

**UNITED TECHNOLOGIES REPORTS SECOND QUARTER 2018 RESULTS
RAISES 2018 OUTLOOK**

*Organic sales growth momentum continues in Q2;
Robust cash generation in the quarter;
Raises sales and adjusted EPS outlook for 2018, excluding Rockwell Collins*

- Sales of \$16.7 billion, up 9 percent versus prior year including 6 percent organic growth
- GAAP EPS of \$2.56, up 42 percent versus prior year including a one-time gain on the sale of Taylor Company in the quarter
- Adjusted EPS of \$1.97, up 6 percent versus prior year

FARMINGTON, Conn., July 24, 2018 - United Technologies Corp. (NYSE:UTX) today reported second quarter 2018 results and increased its full year sales and adjusted EPS outlook.

“Our second quarter results demonstrated continued positive momentum for United Technologies,” said UTC Chairman and Chief Executive Officer Gregory Hayes. “This was our fourth consecutive quarter of delivering organic sales growth of 5 percent or better, which is a result of our investments in innovation across the portfolio. Earnings and free cash flow were also strong in the quarter.”

“Based on our solid year-to-date performance, we are raising the low end of our 2018 sales outlook and now expect \$63.5 to \$64.5 billion of sales on improved organic growth of 5 to 6 percent.* We are also raising our adjusted EPS outlook range and now expect \$7.10 to \$7.25,* excluding 10 to 15 cents of projected dilution from the pending acquisition of Rockwell Collins, which we expect to close in the third quarter,” Hayes concluded.

Second quarter sales of \$16.7 billion were up 9 percent over the prior year, including 6 points of organic sales growth and 2 points of foreign exchange benefit. GAAP EPS of \$2.56 was up 42 percent versus the prior year and included 59 cents of net restructuring charges and other significant items, including a one-time gain from the sale of Taylor Company in the quarter. Adjusted EPS of \$1.97 was up 6 percent.

Net income in the quarter was \$2.0 billion, up 42 percent versus the prior year. Net income excluding the gain on the sale of Taylor Company was \$1.5 billion. Cash flow from operations was \$2.1 billion and capital expenditures were \$372 million, resulting in free cash flow of \$1.7 billion. UTC continues to expect \$4.5 to \$5.0 billion* of free cash flow in 2018.

In the quarter, commercial aftermarket sales were up 12 percent at both Pratt & Whitney and UTC Aerospace Systems. Otis new equipment orders were up 10 percent organically versus the prior year. Equipment orders at UTC Climate, Controls & Security increased 8 percent organically.

UTC updates its 2018 outlook and now anticipates:

- Adjusted EPS of \$7.10 to \$7.25,* excluding Rockwell Collins, up from \$6.95 to \$7.15;
- Adjusted EPS dilution of \$0.10 to \$0.15 from the pending acquisition of Rockwell Collins, assuming a third quarter close;
- Sales of \$63.5 to \$64.5 billion, up from \$63.0 to \$64.5 billion;
- Organic sales growth of 5 to 6 percent,* up from 4 to 6 percent;
- There is no change in the Company's previously provided 2018 expectations for free cash flow of \$4.5 to \$5.0 billion.*

*Note: When we provide expectations for adjusted EPS, 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 generally is not available without unreasonable effort. See "Use and Definitions of Non-GAAP Financial Measures" below for additional information.

United Technologies Corp., based in Farmington, Connecticut, provides high technology products and services to the building and aerospace industries. By combining a passion for science with precision engineering, the company is creating smart, sustainable solutions the world needs. Additional information, including a webcast, is available at www.utc.com or <https://edge.media-server.com/m6/p/bd5qaacp>, or to listen to the earnings call by phone, dial (877) 280-7280 between 8:10 a.m. and 8:30 a.m. ET. To learn more about UTC, visit the [website](#) or follow the company on Twitter: [@UTC](#)

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.

Cautionary Statement

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.

