United Technologies

3Q 2018 Earnings Conference Call

October 23, 2018

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” and other words of similar meaning in connection with a discussion of future operating or financial performance. 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 and other measures of financial performance or potential future plans, strategies or transactions of United Technologies or the combined company following United Technologies’ pending acquisition of Rockwell Collins, the anticipated benefits of the pending acquisition, including estimated synergies, the expected timing of completion of the transaction 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 United Technologies and Rockwell Collins 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 and the financial condition of our customers and suppliers; (2) challenges in the development, production, delivery, support, performance and realization of the anticipated benefits of advanced technologies and new products and services; (3) the scope, nature, impact or timing of the pending Rockwell Collins acquisition and other acquisition and divestiture or restructuring activity, including among other things integration of acquired businesses into United Technologies’ existing businesses and realization of synergies and opportunities for growth and innovation; (4) future timing and levels of indebtedness, including indebtedness incurred by United Technologies in connection with the pending Rockwell Collins acquisition, and capital spending and research and development spending, including in connection with the pending Rockwell Collins acquisition; (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 of United Technologies’ 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, including in connection with the pending acquisition of Rockwell Collins; (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; (9) new business and investment opportunities; (10) our 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 United Technologies and Rockwell Collins operate, including the effect of changes in U.S. trade policies or the U.K.’s pending withdrawal from the EU, 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 (including among other things import/export) and other laws and regulations in the U.S. and other countries in which United Technologies and Rockwell Collins operate; (17) the ability of United Technologies and Rockwell Collins to receive the required regulatory approvals (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 merger) and to satisfy the other conditions to the closing of the pending acquisition on a timely basis or at all; (18) the occurrence of events that may give rise to a right of one or both of United Technologies or Rockwell Collins to terminate the merger agreement; (19) negative effects of the announcement or the completion of the merger on the market price of United Technologies’ and/or Rockwell Collins’ common stock and/or on their respective financial performance; (20) risks related to Rockwell Collins and United Technologies being restricted in their operation of their businesses while the merger agreement is in effect; (21) risks relating to the value of the United Technologies’ shares to be issued in connection with the pending Rockwell Collins acquisition, significant merger costs and/or unknown liabilities; (22) risks associated with third party contracts containing consent and/or other provisions that may be triggered by the Rockwell Collins merger agreement; (23) risks associated with merger-related litigation; and (24) the ability of United Technologies and Rockwell Collins, or the combined company, to retain and hire key personnel. There can be no assurance that United Technologies’ pending acquisition of Rockwell Collins 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 reports of United Technologies and Rockwell Collins on Forms S-4, 10-K, 10-Q and 8-K filed with or furnished to the SEC from time to time. Any forward-looking statement speaks only as of the date on which it is made, and United Technologies and Rockwell Collins assume 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. In addition, in connection with the pending Rockwell Collins acquisition, UTC has filed a registration statement, that includes a prospectus from UTC and a proxy statement from Rockwell Collins, which is effective and contains important information about UTC, Rockwell Collins, the transaction and related matters.

2018 Outlook

Adjusted EPS*

$7.20 - $7.30 up from $7.10 - $7.25

+ 8 cents

Increasing mid point of prior outlook

Sales

$64 - $64.5B up from $63.5 - $64.5B

+ $0.5 billion

Increasing low end of prior outlook

Organic sales*

~6% up from 5% - 6%

+ 1%

Increasing low end of prior outlook

Free cash flow*

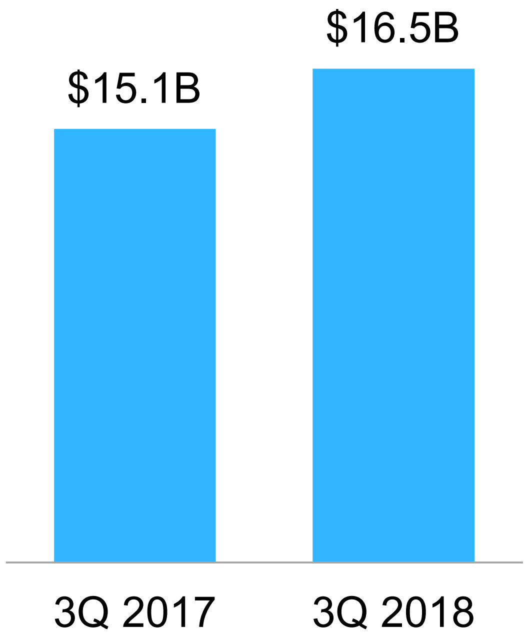
$4.5 - $5.0B

Excludes the impact of the pending acquisition of Rockwell Collins.
*See appendix for additional information regarding these non-GAAP financial measures.

3Q 2018

Sales

Up 10%

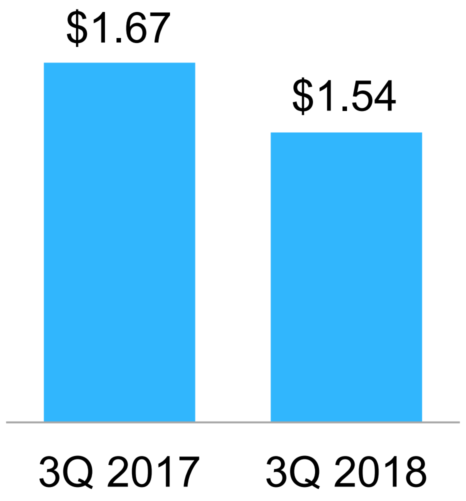


Organic*	8 pts.
FX	(1) pt.
Other	3 pts.

