United Technologies

2Q 2018 Earnings Conference Call

July 24, 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 financing and 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 expected to be 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*

$7.10 - $7.25 up from $6.95 - $7.15

+ 13 cents

Increasing mid point of prior outlook

Sales

$63.5 - $64.5B up from $63 - $64.5B

+ $0.5 billion

Increasing low end of prior outlook

Organic sales*

5% - 6% up from 4% - 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.

2Q 2018

Sales

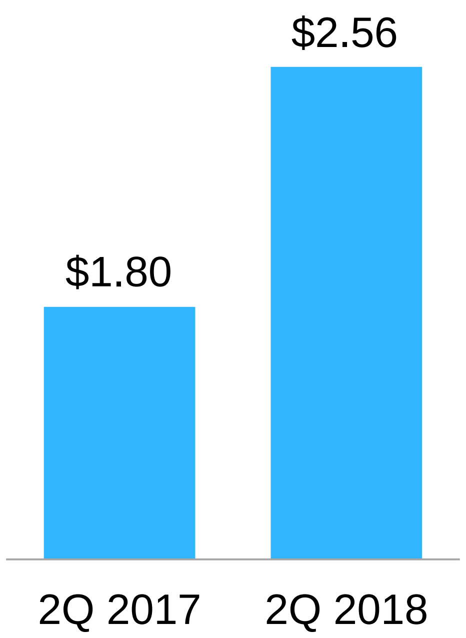
Up 9%

Organic*	6 pts.
FX	2 pts.
Other	1 pt.

EPS

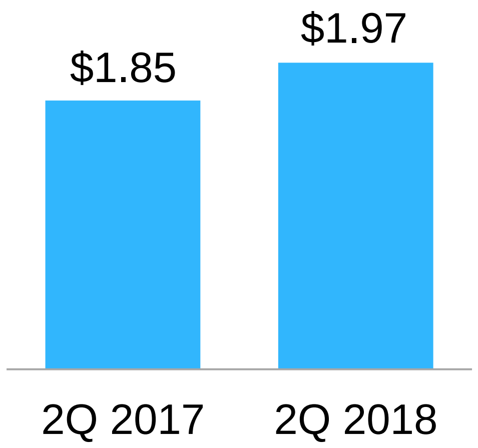
GAAP

Up 42%



Adjusted*

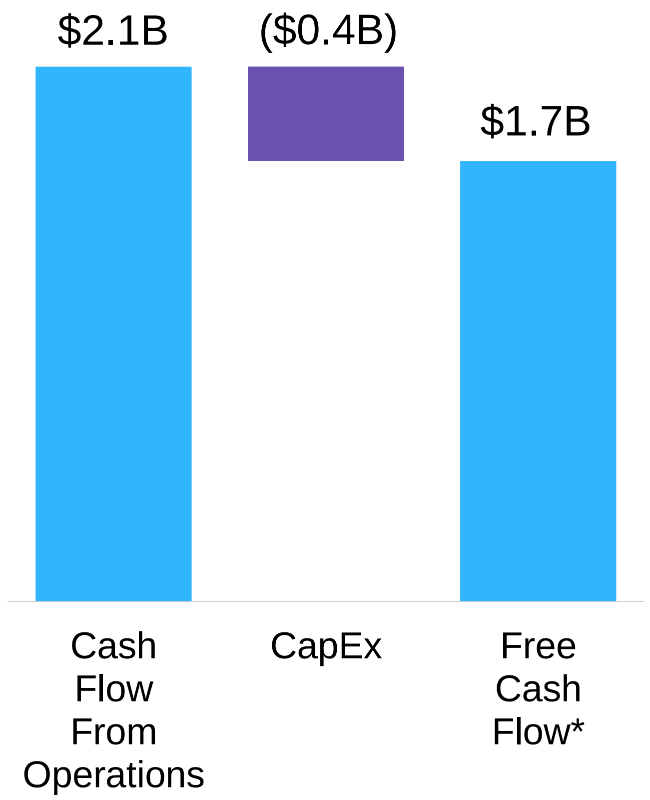
Up 6%



($0.05)	$0.59
Restructuring/ Other items gain/(charge)	

