	(173)	96	63	5
U.S Tax Reform Legislation	-	-	-	-	(44)	(2)	(6)	(692)	(744)
Unfavorable tax adjustment resulting from the Company's announcement of its intention to separate its commercial businesses	-	-	-	-	-	-	-	(29)	(29)
Other significant non-recurring and non-operational gains (charges) recorded within income tax expense	-	164	(510)	(346)	-	-	-	-	-
Other significant non-recurring and non-operational gains (charges) recorded within Noncontrolling interest	-	-	-	-	-	-	-	7	7
Total adjustments to net income from operations attributable to common shareowners	(301)	2	(760)	(1,059)	(124)	472	(309)	(935)	(896)
Adjusted net income from operations attributable to common shareowners	\$ 1,647	\$ 1,898	\$ 1,908	\$ 5,453	\$ 1,421	\$ 1,576	\$ 1,547	\$ 1,621	\$ 6,165
Less: Impact of total adjustments on diluted earnings per share	\$ (0.35)	\$ 0.00	\$ (0.88)	\$ (1.23)	\$ (0.15)	\$ 0.59	\$ (0.39)	\$ (1.12)	\$ (1.11)
Adjusted diluted earnings per share - Net income from operations attributable to common shareowners (Non-GAAP)	\$ 1.91	\$ 2.20	\$ 2.21	\$ 6.32	\$ 1.77	\$ 1.97	\$ 1.93	\$ 1.95	\$ 7.61
Effective Tax Rate	21.8%	18.1%	47.3%	29.6%	27.6%	24.5%	23.7%	55.3%	31.7%
Less: Impact on effective tax rate	-0.1%	6.2%	-23.1%	-6.1%	-2.6%	-0.7%	-0.2%	-39.4%	-9.6%
Adjusted effective tax rate	21.7%	24.3%	24.2%	23.5%	25.0%	23.8%	23.5%	15.9%	22.1%

Collins Aerospace Pro Forma Reconciliation

(\$ millions)

	<u>3Q 19</u>	<u>3Q 18</u>	<u>VPY%</u>
Segment sales – as reported		3,955	
Net acquisitions – pro forma*		<u>2,154</u>	
Segment sales – pro forma*	6,495	6,109	6%

*Includes Rockwell Collins – assumes the transaction had been completed on January 1, 2017.

Key Data

(\$ millions)

	<u>3Q 19</u>	<u>3Q 18</u>
Free cash flow	1,961	1,349
Debt/capital*	51%	54%
Net debt/capital*	47%	33%
Capital expenditures	529	413
Share repurchase	42	20
Acquisitions**	6	43

*Adjusted to reflect the accounting for noncontrolling interests.

**Includes debt assumed.

3Q 2019 Free Cash Flow Reconciliation

(\$ millions)

	3Q	
	<u>2019</u>	<u>2018</u>
Net income attributable to common shareowners from continuing operations	1,148	1,238
Depreciation & amortization	967	593
Change in working capital	(15)	(154)
Other	390	85
Cash flow from operations	<u>2,490</u>	<u>1,762</u>
Capital expenditures	<u>(529)</u>	<u>(413)</u>
Free cash flow	<u><u>1,961</u></u>	<u><u>1,349</u></u>
Free cash flow as a % of net income attributable to common shareowners from continuing operations	171%	109%