EPS

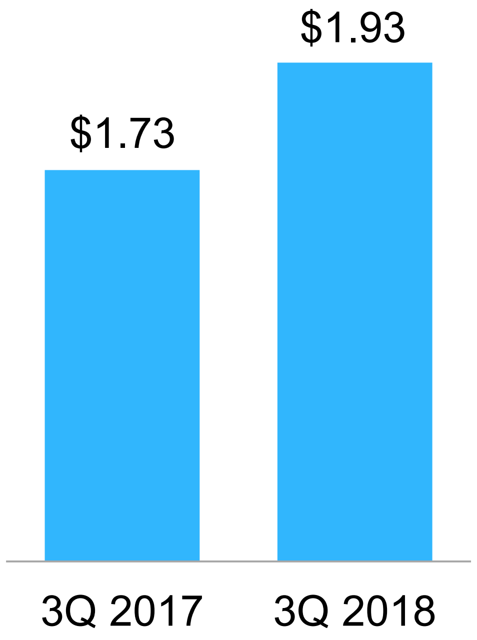
GAAP

Down 8%



Adjusted*

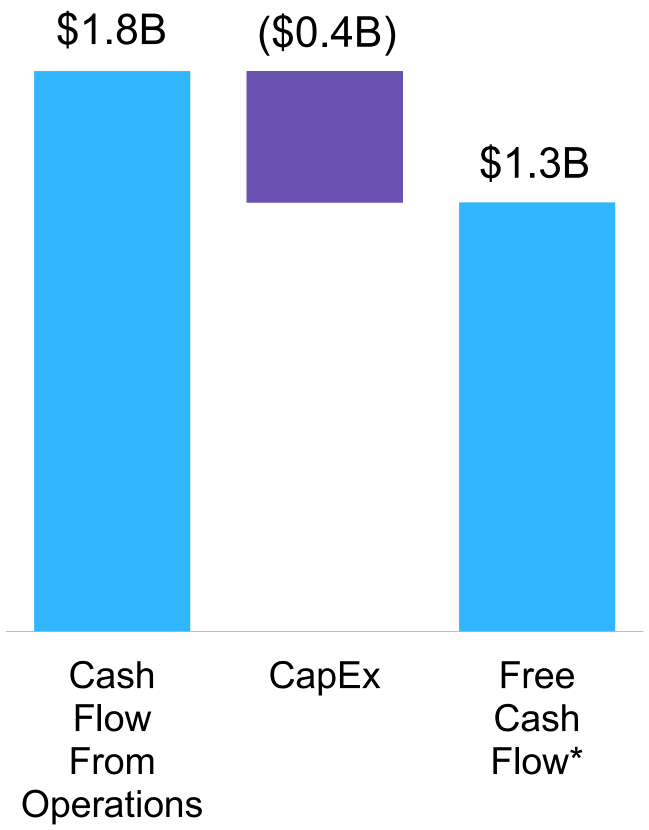
Up 12%



($0.06)	($0.39)
Restructuring/ Other items gain/(charge)	

Cash Flow

(attributable to common shareowners)

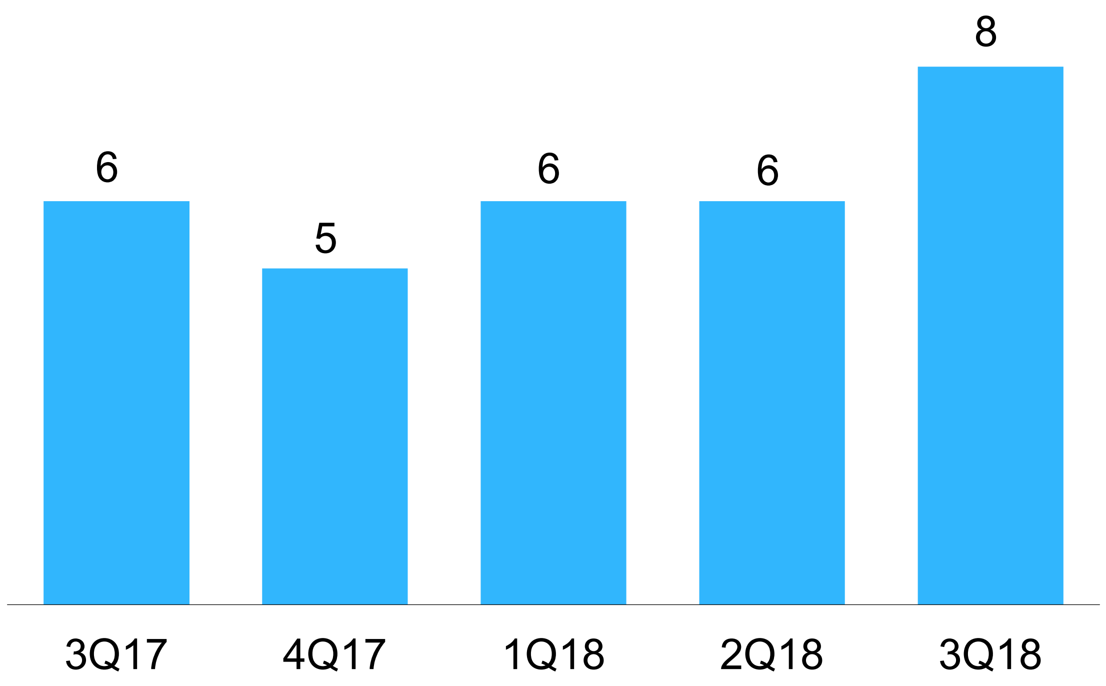


*See appendix for additional information regarding these non-GAAP financial measures.