Cash Flow

(attributable to common shareowners)

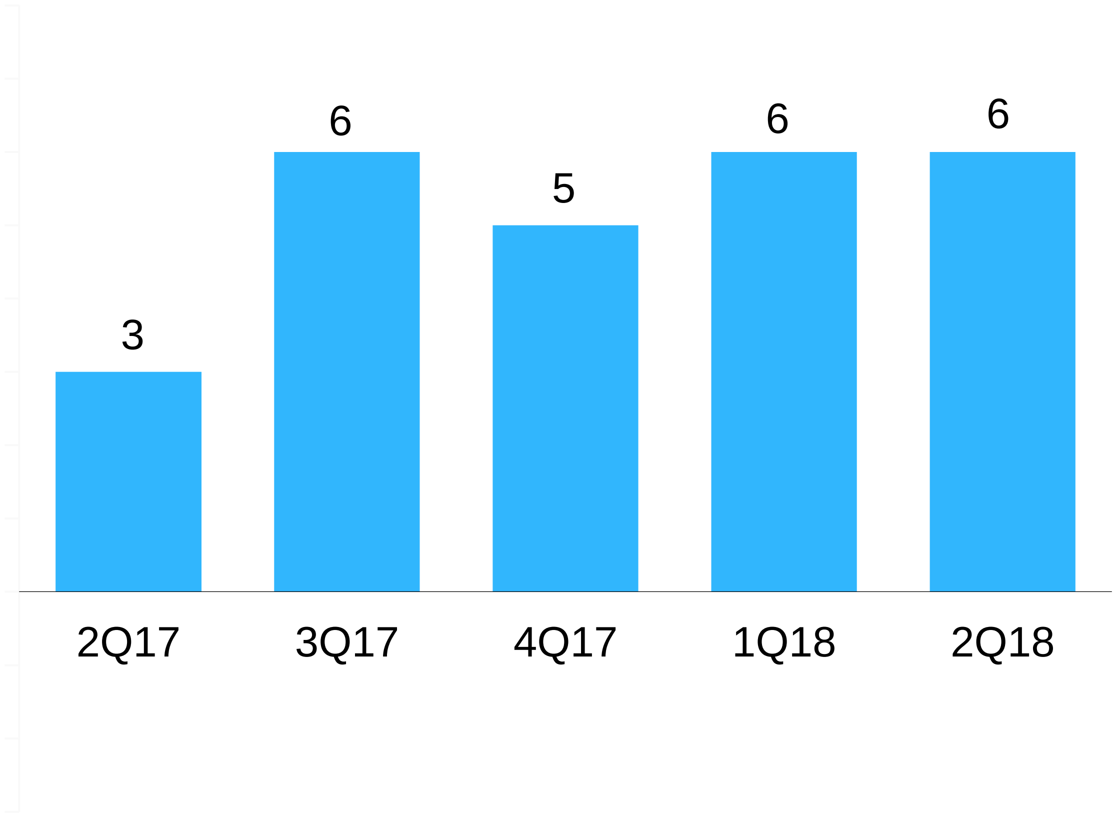


*See appendix for additional information regarding these non-GAAP financial measures.

