United Technologies

Morgan Stanley 7th Annual Laguna Conference

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Greg Hayes
Chairman & CEO

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

Cautionary Statement Regarding Forward-Looking Statements:

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 Raytheon Company’s (“Raytheon”) and United Technologies Corporation’s (“UTC”) respective 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 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, 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 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 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 combined company of its 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’s 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 approvals of UTC’s shareowners and Raytheon’s stockholders 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 one or both of the parties to terminate the merger agreement; (20) risks relating to the value of the UTC shares to be issued in the proposed merger, significant transaction costs and/or unknown liabilities; (21) the possibility that the anticipated benefits from the proposed merger 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 Raytheon, UTC, 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 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 Raytheon and UTC 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 and Raytheon 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.

2019 Initiatives: On Track

- Portfolio separation
- Rockwell Collins integration
- Raytheon merger
- Financial performance

2019 Outlook

	Revised Q2	
Adjusted EPS*	$7.90 – $8.05	↑
Sales	$75.5 – $77.0B	
Organic sales*	4 – 5%	↑
Free cash flow*	$4.5 – $5.0B Includes $1.5B of one-time portfolio separation costs	

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

United Technologies

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 Transaction

Additional Information and Where to Find It

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, 02541, by telephone at 1-781-522-5123 or by email at invest@raytheon.com.

Participants in the Solicitation

UTC and Raytheon and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed merger. Information about UTC's directors and executive officers is available in UTC's proxy statement dated March 18, 2019, for its 2019 Annual Meeting of Shareowners. Information about Raytheon's directors and executive officers is available in Raytheon's proxy statement dated April 16, 2019, for its 2019 Annual Meeting of Shareholders. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, are contained in the joint proxy statement/prospectus and other relevant materials to be filed with the SEC regarding the transaction when they become available. Investors should carefully read the joint proxy statement/prospectus before making any voting or investment decisions. You may obtain free copies of these documents from UTC or Raytheon as indicated above.

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.

Transformation into Leading A&D Systems Provider

	2011	2015	2017	2018	2019
	Acquisition of GOODRICH EV: ~$18B 21-Sep-2011	Sale of SIKORSKY A LOCKHEED MARTIN COMPANY EV: ~$9B 20-Jul-2015	Acquisition of Rockwell Collins EV: ~$31B 04-Sep-2017	Pending Three-Way Separation United Technologies OTIS Carrier EV: ~$132B 26-Nov-2018	Pending Merger with Raytheon EV: ~$56B 09-Jun-2019
UTC A&D PF Revenue[1]	**~$34B**	**~$27B**	**~$38B**	**~$43B**	**~$74B**
UTC Revenue % A&D[1]	**~53%**	**~50%**	**~58%**	**~100%**	**~100%**
Run-Rate Cost Synergies[2]	**~$600M+**	**N/A**	**~$600M+**	**N/A**	**~$1,000M+**
Rationale	• *Complementary products / systems across the airframe* • *Substantial financial synergies*	• *Reduce platform-specific A&D exposure* • *Increase focus on providing high-technology systems*	• *Added world-class electronics and software capabilities* • *Substantial financial synergies*	• *Create focused A&D and commercial platforms* • *Positioned to serve high-growth areas of commercial aerospace and defense industries*	• *Create leading A&D systems provider– scale, breadth and innovation* • *Increase high-tech systems focus* • *Material synergy potential*

Transformation into leading platform-agnostic Aerospace & Defense provider

For more information, see Amendment No. 2 to UTC's registration statement on Form S-4, filed with the SEC on September 4, 2019 and which was declared effective by the SEC on September 9, 2019
Note: Dates reflect transaction announcement.

[1] Pro Forma Aero revenue includes UTAS / Collins Aerospace and Pratt & Whitney. Net of intercompany eliminations.

[2] Reflects gross run-rate cost synergies. Goodrich reflects realized cost synergies. Collins and Raytheon reflect latest expectations for cost synergies. Raytheon estimated net run-rate cost synergies is $500M+.