UTC-IR

###

United Technologies Corporation
Condensed Consolidated Statement of Operations

<u>(dollars in millions, except per share amounts)</u>	Quarter Ended June 30,		Six Months Ended June 30,	
	(Unaudited)		(Unaudited)	
	2018	2017	2018	2017
Net Sales	\$ 16,705	\$ 15,280	\$ 31,947	\$ 29,095
Costs and Expenses:				
Cost of products and services sold	12,422	11,164	23,702	21,300
Research and development	589	619	1,143	1,205
Selling, general and administrative	1,759	1,590	3,470	3,127
Total Costs and Expenses	14,770	13,373	28,315	25,632
Other income, net	941	257	1,172	845
Operating profit	2,876	2,164	4,804	4,308
Non-service pension (benefit)	(192)	(126)	(383)	(249)
Interest expense, net	234	226	463	439
Income from operations before income taxes	2,834	2,064	4,724	4,118
Income tax expense	695	532	1,217	1,118
Net income from operations	2,139	1,532	3,507	3,000
Less: Noncontrolling interest in subsidiaries' earnings from operations	91	93	162	175
Net income attributable to common shareowners	\$ 2,048	\$ 1,439	\$ 3,345	\$ 2,825
Earnings Per Share of Common Stock:				
Basic	\$ 2.59	\$ 1.83	\$ 4.23	\$ 3.57
Diluted	\$ 2.56	\$ 1.80	\$ 4.18	\$ 3.53
Weighted Average Number of Shares Outstanding:				
Basic shares	791	789	790	791
Diluted shares	800	798	800	800

We adopted ASU 2014-09, *Revenue from Contracts with Customers*, and its related amendments (collectively, the New Revenue Standard) effective January 1, 2018 and elected the modified retrospective approach. The results for periods before 2018 were not adjusted for the new standard and the cumulative effect of the change in accounting was recognized through retained earnings at the date of adoption. See "The New Revenue Standard Adoption Impact" for further details. As described on the following pages, consolidated results for the quarters ended June 30, 2018 and 2017 include restructuring costs and significant non-recurring and non-operational items. See discussion above, "Use and Definitions of Non-GAAP Financial Measures," regarding consideration of such costs and items when evaluating the underlying financial performance.

See accompanying Notes to Condensed Consolidated Financial Statements.

United Technologies Corporation
Segment Net Sales and Operating Profit

(dollars in millions)	Quarter Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
	2018	2017	2018	2017
Net Sales				
Otis	\$ 3,344	\$ 3,131	\$ 6,381	\$ 5,935
UTC Climate, Controls & Security	5,035	4,712	9,411	8,604
Pratt & Whitney	4,736	4,070	9,065	7,828
UTC Aerospace Systems	3,962	3,640	7,779	7,251
Segment Sales	17,077	15,553	32,636	29,618
Eliminations and other	(372)	(273)	(689)	(523)
Consolidated Net Sales	\$ 16,705	\$ 15,280	\$ 31,947	\$ 29,095
Operating Profit				
Otis	\$ 488	\$ 539	\$ 938	\$ 986
UTC Climate, Controls & Security	1,645	837	2,237	1,768
Pratt & Whitney	397	364	810	720
UTC Aerospace Systems	569	534	1,157	1,065
Segment Operating Profit	3,099	2,274	5,142	4,539
Eliminations and other	(97)	(5)	(108)	(23)
General corporate expenses	(126)	(105)	(230)	(208)
Consolidated Operating Profit	\$ 2,876	\$ 2,164	\$ 4,804	\$ 4,308
Segment Operating Profit Margin				
Otis	14.6%	17.2%	14.7%	16.6%
UTC Climate, Controls & Security	32.7%	17.8%	23.8%	20.5%
Pratt & Whitney	8.4%	8.9%	8.9%	9.2%
UTC Aerospace Systems	14.4%	14.7%	14.9%	14.7%
Segment Operating Profit Margin	18.1%	14.6%	15.8%	15.3%

We adopted ASU 2014-09, *Revenue from Contracts with Customers*, and its related amendments (collectively, the New Revenue Standard) effective January 1, 2018 and elected the modified retrospective approach. The results for periods before 2018 were not adjusted for the new standard and the cumulative effect of the change in accounting was recognized through retained earnings at the date of adoption. See "The New Revenue Standard Adoption Impact" for further details. As described on the following pages, consolidated results for the quarters ended June 30, 2018 and 2017 include restructuring costs and significant non-recurring and non-operational items. See discussion above, "Use and Definitions of Non-GAAP Financial Measures," regarding consideration of such costs and items when evaluating the underlying financial performance.