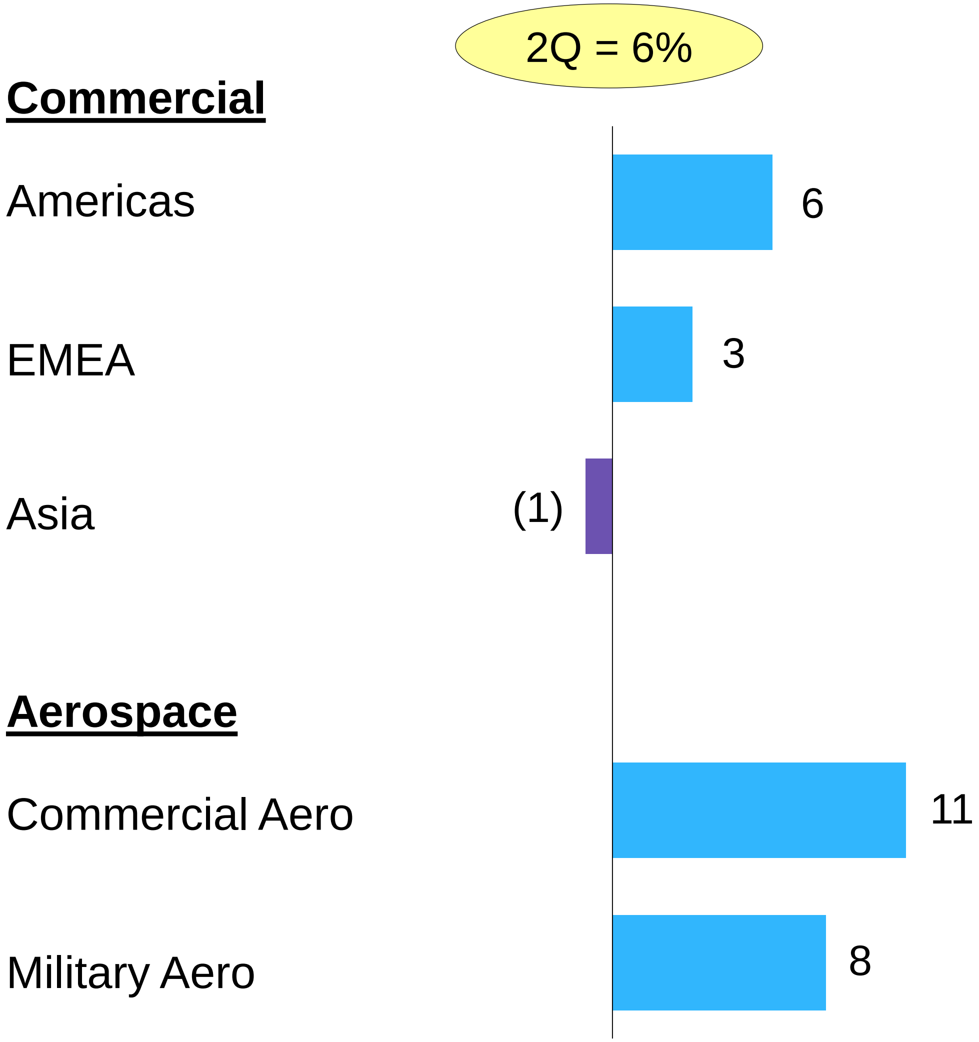
Organic Sales Growth

(VPY %)

Quarterly Trend



2Q 2018



See appendix for definition and reconciliation of organic sales.

2Q 2018 Segment Highlights

Otis

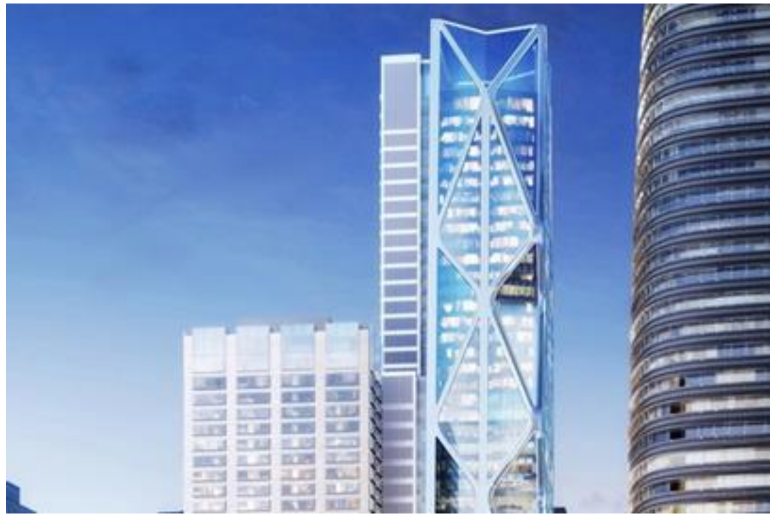
($ millions)