Segment Data – GAAP

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

	2019			2018				
	1st Qtr.	2nd Qtr.	2019 Total YTD	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2018 Total
Otis								
Net Sales	3,096	3,348	6,444	3,037	3,344	3,223	3,300	12,904
Operating Profit **(a)**	426	515	941	450	488	486	491	1,915
Operating Profit %	13.8%	15.4%	14.6%	14.8%	14.6%	15.1%	14.9%	14.8%
Carrier								
Net Sales	4,323	4,962	9,285	4,376	5,035	4,880	4,631	18,922
Operating Profit **(a),(e),(u)**	529	836	1,365	592	1,645	844	696	3,777
Operating Profit %	12.2%	16.8%	14.7%	13.5%	32.7%	17.3%	15.0%	20.0%
Pratt & Whitney								
Net Sales **(o)**	4,817	5,150	9,967	4,329	4,736	4,789	5,543	19,397
Operating Profit **(a),(l)**	433	424	857	413	397	109	350	1,269
Operating Profit %	9.0%	8.2%	8.6%	9.5%	8.4%	2.3%	6.3%	6.5%
Collins Aerospace Systems								
Net Sales	6,513	6,576	13,089	3,817	3,962	3,955	4,900	16,634
Operating Profit **(a),(f),(o),(y),(z)**	856	1,172	2,028	588	569	610	536	2,303
Operating Profit %	13.1%	17.8%	15.5%	15.4%	14.4%	15.4%	10.9%	13.8%
Total Segments								
Net Sales	18,749	20,036	38,785	15,559	17,077	16,847	18,374	67,857
Operating Profit	2,244	2,947	5,191	2,043	3,099	2,049	2,073	9,264
Operating Profit %	12.0%	14.7%	13.4%	13.1%	18.1%	12.2%	11.3%	13.7%
Corporate, Eliminations, and Other								
Net Sales:								
Other	(384)	(402)	(786)	(317)	(372)	(337)	(330)	(1,356)
Operating Profit:								
General corporate expenses **(a)**	(98)	(124)	(222)	(104)	(126)	(109)	(136)	(475)
Eliminations and other **(a),(b),(d),(h),(i),(k),(n),(p),(q),(r),(x),(aa),(bb),(cc),(dd)**	(101)	(239)	(340)	(11)	(97)	(102)	(26)	(236)
Consolidated								
Net Sales	18,365	19,634	37,999	15,242	16,705	16,510	18,044	66,501
Operating Profit	2,045	2,584	4,629	1,928	2,876	1,838	1,911	8,553
Operating Profit %	11.1%	13.2%	12.2%	12.6%	17.2%	11.1%	10.6%	12.9%
Non-service pension (benefit) cost	(208)	(216)	(424)	(191)	(192)	(188)	(194)	(765)
Interest expense, net **(j),(s),(t),(ee)**	431	360	791	229	234	258	317	1,038
Income from operations before income taxes	1,822	2,440	4,262	1,890	2,834	1,768	1,788	8,280
Income tax expense **(c),(g),(m),(u),(v),(ff),(gg)**	(397)	(441)	(838)	(522)	(695)	(419)	(990)	(2,626)
Effective Tax Rate	21.8%	18.1%	19.7%	27.6%	24.5%	23.7%	55.3%	31.7%
Income from operations	1,425	1,999	3,424	1,368	2,139	1,349	798	5,654
Net income	1,425	1,999	3,424	1,368	2,139	1,349	798	5,654
Less: Noncontrolling interest in subsidiaries' earnings **(w)**	(79)	(99)	(178)	(71)	(91)	(111)	(112)	(385)
Net income attributable to common shareowners	**1,346**	**1,900**	**3,246**	**1,297**	**2,048**	**1,238**	**686**	**5,269**
Net income attributable to common shareowners:								
Income from operations	1,346	1,900	3,246	1,297	2,048	1,238	686	5,269