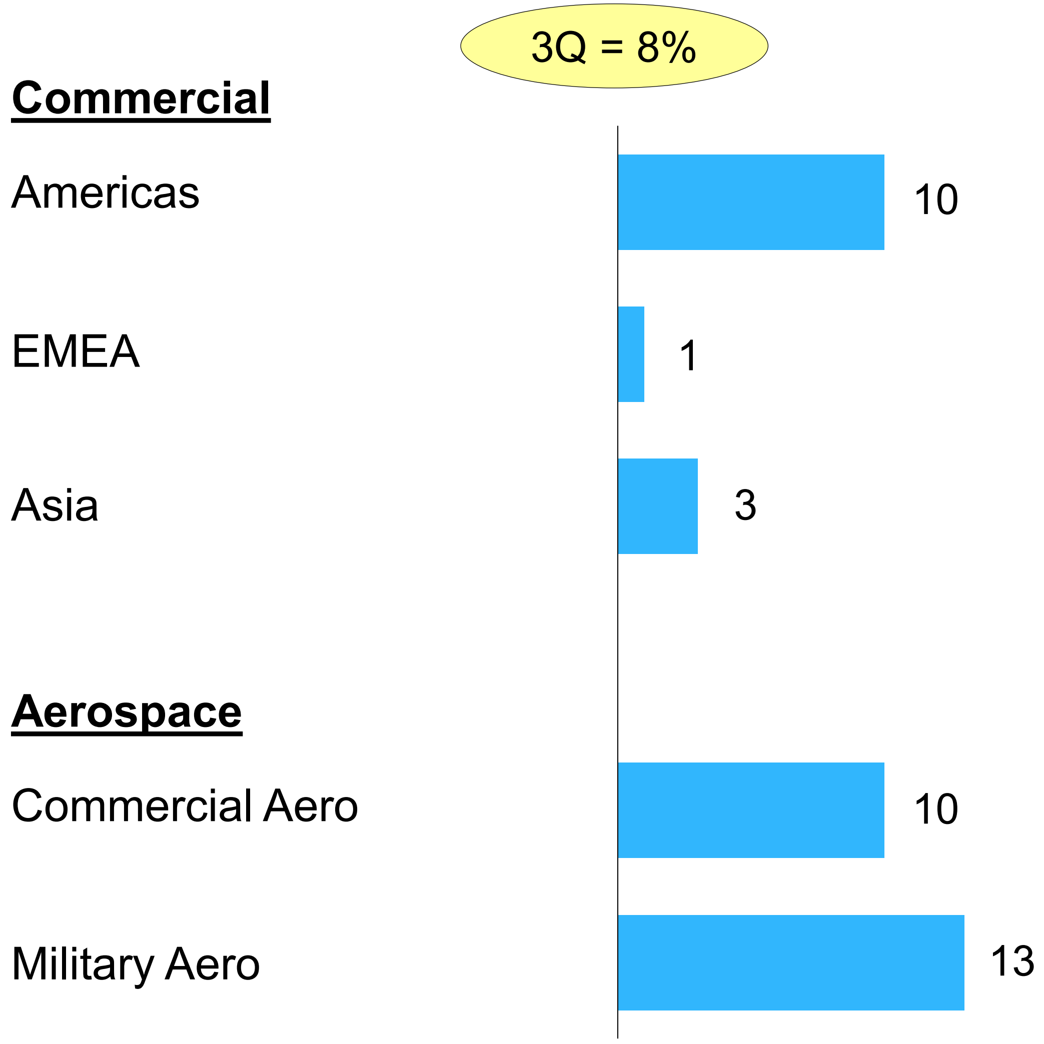
Organic Sales Growth

(VPY %)

Quarterly Trend



3Q 2018



See appendix for definition and reconciliation of organic sales.

3Q 2018 Segment Highlights

Otis

($ millions)

	Reported	Adjusted*	YOY Var.*
Sales	3,223	3,223	2%
Operating profit	486	489	(12%)
ROS	15.1%	15.2%	(2.4) pts

Organic sales up 4%*

Adjusted operating profit* down 10%**
- Price / mix pressure
- Labor and material cost headwind
- Mark-to-market FX headwind
- Service investments

Organic new equipment orders up 9%
- Americas up 25%
- China up 14%
- Europe down 10%

Further strengthening a long-term business relationship, Otis China will provide an additional 690+ elevator and escalator units to the Chengdu Metro's network expansion that includes four subway lines in western China.

The Otis reputation for outstanding reliability and deep experience with major projects will be on full display when the company's products are installed in the new Resorts World Las Vegas entertainment complex. When fully completed, more than 200 units will keep patrons efficiently moving throughout the new resort.