	Reported	Adjusted*	YOY Var.*
Sales	3,344	3,344	7%
Operating profit	488	511	(7%)
ROS	14.6%	15.3%	(2.3) pts

Organic sales up 3%*
- Service sales growth in maintenance and modernization
- Higher new equipment volume in Europe and Asia (ex. China)

Adjusted operating profit* down 11%**
- China price / mix pressure from backlog
- Legal charges
- Mark-to-market FX headwind

Organic new equipment orders up 10%
- North America up 17%
- Asia (ex. China) up 14%
- China up 8%



Otis continues its people-moving legacy in San Francisco providing 53 elevators and escalators for the new Oceanwide Center. The project will be the first building in the world that uses new Otis CompassPlus® destination dispatching enhancements that allow elevators to optimally service low and high-rise floors on demand. The new configuration will automatically adapt to changing traffic patterns throughout the day -- getting passengers to their destinations faster.

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

2Q 2018 Segment Highlights

UTC Climate, Controls & Security

($ millions)

	Reported	Adjusted*	YOY Var.*
Sales	5,035	5,035	7%
Operating profit	1,645	871	2%
ROS	32.7%	17.3%	(0.8) pts

Organic sales up 4%*
- Transport Refrigeration up 11%
- NA Residential HVAC up 5%

Adjusted operating profit* flat**
- Organic volume and pricing contribution
- Restructuring & productivity gains
- Input cost headwinds
- Higher R&D

Organic equipment orders up 8%
- Transport Refrigeration up 27%
- NA Residential HVAC up 8%

Taiwan’s T.S. Lines Ltd. purchased 1,000 Carrier Transicold PrimeLINE® container refrigeration units, increasing the shipping line’s refrigerated capacity by approximately 24% which will accommodate the growth of perishable and other refrigerated trade.

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

2Q 2018 Segment Highlights

Pratt & Whitney

($ millions)

	Reported	Adjusted*	YOY Var.*
Sales	4,736	4,736	16%
Operating profit	397	400	8%
ROS	8.4%	8.4%	(0.7) pts

Organic sales up 12%*

Sales up 16%
- Commercial aftermarket up 12%
- Military up 22%

Adjusted operating profit* up 8%
- Commercial aftermarket strength
- Military engines growth
- Negative engine margin headwind

Pratt & Whitney GTF engines will power jetBlue and Moxy's orders for 60 Airbus A220 aircraft each.

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

2Q 2018 Segment Highlights

UTC Aerospace Systems

($ millions)

	Reported	Adjusted*	YOY Var.*
Sales	3,962	3,962	9%
Operating profit	569	650	17%
ROS	14.4%	16.4%	1.1 pts

Organic sales up 8%*
- Commercial aftermarket up 12%
- Commercial OE up 8%
- Military up 5%

Adjusted operating profit* up 17%
- Higher commercial AM and military volumes
- Continued cost reduction
- OE mix headwind
- Transactional FX headwind

UTC Aerospace Systems has unveiled FlightSense™, a new suite of repair and asset management services powered by its advanced prognostics and health management (PHM) solution, Ascentia™. Together, FlightSense and Ascentia provide aircraft operators with real-time data and advanced analytics to improve operational efficiency and increase reliability.

*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.