	1st Qtr.	2nd Qtr.	2019 Total YTD	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2018 Total YTD
Operations								
Earnings per share - basic	1.58	2.22	3.80	1.64	2.59	1.56	0.83	6.58
Earnings per share - diluted	1.56	2.20	3.76	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	3.80	1.64	2.59	1.56	0.83	6.58
Total diluted earnings per share	1.56	2.20	3.76	1.62	2.56	1.54	0.83	6.50
Weighted average number of shares outstanding (millions)								
Basic shares	853.2	854.4	853.8	789.9	790.5	791.3	822.7	800.4
Diluted shares	860.7	863.7	862.3	800.4	799.6	801.8	831.4	810.1

	Q1	Q2	Total YTD	Q1	Q2	Q3	Q4	Total YTD
Effective Tax Rate - ops	21.8%	18.1%	19.7%	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	Total YTD	Q1	Q2	Q3	Q4	Total
Operating Profit:								
Otis	(25)	(15)	(40)	(26)	(23)	(3)	(19)	(71)
Carrier	(33)	(30)	(63)	(14)	(21)	(17)	(28)	(80)
Pratt & Whitney	(14)	(3)	(17)	-	(3)	-	10	7
Collins Aerospace Systems	(39)	(17)	(56)	(27)	(33)	(17)	(83)	(160)
Total Segments operating profit	(111)	(65)	(176)	(67)	(80)	(37)	(120)	(304)
General corporate expenses	(1)	(1)	(2)	(2)	(2)	-	(1)	(5)
Eliminations and other	-	-	-	-	-	-	-	-
Total consolidated operating profit	(112)	(66)	(178)	(69)	(82)	(37)	(121)	(309)
Non-service pension costs		-	-		2			2
Total UTC Net Income	(112)	(66)	(178)	(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 UTC Climate, Controls & Security.
(f) Q2 2018 Approximately $48 million of unfavorable charges associated with asset impairment at UTC 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 UTC Climate, Controls & Security.
(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.

Segment Data – Adjusted

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

	2019			2018				
	Ex Rest & Significant non-recurring and non-operational items			Ex Rest & Significant non-recurring and non-operational items				
	1st Qtr.	2nd Qtr.	2019 Total YTD	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2018 Total
Otis								
Net Sales	3,096	3,348	6,444	3,037	3,344	3,223	3,300	12,904
Operating Profit (a)	451	530	981	476	511	489	510	1,986
Operating Profit %	14.6%	15.8%	15.2%	15.7%	15.3%	15.2%	15.5%	15.4%
Carrier								
Net Sales	4,323	4,962	9,285	4,376	5,035	4,880	4,631	18,922
Operating Profit (a),(e),(u)	562	866	1,428	606	871	857	724	3,058
Operating Profit %	13.0%	17.5%	15.4%	13.8%	17.3%	17.6%	15.6%	16.2%
Pratt & Whitney								
Net Sales (o)	4,817	5,150	9,967	4,329	4,736	4,789	5,543	19,397
Operating Profit (a),(l)	447	427	874	413	400	409	340	1,562
Operating Profit %	9.3%	8.3%	8.8%	9.5%	8.4%	8.5%	6.1%	8.1%
Collins Aerospace Systems								
Net Sales	6,513	6,576	13,089	3,817	3,962	3,955	4,900	16,634
Operating Profit (a),(f),(o),(y),(z)	1,101	1,189	2,290	615	650	627	721	2,613
Operating Profit %	16.9%	18.1%	17.5%	16.1%	16.4%	15.9%	14.7%	15.7%
Total Segments								
Net Sales	18,749	20,036	38,785	15,559	17,077	16,847	18,374	67,857
Operating Profit	2,561	3,012	5,573	2,110	2,432	2,382	2,295	9,219
Operating Profit %	13.7%	15.0%	14.4%	13.6%	14.2%	14.1%	12.5%	13.6%
Corporate, Eliminations, and Other								
Net Sales:								
Other	(384)	(402)	(786)	(317)	(372)	(337)	(330)	(1,356)
Operating Profit:								
General corporate expenses (a)	(97)	(123)	(220)	(102)	(124)	(109)	(135)	(470)
Eliminations and other (a),(b),(d),(h),(i),(k),(n),(p),(q),(r),(x),(aa),(bb),(cc),(dd)	(37)	(49)	(86)	19	(77)	(58)	15	(101)
Consolidated								
Net Sales	18,365	19,634	37,999	15,242	16,705	16,510	18,044	66,501
Operating Profit	2,427	2,840	5,267	2,027	2,231	2,215	2,175	8,648
Operating Profit %	13.2%	14.5%	13.9%	13.3%	13.4%	13.4%	12.1%	13.0%
Non-service pension (benefit) cost	(208)	(216)	(424)	(191)	(190)	(188)	(194)	(763)
Interest expense, net (j),(s),(t),(ee)	431	418	849	229	234	236	297	(362)
Income from operations before income taxes	2,204	2,638	4,842	1,989	2,187	2,167	2,072	9,774
Income tax expense (c),(g),(m),(u),(v),(ff),(gg)	(478)	(641)	(1,119)	(497)	(520)	(509)	(332)	(1,858)
Effective Tax Rate	21.7%	24.3%	23.1%	25.0%	23.8%	23.5%	15.9%	19.0%
Income from operations	1,726	1,997	3,723	1,492	1,667	1,658	1,740	6,557
Income (loss) from discontinued operations	-	-	-	-	-	-	-	-
Net income	1,726	1,997	3,723	1,492	1,667	1,658	1,740	6,557
Less: Noncontrolling interest in subsidiaries' earnings (hh)	(79)	(99)	(178)	(71)	(91)	(111)	(119)	(392)
Net income attributable to common shareowners	1,647	1,898	3,545	1,421	1,576	1,547	1,621	6,165
Net income attributable to common shareowners:								
From operations	1,647	1,898	3,545	1,421	1,576	1,547	1,621	6,165
From discontinued operations	-	-	-	-	-	-	-	-