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

3Q 2018 Segment Highlights

UTC Climate, Controls & Security

($ millions)

	Reported	Adjusted*	YOY Var.*
Sales	4,880	4,880	4%
Operating profit	844	857	2%
ROS	17.3%	17.6%	(0.3) pts

Organic sales up 7%*
- Global Commercial HVAC up 8%
- NA Residential HVAC up 9%
- Transport Refrigeration up 13%
- Commercial Refrigeration up 8%

Adjusted operating profit* up 5%** excluding Taylor
- Higher volume and pricing contribution
- Favorable contract adjustments
- Commodity & logistics headwinds

Organic equipment orders up 13%
- Transport Refrigeration up 91%
- Fire Products up 11%

UTC Climate, Controls & Security acquired S2 Security, a leading developer of unified security and video management solutions. S2 Security will combine with Lenel in the Fire & Security Products portfolio to create LenelS2, leveraging the strengths of both companies to provide scalable, cutting-edge customer solutions in the access control and security management systems industry.

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

3Q 2018 Segment Highlights

Pratt & Whitney

($ millions)

	Reported	Adjusted*	YOY Var.*
Sales	4,789	4,789	13%
Operating profit	109	409	7%
ROS	2.3%	8.5%	(0.5) pts

Organic sales up 13%*

Adjusted sales* up 13%
- Military up 20%
- Commercial aftermarket up 9%
- Commercial OEM up 18%

Adjusted operating profit* up 7%
- Commercial aftermarket strength
- Military engines growth
- Higher negative engine margin on increased volume

Gulfstream announced that the first G500, its latest long-range business aircraft, had been delivered, marking the first EIS for the PW800 engine family, a historic milestone for Pratt & Whitney Canada.

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

3Q 2018 Segment Highlights

UTC Aerospace Systems

($ millions)

	Reported	Adjusted*	YOY Var.*
Sales	3,955	3,955	9%
Operating profit	610	627	7%
ROS	15.4%	15.9%	(0.2) pts

Organic sales up 9%*
- Commercial aftermarket up 12%
- Commercial OE up 6%
- Military up 10%

Adjusted operating profit* up 7%
- Higher commercial AM and military volumes
- Continued cost reduction
- OE mix headwind
- Higher warranty expense

UTC Aerospace Systems has announced that it is developing a next-gen vehicle management computer (VMC) that will enable fly-by-wire technology and autonomous flight for new and retrofit applications in civil and military aircraft.

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

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 and adjusted earnings per share (“EPS”) 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. 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.

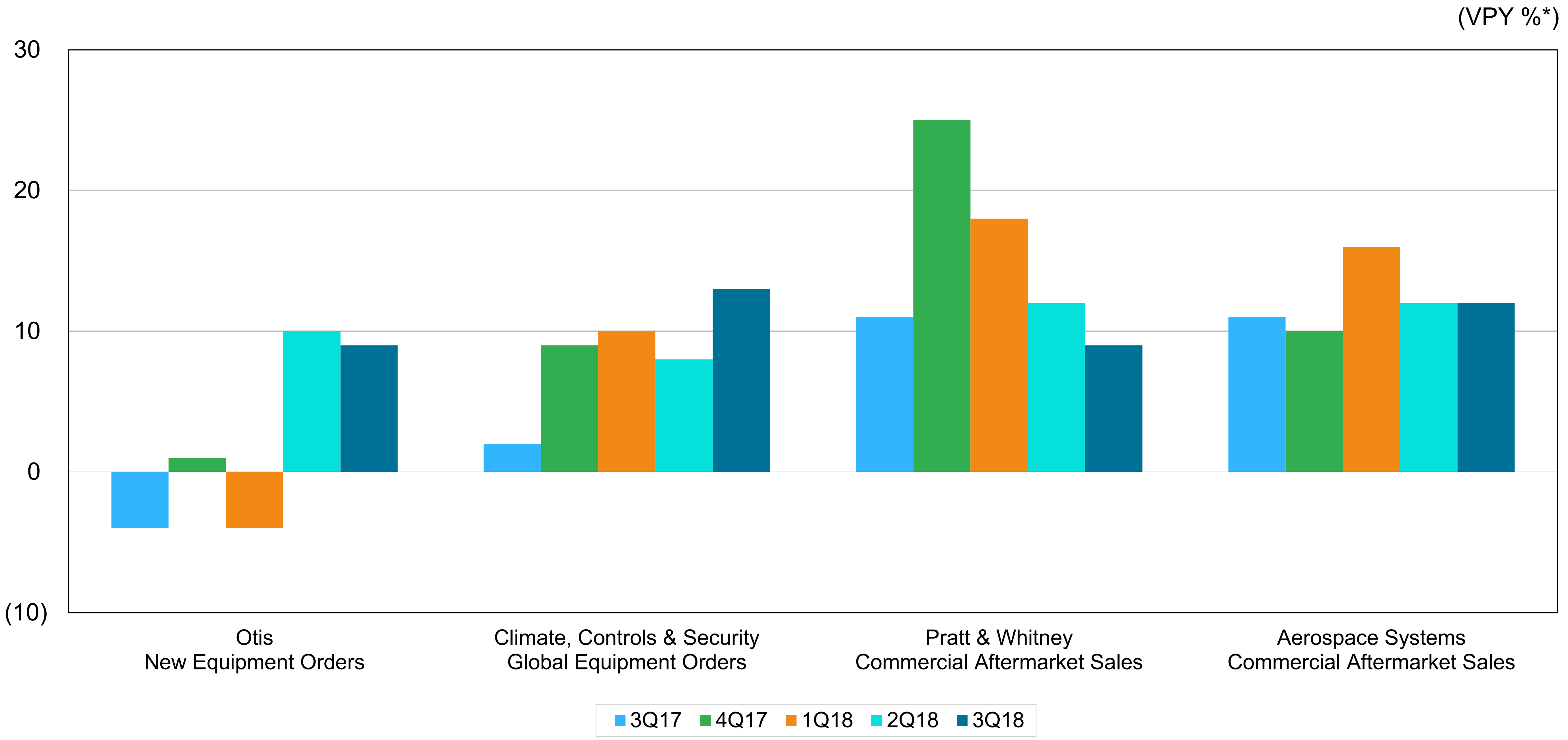
When we provide our expectation for adjusted EPS, adjusted operating profit, organic sales and free cash flow on a forward-looking basis, a reconciliation of the differences between the non-GAAP expectations and the corresponding GAAP measures (expected diluted EPS from continuing operations, operating profit, 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.