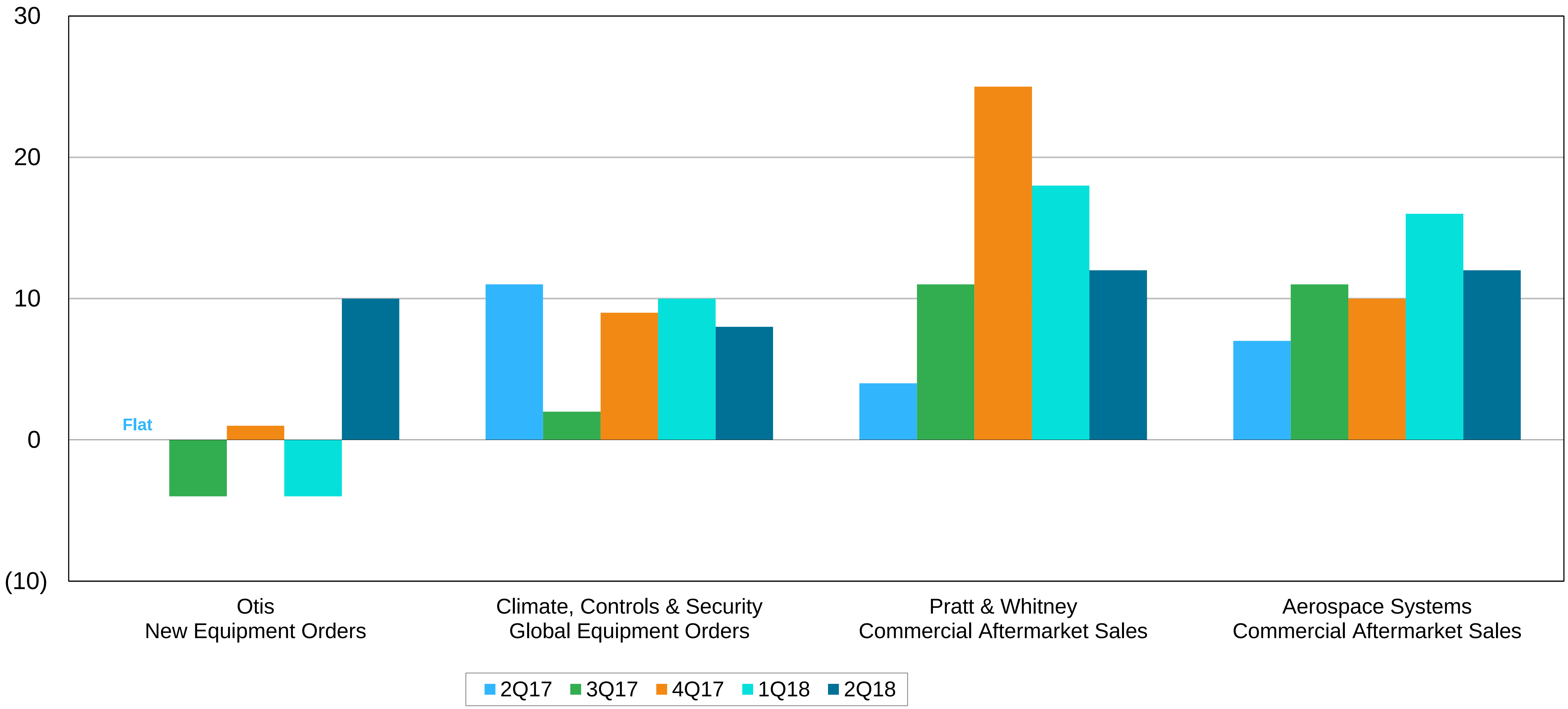
2018 Expectations

	Organic sales change*	Reported sales change	Adjusted operating profit change*
Otis	up low single	up low/mid single	($25) – 25M
Climate, Controls & Security	up low/mid single	up mid single	$75 – 125M
Pratt & Whitney	up low teens	up low teens	$25 – 75M
Aerospace Systems	up low/mid single	up low/mid single	$175 – 225M

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

Key Market Trends

(VPY %*)



*% 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.

2Q 2018 Financial Data

(% VPY*)

Commercial Sales

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

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

Aerospace Sales

Pratt & Whitney	
Commercial aero OEM	up ~20%
Commercial aero aftermarket	up low double digit
Military aero OEM	up ~40%
Military aero aftermarket	up low single digit

UTC Aerospace Systems	
Commercial aero OEM	up high single digit
Commercial aero aftermarket	up low double digit
Military aero OEM	up low single digit
Military aero aftermarket	up high single digit

*% 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.

2Q 2018 Sales Reconciliation

	Total Growth	Organic	FX	Net Acquisitions	Other
Otis	7%	3%	4%	0%	0%
CCS	7%	4%	3%	0%	0%
Pratt & Whitney	16%	12%	0%	0%	4%
Aerospace Systems	9%	8%	1%	0%	0%
Total UTC*	**9%**	**6%**	**2%**	**0%**	**1%**

*Reflects consolidated net sales.