United Technologies Corporation
Reconciliation of Reported (GAAP) to Adjusted (Non-GAAP) Results

dollars in millions - Income (Expense)	Quarter Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
	2018	2017	2018	2017
Income from operations attributable to common shareowners	\$ 2,048	\$ 1,439	\$ 3,345	\$ 2,825
Restructuring Costs included in Operating Profit:				
Otis	(23)	(12)	(49)	(17)
UTC Climate, Controls & Security	(21)	(18)	(35)	(41)
Pratt & Whitney	(3)	(6)	(3)	(6)
UTC Aerospace Systems	(33)	(23)	(60)	(46)
Eliminations and other	(2)	—	(4)	(1)
	(82)	(59)	(151)	(111)
Non-service pension cost	2	(1)	2	(1)
Total Restructuring Costs	(80)	(60)	(149)	(112)
Significant non-recurring and non-operational items included in Operating Profit:				
UTC Climate, Controls & Security				
Gain on sale of Taylor Company	795	—	795	—
Gain on sale of investments in Watsco, Inc.	—	—	—	379
UTC Aerospace Systems				
Asset Impairment	(48)	—	(48)	—
Eliminations and other				
Transaction and integration costs related to merger agreement with Rockwell Collins, Inc.	(20)	—	(50)	—
Gain on sale of available-for-sale securities	—	—	—	1
	727	—	697	380
Total impact on Consolidated Operating Profit	647	(60)	548	268
Tax effect of restructuring and significant non-recurring and non-operational items above	(173)	20	(154)	(104)
Significant non-recurring and non-operational items included in Income Tax Expense				
Unfavorable income tax adjustments related to the estimated impact of the U.S. tax reform legislation enacted on December 22, 2017	(2)	—	(46)	—
Less: Impact on Net Income Attributable to Common Shareowners	472	(40)	348	164
Adjusted income attributable to common shareowners	\$ 1,576	\$ 1,479	\$ 2,997	\$ 2,661
Diluted Earnings Per Share	\$ 2.56	\$ 1.80	\$ 4.18	\$ 3.53
Impact on Diluted Earnings Per Share	0.59	(0.05)	0.44	0.20
Adjusted Diluted Earnings Per Share	\$ 1.97	\$ 1.85	\$ 3.74	\$ 3.33
Effective Tax Rate	24.5 %	25.7%	25.8 %	27.1 %
Impact on Effective Tax Rate	(0.7)%	0.3 %	(1.4)%	(0.8)%
Adjusted Effective Tax Rate	23.8 %	26.0%	24.4 %	26.3 %

United Technologies Corporation

Segment Net Sales and Operating Profit Adjusted for Restructuring Costs and

Significant Non-recurring and Non-operational Items (as reflected on the previous two pages)