Segment Adjusted Operating Profit Reconciliation

(dollars in millions - Income (Expense))	Quarter Ended June 30, (Unaudited) 2019	Quarter Ended June 30, (Unaudited) 2018	Six Months Ended June 30, (Unaudited) 2019	Six Months Ended June 30, (Unaudited) 2018
Otis				
Net sales	$ 3,348	$ 3,344	$ 6,444	$ 6,381
Operating profit	$ 515	$ 488	$ 941	$ 938
Restructuring	(15)	(23)	(40)	(49)
Adjusted operating profit	$ 530	$ 511	$ 981	$ 987
Adjusted operating profit margin	15.8%	15.3%	15.2%	15.5%
Carrier				
Net sales	$ 4,962	$ 5,035	$ 9,285	$ 9,411
Operating profit	$ 836	$ 1,645	$ 1,365	$ 2,237
Restructuring	(30)	(21)	(63)	(35)
Gain on sale of Taylor Company	—	795	—	795
Adjusted operating profit	$ 866	$ 871	$ 1,428	$ 1,477
Adjusted operating profit margin	17.5%	17.3%	15.4%	15.7%
Pratt & Whitney				
Net sales	$ 5,150	$ 4,736	$ 9,967	$ 9,065
Operating profit	$ 424	$ 397	$ 857	$ 810
Restructuring	(3)	(3)	(17)	(3)
Adjusted operating profit	$ 427	$ 400	$ 874	$ 813
Adjusted operating profit margin	8.3%	8.4%	8.8%	9.0%
Collins Aerospace Systems				
Net sales	$ 6,576	$ 3,962	$ 13,089	$ 7,779
Operating profit	$ 1,172	$ 569	$ 2,028	$ 1,157
Restructuring	(17)	(33)	(56)	(60)
Loss on sale of business	—	—	(25)	—
Amortization of Rockwell Collins inventory fair value adjustment	—	—	(181)	—
Asset impairment	—	(48)	—	(48)
Adjusted operating profit	$ 1,189	$ 650	$ 2,290	$ 1,265
Adjusted operating profit margin	18.1%	16.4%	17.5%	16.3%
Eliminations and other general corporate expenses				
Operating profit	$ (363)	$ (223)	$ (562)	$ (338)
Restructuring	(1)	(2)	(2)	(4)
Transaction and integration costs related to merger agreement with Rockwell Collins, Inc.	(10)	(20)	(19)	(50)
Costs associated with the Company's intention to separate its commercial businesses	(154)	—	(209)	—
Transaction expenses associated with the Raytheon Merger	(26)	—	(26)	—
Adjusted operating profit	$ (172)	$ (201)	$ (306)	$ (284)
UTC Consolidated				
Operating profit	$ 2,584	$ 2,876	$ 4,629	$ 4,804
Restructuring	(66)	(82)	(178)	(151)
Total significant non-recurring and non-operational items included in Operating Profit above	(190)	727	(460)	697
Consolidated Adjusted operating profit	$ 2,840	$ 2,231	$ 5,267	$ 4,258