Selected Metrics

Pratt & Whitney engine shipments to customers

	2017					2018		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	YTD
Military	23	25	32	41	121	25	43	68
Large commercial*	139	139	129	130	537	124	210	334
Pratt & Whitney Canada**	454	485	476	565	1,980	503	492	995

*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 Total YTD	2017 1st Qtr.	2017 2nd Qtr.	2017 3rd Qtr.	2017 4th Qtr.	2017 Total
Otis								
Net Sales	3,037	3,344	6,381	2,804	3,131	3,156	3,250	12,341
Operating Profit **(a)**	450	488	938	447	539	550	466	2,002
Operating Profit %	14.8%	14.6%	14.7%	15.9%	17.2%	17.4%	14.3%	16.2%
UTC Climate, Controls & Security								
Net Sales	4,376	5,035	9,411	3,892	4,712	4,688	4,520	17,812
Operating Profit **(a),(b),(i),(q)**	592	1,645	2,237	931	837	794	603	3,165
Operating Profit %	13.5%	32.7%	23.8%	23.9%	17.8%	16.9%	13.3%	17.8%
Pratt & Whitney								
Net Sales **(d), (o)**	4,329	4,736	9,065	3,758	4,070	3,871	4,461	16,160
Operating Profit **(a),(d)**	413	397	810	356	364	188	392	1,300
Operating Profit %	9.5%	8.4%	8.9%	9.5%	8.9%	4.9%	8.8%	8.0%
UTC Aerospace Systems								
Net Sales	3,817	3,962	7,779	3,611	3,640	3,637	3,803	14,691
Operating Profit **(a),(r)**	588	569	1,157	531	534	572	554	2,191
Operating Profit %	15.4%	14.4%	14.9%	14.7%	14.7%	15.7%	14.6%	14.9%
Total Segments								
Net Sales	15,559	17,077	32,636	14,065	15,553	15,352	16,034	61,004
Operating Profit	2,043	3,099	5,142	2,265	2,274	2,104	2,015	8,658
Operating Profit %	13.1%	18.1%	15.8%	16.1%	14.6%	13.7%	12.6%	14.2%
Corporate, Eliminations, and Other								
Net Sales:								
Other	(317)	(372)	(689)	(250)	(273)	(290)	(354)	(1,167)
Operating Profit:								
General corporate expenses **(a)**	(104)	(126)	(230)	(103)	(105)	(104)	(127)	(439)
Task/(Contingency)	-	-	-	-	-	-	-	-
Eliminations and other **(a),(c),(e),(f),(j),(n),(p)**	(11)	(97)	(108)	(18)	(5)	32	(90)	(81)
Consolidated								
Net Sales	15,242	16,705	31,947	13,815	15,280	15,062	15,680	59,837
Operating Profit	1,928	2,876	4,804	2,144	2,164	2,032	1,798	8,138
Operating Profit %	12.6%	17.2%	15.0%	15.5%	14.2%	13.5%	11.5%	13.6%
Non-service pension costs	191	192	383	123	126	131	154	534
Interest expense, net **(g)**	(229)	(234)	(463)	(213)	(226)	(223)	(247)	(909)
Income from operations before income taxes	1,890	2,834	4,724	2,054	2,064	1,940	1,705	7,763
Income tax expense **(l),(h),(k),(m),(o)**	(522)	(695)	(1,217)	(586)	(532)	(506)	(1,219)	(2,843)
Effective Tax Rate	27.6%	24.5%	25.8%	28.5%	25.7%	26.1%	71.5%	36.6%
Income from operations	1,368	2,139	3,507	1,468	1,532	1,434	486	4,920
Net income	1,368	2,139	3,507	1,468	1,532	1,434	486	4,920
Less: Noncontrolling interest in subsidiaries' earnings	(71)	(91)	(162)	(82)	(93)	(104)	(89)	(368)
Net income attributable to common shareowners	**1,297**	**2,048**	**3,345**	**1,386**	**1,439**	**1,330**	**397**	**4,552**
Net income attributable to common shareowners:								
Income from operations	1,297	2,048	3,345	1,386	1,439	1,330	397	4,552