(dollars in millions)	Quarter Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
	2018	2017	2018	2017
Adjusted Net Sales				
Otis	\$ 3,344	\$ 3,131	\$ 6,381	\$ 5,935
UTC Climate, Controls & Security	5,035	4,712	9,411	8,604
Pratt & Whitney	4,736	4,070	9,065	7,828
UTC Aerospace Systems	3,962	3,640	7,779	7,251
Segment Sales	17,077	15,553	32,636	29,618
Eliminations and other	(372)	(273)	(689)	(523)
Adjusted Consolidated Net Sales	\$ 16,705	\$ 15,280	\$ 31,947	\$ 29,095
Adjusted Operating Profit				
Otis	\$ 511	\$ 551	\$ 987	\$ 1,003
UTC Climate, Controls & Security	871	855	1,477	1,430
Pratt & Whitney	400	370	813	726
UTC Aerospace Systems	650	557	1,265	1,111
Segment Operating Profit	2,432	2,333	4,542	4,270
Eliminations and other	(77)	(5)	(58)	(24)
General corporate expenses	(124)	(105)	(226)	(207)
Adjusted Consolidated Operating Profit	\$ 2,231	\$ 2,223	\$ 4,258	\$ 4,039
Adjusted Segment Operating Profit Margin				
Otis	15.3%	17.6%	15.5%	16.9%
UTC Climate, Controls & Security	17.3%	18.1%	15.7%	16.6%
Pratt & Whitney	8.4%	9.1%	9.0%	9.3%
UTC Aerospace Systems	16.4%	15.3%	16.3%	15.3%
Adjusted Segment Operating Profit Margin	14.2%	15.0%	13.9%	14.4%

United Technologies Corporation
Components of Changes in Net Sales

Quarter Ended June 30, 2018 Compared with Quarter Ended June 30, 2017

	Factors Contributing to Total % Change in Net Sales				
	Organic	FX Translation	Acquisitions / Divestitures, net	Other	Total
Otis	3%	4%	—	—	7%
UTC Climate, Controls & Security	4%	3%	—	—	7%
Pratt & Whitney	12%	—	—	4%	16%
UTC Aerospace Systems	8%	1%	—	—	9%
Consolidated	6%	2%	—	1%	9%

Six Months Ended June 30, 2018 Compared with Six Months Ended June 30, 2017

	Factors Contributing to Total % Change in Net Sales				
	Organic	FX Translation	Acquisitions / Divestitures, net	Other	Total
Otis	2%	5%	—	1%	8%
UTC Climate, Controls & Security	5%	4%	—	—	9%
Pratt & Whitney	11%	—	—	5%	16%
UTC Aerospace Systems	7%	1%	—	(1)%	7%
Consolidated	6%	2%	—	2%	10%

United Technologies Corporation
Condensed Consolidated Balance Sheet

	June 30, 2018 (Unaudited)	December 31, 2017 (Unaudited)
(dollars in millions)		
Assets		
Cash and cash equivalents	\$ 11,068	\$ 8,985
Accounts receivable, net	11,973	12,595
Contract assets, current	3,273	—
Inventories and contracts in progress, net	8,979	9,881
Other assets, current	1,263	1,397
Total Current Assets	36,556	32,858
Fixed assets, net	10,115	10,186
Goodwill	27,699	27,910
Intangible assets, net	15,739	15,883
Other assets	11,460	10,083
Total Assets	\$ 101,569	\$ 96,920
Liabilities and Equity		
Short-term debt	\$ 1,063	\$ 2,496
Accounts payable	9,623	9,579
Accrued liabilities	8,730	12,316
Contract liabilities, current	5,652	—
Total Current Liabilities	25,068	24,391
Long-term debt	27,246	24,989
Other long-term liabilities	15,779	15,988
Total Liabilities	68,093	65,368
Redeemable noncontrolling interest	130	131
Shareowners' Equity:		
Common Stock	17,666	17,489
Treasury Stock	(35,645)	(35,596)
Retained earnings	57,027	55,242
Accumulated other comprehensive loss	(7,684)	(7,525)
Total Shareowners' Equity	31,364	29,610
Noncontrolling interest	1,982	1,811
Total Equity	33,346	31,421
Total Liabilities and Equity	\$ 101,569	\$ 96,920
Debt Ratios:		
Debt to total capitalization	46%	47%
Net debt to net capitalization	34%	37%

We adopted ASU 2014-09, *Revenue from Contracts with Customers*, and its related amendments (collectively, the New Revenue Standard) effective January 1, 2018 and elected the modified retrospective approach. The results for periods before 2018 were not adjusted for the new standard and the cumulative effect of the change in accounting was recognized through retained earnings at the date of adoption. See "The New Revenue Standard Adoption Impact" for further details. See accompanying Notes to Condensed Consolidated Financial Statements.