2018 Expectations

	Organic sales change*	Reported sales change	Adjusted operating profit change*
Otis	up low single	up low/mid single	($75) – (25M)
Climate, Controls & Security	up mid single	up mid single	$75 – 125M
Pratt & Whitney	up low teens	up low teens	$25 – 75M
Aerospace Systems	up mid single	up mid single	$200 – 250M

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

Key Market Trends



*% VPY for Otis at constant currency and excludes the New Revenue Standard adoption impact in 2018. % VPY for Climate, Controls & Security and Aerospace Systems are on an organic basis. % VPY for Pratt is on a reported basis.

3Q 2018 Financial Data

(% VPY*)

Commercial Sales

Otis	Americas	EMEA	Asia	Total
New equipment	up mid single digit	up high single digit	down slightly	up mid single digit
Service	up mid single digit	up slightly	up low double digit	up mid single digit

Climate, Controls & Security	Americas	EMEA	Asia	Total
Residential HVAC	up high single digit			up high single digit
Commercial HVAC	up low teens	up low single digit	up high single digit	up high single digit
Fire & security product	up low single digit	down low single digit	down low single digit	up slightly
Fire & security field	down mid teens	down low single digit	up mid teens	up slightly
Transport refrigeration				up low teens
Commercial refrigeration				up high single digit

Aerospace Sales

Pratt & Whitney		UTC Aerospace Systems	
Commercial aero OEM	up high teens	Commercial aero OEM	up mid single digit
Commercial aero aftermarket	up high single digit	Commercial aero aftermarket	up low double digit
Military aero OEM	up ~30%	Military aero OEM	up mid teens
Military aero aftermarket	up high single digit	Military aero aftermarket	down low single

*% VPY for Otis at constant currency. % VPY for Climate, Controls & Security and Aerospace Systems sales are on an organic basis. % VPY for Pratt adjusted to exclude other significant items.

3Q 2018 Sales Reconciliation

	Total Growth	Organic	FX	Net Acquisitions	Other
Otis	2%	4%	(2%)	0%	0%
CCS	4%	7%	(1%)	(2%)	0%
Pratt & Whitney	24%	13%	0%	0%	11%
Aerospace Systems	9%	9%	0%	0%	0%
Total UTC*	**10%**	**8%**	**(1%)**	**0%**	**3%**

*Reflects consolidated net sales.

Selected Metrics

Pratt & Whitney engine shipments to customers

	2017					2018			
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	YTD
Military	23	25	32	41	121	25	43	36	104
Large commercial*	139	139	129	130	537	124	210	198	532
Pratt & Whitney Canada**	454	485	476	565	1,980	503	492	546	1,541

*Large commercial excludes industrial engine shipments.
**Excludes APUs.