	1st Qtr.	2nd Qtr.	2018 Total YTD	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2017 Total YTD
Operations								
Earnings per share - basic	1.64	2.59	4.23	1.75	1.83	1.69	0.50	5.76
Earnings per share - diluted	1.62	2.56	4.18	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	4.23	1.75	1.82	1.69	0.50	5.76
Total diluted earnings per share	1.62	2.56	4.18	1.73	1.80	1.67	0.50	5.70
Weighted average number of shares outstanding (millions)								
Basic shares	789.9	790.5	790.2	793.5	788.7	788.3	788.8	790.0
Diluted shares	800.4	799.6	800.0	802.3	798.2	797.1	798.0	799.1

	Q1	Q2	Total YTD	Q1	Q2	Q3	Q4	Total YTD
Effective Tax Rate - ops	27.6%	24.5%	25.8%	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	Total YTD	Q1	Q2	Q3	Q4	Total
Operating Profit:								
Otis	(26)	(23)	(49)	(5)	(12)	(6)	(25)	(48)
UTC Climate, Controls & Security	(14)	(21)	(35)	(23)	(18)	(43)	(27)	(111)
Pratt & Whitney	-	(3)	(3)	-	(6)	2	(1)	(5)
UTC Aerospace Systems	(27)	(33)	(60)	(23)	(23)	(15)	(16)	(77)
Total Segments operating profit	(67)	(80)	(147)	(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)	(151)	(52)	(59)	(63)	(74)	(248)
Non-service pension costs		2	2	-	1	2	2	5
Total UTC Net Income	(69)	(80)	(149)	(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.

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.	Q2 YTD	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2017 Total
Otis								
Net Sales	3,037	3,344	6,381	2,804	3,131	3,156	3,250	12,341
Operating Profit (a)	476	511	987	452	551	556	491	2,050
Operating Profit %	15.7%	15.3%	15.5%	16.1%	17.6%	17.6%	15.1%	16.6%
UTC Climate, Controls & Security								
Net Sales	4,376	5,035	9,411	3,892	4,712	4,688	4,520	17,812
Operating Profit (a),(b),(i),(q)	606	871	1,477	575	855	837	726	2,993
Operating Profit %	13.8%	17.3%	15.7%	14.8%	18.1%	17.9%	16.1%	16.8%
Pratt & Whitney								
Net Sales (d), (o)	4,329	4,736	9,065	3,758	4,070	4,256	4,461	16,545
Operating Profit (a),(d)	413	400	813	356	370	382	393	1,501
Operating Profit %	9.5%	8.4%	9.0%	9.5%	9.1%	9.0%	8.8%	9.1%
UTC Aerospace Systems								
Net Sales	3,817	3,962	7,779	3,611	3,640	3,637	3,803	14,691
Operating Profit (a),(r)	615	650	1,265	554	557	587	570	2,268
Operating Profit %	16.1%	16.4%	16.3%	15.3%	15.3%	16.1%	15.0%	15.4%
Total Segments								
Net Sales	15,559	17,077	32,636	14,065	15,553	15,737	16,034	61,389
Operating Profit	2,110	2,432	4,542	1,937	2,333	2,362	2,180	8,812
Operating Profit %	13.6%	14.2%	13.9%	13.8%	15.0%	15.0%	13.6%	14.4%
Corporate, Eliminations, and Other								
Net Sales:								
Other	(317)	(372)	(689)	(250)	(273)	(290)	(354)	(1,167)
Operating Profit:								
General corporate expenses (a)	(102)	(124)	(226)	(102)	(105)	(103)	(125)	(435)
Eliminations and other (a),(c),(e),(f),(j),(n),(p)	19	(77)	(58)	(19)	(5)	(61)	(49)	(134)
Consolidated								
Net Sales	15,242	16,705	31,947	13,815	15,280	15,447	15,680	60,222
Operating Profit	2,027	2,231	4,258	1,816	2,223	2,198	2,006	8,243
Operating Profit %	13.3%	13.4%	13.3%	13.1%	14.5%	14.2%	12.8%	13.7%
Non-service pension costs	191	190	381	123	127	133	156	539
Interest expense, net (g)	(229)	(234)	(463)	(213)	(226)	(232)	(241)	(912)
Income from operations before income taxes	1,989	2,187	4,176	1,726	2,124	2,099	1,921	7,870
Income tax expense (l),(h),(k),(m),(o)	(497)	(520)	(1,017)	(462)	(552)	(615)	(558)	(2,187)
Effective Tax Rate	25.0%	23.8%	24.4%	26.8%	26.0%	29.3%	29.0%	27.8%
Income from operations	1,492	1,667	3,159	1,264	1,572	1,484	1,363	5,683
Net income	1,492	1,667	3,159	1,264	1,572	1,484	1,363	5,683
Less: Noncontrolling interest in subsidiaries' earnings	(71)	(91)	(162)	(82)	(93)	(104)	(89)	(368)
Net income attributable to common shareowners	1,421	1,576	2,997	1,182	1,479	1,380	1,274	5,315
Net income attributable to common shareowners:								
From operations	1,421	1,576	2,997	1,182	1,479	1,380	1,274	5,315