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	Q2 YTD	Q1	Q2	Q3	Q4	Total
Diluted earnings per share - Net income from reported operations attributable to common shareowners (GAAP)	$ 1.56	$ 2.20	$ 3.76	$ 1.62	$ 2.56	$ 1.54	$ 0.83	$ 6.50
Net income attributable to common shareowners	$ 1,346	$ 1,900	$ 3,246	$ 1,297	$ 2,048	$ 1,238	$ 686	$ 5,269
Adjustments to net income from operations attributable to common shareowners:								
Restructuring costs	(112)	(66)	(178)	(69)	(80)	(37)	(121)	(307)
Collins Transaction & Integration costs	(9)	(10)	(19)	(30)	(20)	(21)	(47)	(118)
Carrier - Taylor Divestiture	-	-	-	-	795	4	-	799
Asset Impairment/Subsequent loss on sale	(25)	-	(25)	-	(48)	-	-	(48)
Costs associated with the Company's intention to separate its commercial businesses	(55)	(154)	(209)	-	-	(23)	(4)	(27)
2019 Raytheon transaction costs		(26)	(26)	-	-	-	-	-
Transaction expenses associated with a potential disposition	-	-	-	-	-	-	(11)	(11)
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 interest expense, net	-	58	58	-	-	(22)	(20)	(42)
Income tax benefit on restructuring costs and significant non-recurring and non-operational items	81	36	117	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	164	-	-	-	-	-
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	(299)	(124)	472	(309)	(935)	(896)
Adjusted net income from operations attributable to common shareowners	$ 1,647	$ 1,898	$ 3,545	$ 1,421	$ 1,576	$ 1,547	$ 1,621	$ 6,165
Less: Impact of total adjustments on diluted earnings per share	$ (0.35)	$ 0.00	$ (0.35)	$ (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	$ 4.11	$ 1.77	$ 1.97	$ 1.93	$ 1.95	$ 7.61
Effective Tax Rate	21.8%	18.1%	19.7%	27.6%	24.5%	23.7%	55.3%	31.7%
Less: Impact on effective tax rate	-0.1%	6.2%	3.4%	-2.6%	-0.7%	-0.2%	-39.4%	-9.6%
Adjusted effective tax rate	21.7%	24.3%	23.1%	25.0%	23.8%	23.5%	15.9%	22.1%

2Q 2019 YTD Sales Reconciliation

	Total Growth	Organic	FX	Net Acquisitions	Other
Otis	1%	6%	(5%)	0%	0%
Carrier	(1%)	3%	(3%)	(1%)	0%
Pratt & Whitney	10%	11%	(1%)	0%	0%
Collins Aerospace	68%	10%	(1%)	59%	0%
Total UTC*	**19%**	**7%**	**(2%)**	**14%**	**0%**

*Reflects consolidated net sales.

Free Cash Flow Reconciliation

($ millions)

	2Q 2019 YTD	
	2019	2018
Net income attributable to common shareowners from continuing operations	3,246	3,345
Depreciation & amortization	1,864	1,173
Change in working capital	(456)	(489)
Other	(1,043)	(1,474)
Cash flow from operations	3,611	2,555
Capital expenditures	(830)	(709)
Free cash flow	2,781	1,846
Free cash flow as a % of net income attributable to common shareowners from continuing operations	86%	55%