Segment Data – GAAP

UNITED TECHNOLOGIES CORPORATION
SEGMENT DATA - Reported

($ Millions except per share amounts)	2018 1st Qtr.	2018 2nd Qtr.	2018 3rd Qtr.	2018 Total YTD	2017 1st Qtr.	2017 2nd Qtr.	2017 3rd Qtr.	2017 4th Qtr.	2017 Total
Otis									
Net Sales	3,037	3,344	3,223	9,604	2,804	3,131	3,156	3,250	12,341
Operating Profit (a)	450	488	486	1,424	447	539	550	466	2,002
Operating Profit %	14.8%	14.6%	15.1%	14.8%	15.9%	17.2%	17.4%	14.3%	16.2%
UTC Climate, Controls & Security									
Net Sales	4,376	5,035	4,880	14,291	3,892	4,712	4,688	4,520	17,812
Operating Profit (a),(b),(i),(q),(t)	592	1,645	844	3,081	931	837	794	603	3,165
Operating Profit %	13.5%	32.7%	17.3%	21.6%	23.9%	17.8%	16.9%	13.3%	17.8%
Pratt & Whitney									
Net Sales (d), (o)	4,329	4,736	4,789	13,854	3,758	4,070	3,871	4,461	16,160
Operating Profit (a),(d),(v)	413	397	109	919	356	364	188	392	1,300
Operating Profit %	9.5%	8.4%	2.3%	6.6%	9.5%	8.9%	4.9%	8.8%	8.0%
UTC Aerospace Systems									
Net Sales	3,817	3,962	3,955	11,734	3,611	3,640	3,637	3,803	14,691
Operating Profit (a),(r)	588	569	610	1,767	531	534	572	554	2,191
Operating Profit %	15.4%	14.4%	15.4%	15.1%	14.7%	14.7%	15.7%	14.6%	14.9%
Total Segments									
Net Sales	15,559	17,077	16,847	49,483	14,065	15,553	15,352	16,034	61,004
Operating Profit	2,043	3,099	2,049	7,191	2,265	2,274	2,104	2,015	8,658
Operating Profit %	13.1%	18.1%	12.2%	14.5%	16.1%	14.6%	13.7%	12.6%	14.2%
Corporate, Eliminations, and Other									
Net Sales:									
Other	(317)	(372)	(337)	(1,026)	(250)	(273)	(290)	(354)	(1,167)
Operating Profit:									
General corporate expenses (a)	(104)	(126)	(109)	(339)	(103)	(105)	(104)	(127)	(439)
Eliminations and other (a),(c),(e),(f),(j),(n),(p),(s),(u)	(11)	(97)	(102)	(210)	(18)	(5)	32	(90)	(81)
Consolidated									
Net Sales	15,242	16,705	16,510	48,457	13,815	15,280	15,062	15,680	59,837
Operating Profit	1,928	2,876	1,838	6,642	2,144	2,164	2,032	1,798	8,138
Operating Profit %	12.6%	17.2%	11.1%	13.7%	15.5%	14.2%	13.5%	11.5%	13.6%
Non-service pension costs	191	192	188	571	123	126	131	154	534
Interest expense, net (g)	(229)	(234)	(258)	(721)	(213)	(226)	(223)	(247)	(909)
Income from operations before income taxes	1,890	2,834	1,768	6,492	2,054	2,064	1,940	1,705	7,763
Income tax expense (l),(h),(k),(m),(o)	(522)	(695)	(419)	(1,636)	(586)	(532)	(506)	(1,219)	(2,843)
Effective Tax Rate	27.6%	24.5%	23.7%	25.2%	28.5%	25.7%	26.1%	71.5%	36.6%
Income from operations	1,368	2,139	1,349	4,856	1,468	1,532	1,434	486	4,920
Net income	1,368	2,139	1,349	4,856	1,468	1,532	1,434	486	4,920
Less: Noncontrolling interest in subsidiaries' earnings	(71)	(91)	(111)	(273)	(82)	(93)	(104)	(89)	(368)
Net income attributable to common shareowners	**1,297**	**2,048**	**1,238**	**4,583**	**1,386**	**1,439**	**1,330**	**397**	**4,552**
Net income attributable to common shareowners:									
Income from operations	1,297	2,048	1,238	4,583	1,386	1,439	1,330	397	4,552

	2018 1st Qtr.	2018 2nd Qtr.	2018 3rd Qtr.	2018 Total YTD	2017 1st Qtr.	2017 2nd Qtr.	2017 3rd Qtr.	2017 4th Qtr.	2017 Total YTD
Operations									
Earnings per share - basic	1.64	2.59	1.56	5.80	1.75	1.83	1.69	0.50	5.76
Earnings per share - diluted	1.62	2.56	1.54	5.72	1.73	1.80	1.67	0.50	5.70
Total EPS attributable to common shareowners									
Total basic earnings per share	1.64	2.59	1.56	5.80	1.75	1.82	1.69	0.50	5.76
Total diluted earnings per share	1.62	2.56	1.54	5.72	1.73	1.80	1.67	0.50	5.70
Weighted average number of shares outstanding (millions)									
Basic shares	789.9	790.5	791.3	790.6	793.5	788.7	788.3	788.8	790.0
Diluted shares	800.4	799.6	801.8	800.7	802.3	798.2	797.1	798.0	799.1

	Q1	Q2	Q3	Total YTD	Q1	Q2	Q3	Q4	Total YTD
Effective Tax Rate - ops	27.6%	24.5%	23.7%	25.2%	28.5%	25.7%	26.1%	71.5%	36.6%

Segment Data – Notes

The earnings release and conference-call discussion adjust 2018 and 2017 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 2018 and 2017 results:

	2018				2017				
	Restructuring Costs				Restructuring Costs				
	Q1	Q2	Q3	Total YTD	Q1	Q2	Q3	Q4	Total
Operating Profit:									
Otis	(26)	(23)	(3)	(52)	(5)	(12)	(6)	(25)	(48)
UTC Climate, Controls & Security	(14)	(21)	(17)	(52)	(23)	(18)	(43)	(27)	(111)
Pratt & Whitney	-	(3)	-	(3)	-	(6)	2	(1)	(5)
UTC Aerospace Systems	(27)	(33)	(17)	(77)	(23)	(23)	(15)	(16)	(77)
Total Segments operating profit	(67)	(80)	(37)	(184)	(51)	(59)	(62)	(69)	(241)
General corporate expenses	(2)	(2)	-	(4)	(1)	-	(1)	(2)	(4)
Eliminations and other	-	-	-	-	-	-	-	(3)	(3)
Total consolidated operating profit	(69)	(82)	(37)	(188)	(52)	(59)	(63)	(74)	(248)
Non-service pension costs		2		2	-	1	2	2	5
Total UTC Net Income	(69)	(80)	(37)	(186)	(52)	(60)	(65)	(76)	(253)