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	Q2 YTD	Q1	Q2	Q3	Q4	Total
Diluted earnings per share attributable to common shareowners	$ 1.62	$ 2.56	$ 4.18	$ 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	$ 4.18	$ 1.73	$ 1.80	$ 1.67	$ 0.50	$ 5.70
Net income attributable to common shareowners	$ 1,297	$ 2,048	$ 3,345	$ 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	3,345	1,386	1,439	1,330	397	4,552
Adjustments to net income from operations attributable to common shareowners:								
Restructuring costs	(69)	(80)	(149)	(52)	(60)	(65)	(76)	(253)
Charge resulting from product recall program	-	-	-	-	-	-	(96)	(96)
Collins Integration & transaction Costs	(30)	(20)	(50)	-	-	(27)	(38)	(65)
CCS - Taylor Divestiture	-	795	795					
Asset Impairment	-	(48)	(48)	-	-	-	-	-
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	-	-	-	-	-	9	(6)	3
Income tax benefit on restructuring costs and significant non-recurring and non-operational items	19	(173)	(154)	(124)	20	54	61	11
U.S Tax Reform Legislation	(44)	(2)	(46)	-	-	-	(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)	473	349	204	(40)	(50)	(877)	(763)
Adjusted net income from operations attributable to common shareowners	$ 1,421	$ 1,576	$ 2,997	$ 1,182	$ 1,479	$ 1,380	$ 1,274	$ 5,315
Less: Impact of total adjustments on diluted earnings per share	$ (0.15)	$ 0.59	$ 0.44	$ 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	$ 3.74	$ 1.48	$ 1.85	$ 1.73	$ 1.60	$ 6.65

2Q 2018 New Revenue Standard Adoption Impact

($ millions)

	Net Sales	Operating Profit
Otis	20	1
CCS	—	—
Pratt & Whitney	169	(26)
Aerospace Systems	(5)	6
Total UTC	**184**	**(19)**

Key Data

($ millions)

	2Q 18	2Q 17
Free cash flow	1,730	1,700
Debt/capital*	46%	47%
Net debt/capital*	34%	36%
Capital expenditures	372	446
Share repurchase	27	437
Acquisitions**	9	74

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

2Q 2018 Free Cash Flow Reconciliation

($ millions)

	2Q	
	2018	2017
Net income attributable to common shareowners from continuing operations	2,048	1,439
Depreciation & amortization	592	527
Change in working capital	483	(79)
Other	(1,021)	259
Cash flow from operations	2,102	2,146
Capital expenditures	(372)	(446)
Free cash flow	1,730	1,700
Free cash flow as a % of net income attributable to common shareowners from continuing operations	84%	118%