United Technologies Corporation
Condensed Consolidated Statement of Cash Flows

(dollars in millions)	Quarter Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
	2018	2017	2018	2017
Operating Activities:				
Net income from operations	\$ 2,139	\$ 1,532	\$ 3,507	\$ 3,000
Adjustments to reconcile net income from operations to net cash flows provided by operating activities:				
Depreciation and amortization	592	527	1,173	1,039
Deferred income tax provision	3	393	45	502
Stock compensation cost	62	49	117	96
Gain on sale of Taylor Company	(795)	—	(795)	—
Change in working capital	483	(79)	(489)	(554)
Global pension contributions	(22)	(33)	(59)	(79)
Canadian government settlement	—	—	(221)	(246)
Other operating activities, net	(360)	(243)	(723)	(619)
Net cash flows provided by operating activities	2,102	2,146	2,555	3,139
Investing Activities:				
Capital expenditures	(372)	(446)	(709)	(771)
Acquisitions and dispositions of businesses, net	1,050	(49)	960	(149)
Proceeds from sale of investments in Watsco, Inc.	—	—	—	596
Increase in collaboration intangible assets	(103)	(94)	(181)	(195)
Payments from settlements of derivative contracts	303	(181)	82	(294)
Other investing activities, net	(140)	(81)	(390)	(177)
Net cash flows provided by (used in) investing activities	738	(851)	(238)	(990)
Financing Activities:				
Issuance of long-term debt, net	1,312	2,429	337	2,402
(Decrease) increase in short-term borrowings, net	(24)	(535)	642	32
Dividends paid on Common Stock	(535)	(503)	(1,070)	(1,008)
Repurchase of Common Stock	(27)	(437)	(52)	(1,370)
Other financing activities, net	(27)	(77)	(68)	(108)
Net cash flows provided by (used in) financing activities	699	877	(211)	(52)
Effect of foreign exchange rate changes on cash and cash equivalents	(137)	26	(18)	95
Net increase in cash, cash equivalents and restricted cash	3,402	2,198	2,088	2,192
Cash, cash equivalents and restricted cash, beginning of period	7,704	7,183	9,018	7,189
Cash, cash equivalents and restricted cash, end of period	11,106	9,381	11,106	9,381
Less: Restricted cash, included in Other assets	38	36	38	36
Cash and cash equivalents, end of period	\$ 11,068	\$ 9,345	\$ 11,068	\$ 9,345

See accompanying Notes to Condensed Consolidated Financial Statements.

United Technologies Corporation
Free Cash Flow Reconciliation

(dollars in millions)	Quarter Ended June 30,	
	(Unaudited)	
	2018	2017
Net income attributable to common shareowners	\$ 2,048	\$ 1,439
Net cash flows provided by operating activities	\$ 2,102	\$ 2,146
Net cash flows provided by operating activities as a percentage of net income attributable to common shareowners	103 %	149 %
Capital expenditures	(372)	(446)
Capital expenditures as a percentage of net income attributable to common shareowners	(18)%	(31)%
Free cash flow	\$ 1,730	\$ 1,700
Free cash flow as a percentage of net income attributable to common shareowners	84 %	118 %

(dollars in millions)	Six Months Ended June 30,	
	(Unaudited)	
	2018	2017
Net income attributable to common shareowners	\$ 3,345	\$ 2,825
Net cash flows provided by operating activities of continuing operations	\$ 2,555	\$ 3,139
Net cash flows provided by operating activities of continuing operations as a percentage of net income attributable to common shareowners from continuing operations	76 %	111 %
Capital expenditures	(709)	(771)
Capital expenditures as a percentage of net income attributable to common shareowners	(21)%	(27)%
Free cash flow	\$ 1,846	\$ 2,368
Free cash flow as a percentage of net income attributable to common shareowners	55 %	84 %

Notes to Condensed Consolidated Financial Statements

Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

Debt to total capitalization equals total debt divided by total debt plus equity. Net debt to net capitalization equals total debt less cash and cash equivalents divided by total debt plus equity less cash and cash equivalents.