(b) Q1 2017: Approximately $379 million of pre-tax gains related to sale of available-for-sales securities at UTC Climate, Controls & Security.
(c) Q1 2017: Approximately $1 million of pre-tax gains related to sale of available-for-sales securities.
(d) Q3 2017: Approximately $385 million to record in sales and $196 million in losses from Pratt & Whitney customer contract matters.
(e) Q3 2017: Approximately $120 million of pre-tax gains related to sale of available-for-sales securities.
(f) Q3 2017: Approximately $27 million of transaction costs related to merger agreement with Rockwell Collins.
(g) Q3 2017: Approximately $9 million of favorable pre-tax interest adjustments related to expiration of tax statute of limitations for 2013 tax year.
(h) Q3 2017: Approximately $55 million of favorable income tax adjustments related to expiration of tax statute of limitations for 2013 tax year.
(i) Q4 2017: Approximately $96 million of pre-tax charges related to product recall program initiated at UTC Climate, Controls & Security.
(j) Q4 2017: Approximately $38 million of transaction and integration costs related to merger agreement with Rockwell Collins.
(k) Q4 2017: Approximately $690 million of unfavorable income tax adjustments related to the estimated impact of the U.S tax reform legislation enacted on December 22, 2017, including the effects related to repatriation of undistributed foreign earnings provision and other revaluations of U.S deferred taxes.
(l) Q4 2017: Approximately $6 million of pre-tax interest charges related to tax law changes in Canada.
(m) Q4 2017: Approximately $32 million of net unfavorable tax adjustments related to tax law changes in Canada & France.
(n) Q1 2018: Approximately $30 million of transaction and integration costs related to merger agreement with Rockwell Collins.
(o) 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.
(p) Q2 2018: Approximately $20 million of transaction and integration costs related to merger agreement with Rockwell Collins.
(q) Q2 2018 Approximately $795 million of pre-tax gains related to the divestiture of Taylor Co from UTC Climate, Controls & Security.
(r) Q2 2018 Approximately $48 million of unfavorable charges associated with asset impairment at UTC Aerospace Systems.
(s) Q3 2018 Approximately $21 million of transaction and integration costs related to merger agreement with Rockwell Collins.
(t) Q3 2018 Approximately $4 million of pre-tax gains related to the divestiture of Taylor Co from UTC Climate, Controls & Security.
(u) Q3 2018 Approximately $23 million of pre-tax charges related to UTC portfolio review.
(v) Q3 2018 Approximately $300 million of pre-tax charge resulting from customer contract matters.

Segment Data – Adjusted

UNITED TECHNOLOGIES CORPORATION
SEGMENT DATA - Adjusted (Unaudited)
($ Millions except per share amounts)

	2018				2017				
	Ex Rest & Significant non-recurring and non-operational items				Ex Rest & Significant non-recurring and non-operational items				
	1st Qtr.	2nd Qtr.	3rd Qtr.	Q3 YTD	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2017 Total
Otis									
Net Sales	3,037	3,344	3,223	9,604	2,804	3,131	3,156	3,250	12,341
Operating Profit (a)	476	511	489	1,476	452	551	556	491	2,050
Operating Profit %	15.7%	15.3%	15.2%	15.4%	16.1%	17.6%	17.6%	15.1%	16.6%
UTC Climate, Controls & Security									
Net Sales	4,376	5,035	4,880	14,291	3,892	4,712	4,688	4,520	17,812
Operating Profit (a),(b),(i),(q),(t)	606	871	857	2,334	575	855	837	726	2,993
Operating Profit %	13.8%	17.3%	17.6%	16.3%	14.8%	18.1%	17.9%	16.1%	16.8%
Pratt & Whitney									
Net Sales (d), (o)	4,329	4,736	4,789	13,854	3,758	4,070	4,256	4,461	16,545
Operating Profit (a),(d),(v)	413	400	409	1,222	356	370	382	393	1,501
Operating Profit %	9.5%	8.4%	8.5%	8.8%	9.5%	9.1%	9.0%	8.8%	9.1%
UTC Aerospace Systems									
Net Sales	3,817	3,962	3,955	11,734	3,611	3,640	3,637	3,803	14,691
Operating Profit (a),(r)	615	650	627	1,892	554	557	587	570	2,268
Operating Profit %	16.1%	16.4%	15.9%	16.1%	15.3%	15.3%	16.1%	15.0%	15.4%
Total Segments									
Net Sales	15,559	17,077	16,847	49,483	14,065	15,553	15,737	16,034	61,389
Operating Profit	2,110	2,432	2,382	6,924	1,937	2,333	2,362	2,180	8,812
Operating Profit %	13.6%	14.2%	14.1%	14.0%	13.8%	15.0%	15.0%	13.6%	14.4%
Corporate, Eliminations, and Other									
Net Sales:									
Other	(317)	(372)	(337)	(1,026)	(250)	(273)	(290)	(354)	(1,167)
Operating Profit:									
General corporate expenses (a)	(102)	(124)	(109)	(335)	(102)	(105)	(103)	(125)	(435)
Eliminations and other (a),(c),(e),(f),(j),(n),(p),(s),(u)	19	(77)	(58)	(116)	(19)	(5)	(61)	(49)	(134)
Consolidated									
Net Sales	15,242	16,705	16,510	48,457	13,815	15,280	15,447	15,680	60,222
Operating Profit	2,027	2,231	2,215	6,473	1,816	2,223	2,198	2,006	8,243
Operating Profit %	13.3%	13.4%	13.4%	13.4%	13.1%	14.5%	14.2%	12.8%	13.7%
Non-service pension costs	191	190	188	569	123	127	133	156	539
Interest expense, net (g)	(229)	(234)	(236)	(699)	(213)	(226)	(232)	(241)	(912)
Income from operations before income taxes	1,989	2,187	2,167	6,343	1,726	2,124	2,099	1,921	7,870
Income tax expense (l),(h),(k),(m),(o)	(497)	(520)	(509)	(1,526)	(462)	(552)	(615)	(560)	(2,189)
Effective Tax Rate	25.0%	23.8%	23.5%	24.1%	26.8%	26.0%	29.3%	29.2%	27.8%
Income from operations	1,492	1,667	1,658	4,816	1,264	1,572	1,484	1,361	5,681
Net income	1,492	1,667	1,658	4,816	1,264	1,572	1,484	1,361	5,681
Less: Noncontrolling interest in subsidiaries' earnings	(71)	(91)	(111)	(273)	(82)	(93)	(104)	(89)	(368)
Net income attributable to common shareowners	1,421	1,576	1,547	4,544	1,182	1,479	1,380	1,272	5,313
Net income attributable to common shareowners:									
From operations	1,421	1,576	1,547	4,544	1,182	1,479	1,380	1,272	5,313

EPS Reconciliation

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

(dollars in millions except per share amounts)

	2018				2017				
	Q1	Q2	Q3	Q3 YTD	Q1	Q2	Q3	Q4	Total
Diluted earnings per share attributable to common shareowners	$ 1.62	$ 2.56	$ 1.54	$ 5.72	$ 1.73	$ 1.80	$ 1.67	$ 0.50	$ 5.70
Diluted earnings per share - Net income from reported operations attributable to common shareowners (GAAP)	$ 1.62	$ 2.56	$ 1.54	$ 5.72	$ 1.73	$ 1.80	$ 1.67	$ 0.50	$ 5.70
Net income attributable to common shareowners	$ 1,297	$ 2,048	$ 1,238	$ 4,583	$ 1,386	$ 1,439	$ 1,330	$ 397	$ 4,552
Less: Income (loss) from discontinued operations attributable to common shareowners	-	-	-	-	-	-	-	-	-
Net income from operations attributable to common shareowners	1,297	2,048	1,238	4,583	1,386	1,439	1,330	397	4,552
Adjustments to net income from operations attributable to common shareowners:									
Restructuring costs	(69)	(80)	(37)	(186)	(52)	(60)	(65)	(76)	(253)
Charge resulting from product recall program	-	-	-	-	-	-	-	(96)	(96)
Collins Integration & transaction Costs	(30)	(20)	(21)	(70)	-	-	(27)	(38)	(65)
CCS - Taylor Divestiture	-	795	4	799					
Asset Impairment	-	(48)	-	(48)	-	-	-	-	-
Costs associated with portfolio review	-	-	(23)	(23)					
Charge resulting from customer contract matters	-	-	(300)	(300)					
Pre-tax gains related to sale of available-for-sales securities	-	-	-	-	380	-	120	-	500
Charge resulting from customer contract matters	-	-	-	-	-	-	(196)	-	(196)
Other significant non-recurring and non-operational items included in interest expense, net	-	-	(22)	(22)	-	-	9	(6)	3
Income tax benefit on restructuring costs and significant non-recurring and non-operational items	19	(173)	96	(58)	(124)	20	54	63	13
U.S Tax Reform Legislation	(44)	(2)	(6)	(52)	-	-	-	(690)	(690)
Other significant non-recurring and non-operational gains (charges) recorded within income tax expense	-	-	-	-	-	-	55	(32)	23
Total adjustments to net income from operations attributable to common shareowners	(124)	472	(309)	39	204	(40)	(50)	(875)	(761)
Adjusted net income from operations attributable to common shareowners	$ 1,421	$ 1,577	$ 1,547	$ 4,544	$ 1,182	$ 1,479	$ 1,380	$ 1,272	$ 5,313
Less: Impact of total adjustments on diluted earnings per share	$ (0.15)	$ 0.59	$ (0.39)	$ 0.05	$ 0.25	$ (0.05)	$ (0.06)	$ (1.10)	$ (0.95)
Adjusted diluted earnings per share - Net income from operations attributable to common shareowners (Non-GAAP)	$ 1.77	$ 1.97	$ 1.93	$ 5.67	$ 1.48	$ 1.85	$ 1.73	$ 1.60	$ 6.65

3Q 2018 New Revenue Standard Adoption Impact

($ millions)

	Net Sales	Operating Profit
Otis	16	(4)
CCS	—	—
Pratt & Whitney	43	87
Aerospace Systems	(10)	18
Total UTC	**49**	**101**

Key Data

($ millions)

	3Q 18	3Q 17
Free cash flow	1,349	(472)
Debt/capital*	54%	46%
Net debt/capital*	33%	37%
Capital expenditures	413	443
Share repurchase	20	60
Acquisitions**	43	27

*Adjusted to reflect the accounting for noncontrolling interests.
**Includes debt assumed.

3Q 2018 Free Cash Flow Reconciliation

($ millions)

	3Q 2018	3Q 2017
Net income attributable to common shareowners from continuing operations	1,238	1,330
Depreciation & amortization	593	543
Change in working capital	(154)	196
Other	85	(2,098)
Cash flow from operations	1,762	(29)
Capital expenditures	(413)	(443)
Free cash flow	1,349	(472)
Free cash flow as a % of net income attributable to common shareowners from continuing operations	109%	(35%)