United Technologies Corporation
The New Revenue Standard Adoption Impact

The following schedules quantify the impact of adopting the New Revenue Standard on the statement of operations for the quarter and six months ended June 30, 2018. The effect of the new standard represents the increase (decrease) in the line item based on the adoption of the New Revenue Standard.

<u>(dollars in millions)</u>	<u>Quarter Ended June 30, 2018, under previous standard</u>	<u>Effect of the New Revenue Standard</u>	<u>Quarter Ended June 30, 2018 as reported</u>
Net Sales	\$ 16,521	\$ 184	\$ 16,705
Costs and Expenses:			
Cost of products and services sold	12,203	219	12,422
Research and development	607	(18)	589
Selling, general and administrative	1,759	—	1,759
Total Costs and Expenses	14,569	201	14,770
Other income, net	943	(2)	941
Operating profit	2,895	(19)	2,876
Non-service pension (benefit)	(192)	—	(192)
Interest expense, net	234	—	234
Income from operations before income taxes	2,853	(19)	2,834
Income tax expense	700	(5)	695
Net income	2,153	(14)	2,139
Less: Noncontrolling interest in subsidiaries' earnings	87	4	91
Net income attributable to common shareowners	\$ 2,066	\$ (18)	\$ 2,048

<u>(dollars in millions)</u>	<u>Six Months Ended June 30, 2018, under previous standard</u>	<u>Effect of the New Revenue Standard</u>	<u>Six Months Ended June 30, 2018 as reported</u>
Net Sales	\$ 31,541	\$ 406	\$ 31,947
Costs and Expenses:			
Cost of products and services sold	23,257	445	23,702
Research and development	1,180	(37)	1,143
Selling, general and administrative	3,470	—	3,470
Total Costs and Expenses	27,907	408	28,315
Other income, net	1,175	(3)	1,172
Operating profit	4,809	(5)	4,804
Non-service pension (benefit)	(383)	—	(383)
Interest expense, net	463	—	463
Income from operations before income taxes	4,729	(5)	4,724
Income tax expense	1,218	(1)	1,217
Net income	3,511	(4)	3,507
Less: Noncontrolling interest in subsidiaries' earnings	156	6	162
Net income attributable to common shareowners	\$ 3,355	\$ (10)	\$ 3,345

The following schedules quantify the impact of adopting the New Revenue Standard on segment net sales and operating profit for the quarter and six months ended June 30, 2018.

<u>(dollars in millions)</u>	Effect of the New Revenue Standard for the Quarter Ended June 30, 2018	
	Net sales	Operating Profit
Otis	\$ 20	\$ 1
UTC Climate, Controls & Security	—	—
Pratt & Whitney	169	(26)
UTC Aerospace Systems	(5)	6
Consolidated	\$ 184	\$ (19)

<u>(dollars in millions)</u>	Effect of the New Revenue Standard for the Six Months Ended June 30, 2018	
	Net sales	Operating Profit
Otis	\$ 48	\$ (1)
UTC Climate, Controls & Security	—	—
Pratt & Whitney	369	(14)
UTC Aerospace Systems	(11)	10
Consolidated	\$ 406	\$ (5)

The following schedule reflects the effect of the New Revenue Standard on our balance sheet as of June 30, 2018.

<u>(dollars in millions)</u>	June 30, 2018, under previous standard	Effect of the New Revenue Standard	June 30, 2018 as reported
Assets			
Accounts receivable, net	\$ 13,432	\$ (1,459)	\$ 11,973
Inventories	11,093	(2,114)	8,979
Contract assets, current	—	3,273	3,273
Other assets, current	1,276	(13)	1,263
Intangible assets, net	15,807	(68)	15,739
Other assets	10,461	999	11,460
Liabilities and Equity			
Accrued liabilities	\$ 14,287	\$ (5,557)	\$ 8,730
Contract liabilities, current	—	5,652	5,652
Other long term liabilities	14,769	1,010	15,779
Noncontrolling interest	1,977	5	1,982
Retained earnings	57,517	(490)	57,027