

United Technologies

1Q 2018 Earnings Conference Call

April 24, 2018

| OTIS

| PRATT & WHITNEY

| UTC AEROSPACE SYSTEMS

| UTC CLIMATE, CONTROLS & SECURITY

| NYSE: UTX

|

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 acquisition and divestiture or restructuring activity, including the pending acquisition of Rockwell Collins, 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 proposed acquisition of Rockwell; (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, including in circumstances that might require Rockwell Collins to pay a termination fee of \$695 million to United Technologies or \$50 million of expense reimbursement; (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 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 merger agreement; (23) risks associated with merger-related litigation or appraisal proceedings; 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*

\$6.95 - \$7.15 up from \$6.85 - \$7.10

+ 8 cents

Increasing mid point of prior outlook



Sales

\$63 - \$64.5B up from \$62.5 - \$64B

+ \$0.5 billion

Increasing mid point of prior outlook



Organic sales*

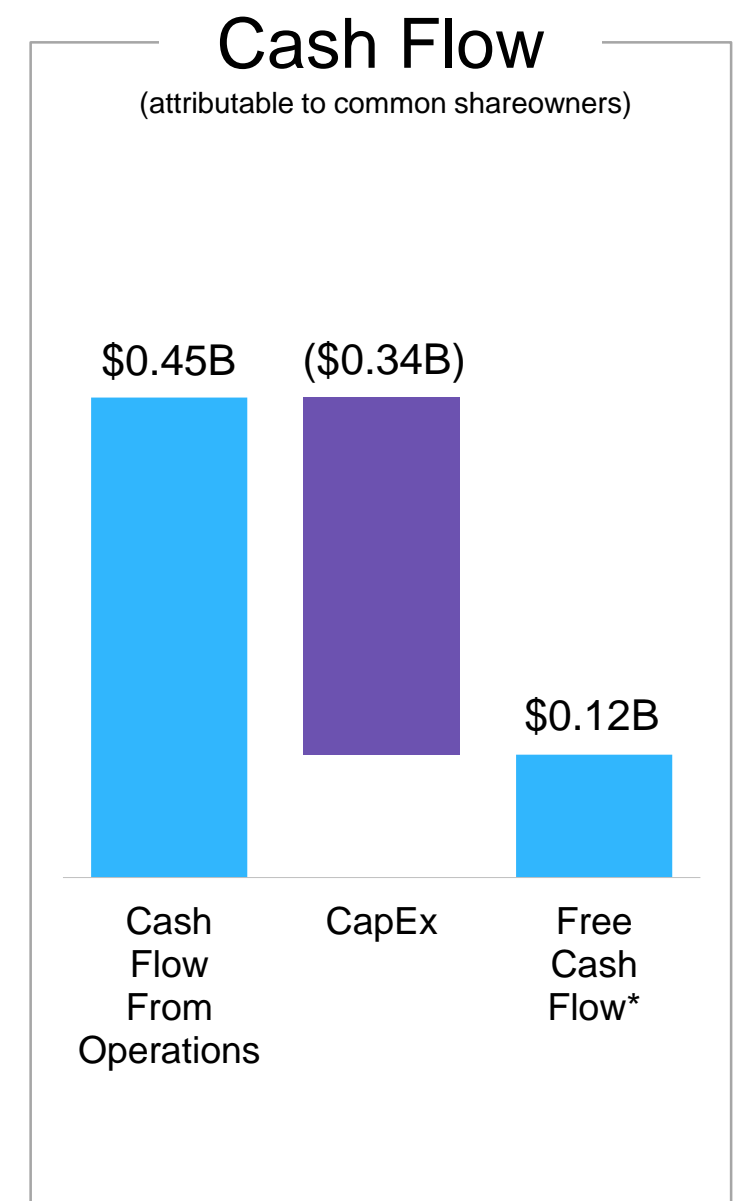
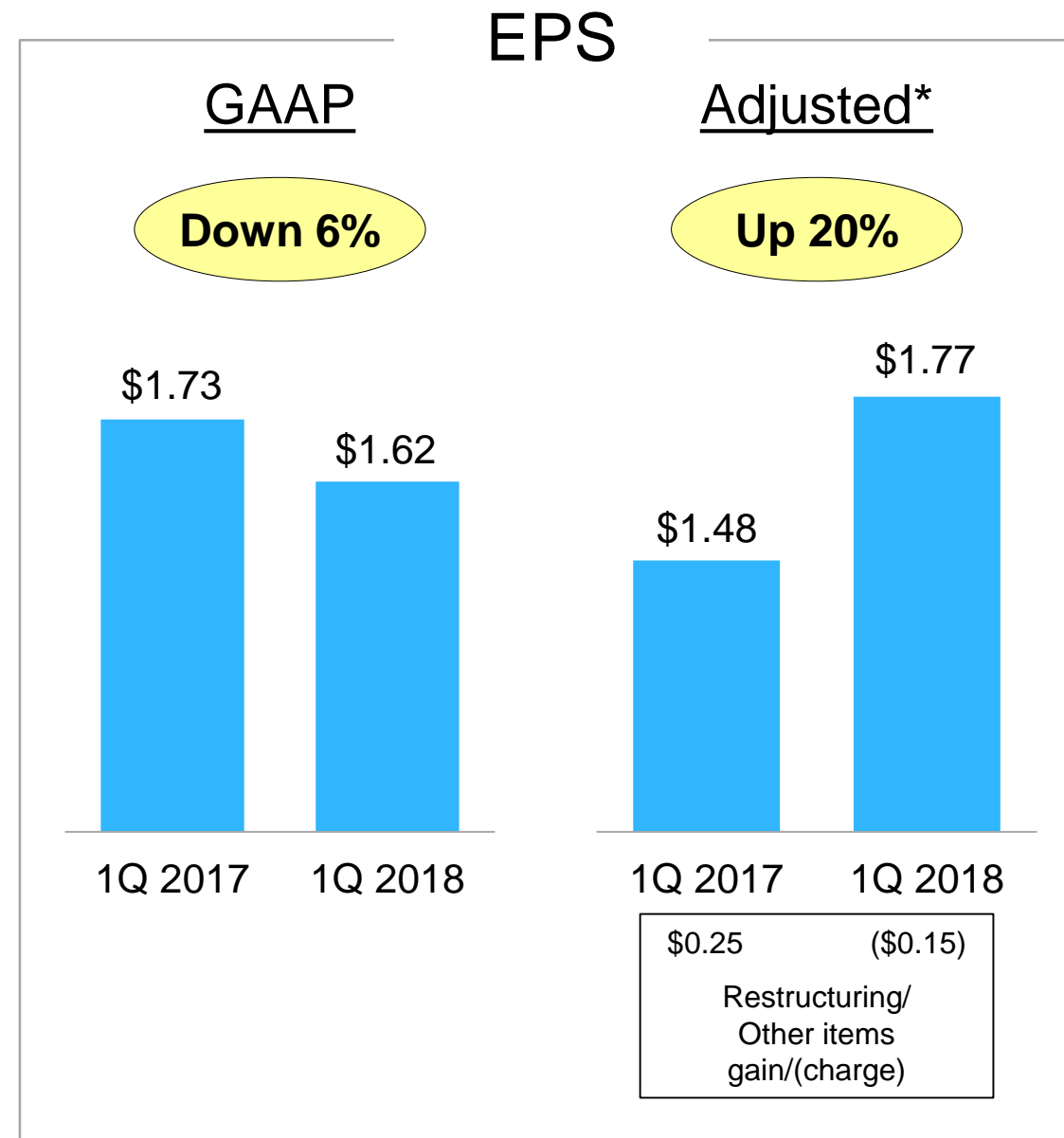
4% - 6%



Free cash flow*

\$4.5 - \$5.0B

1Q 2018

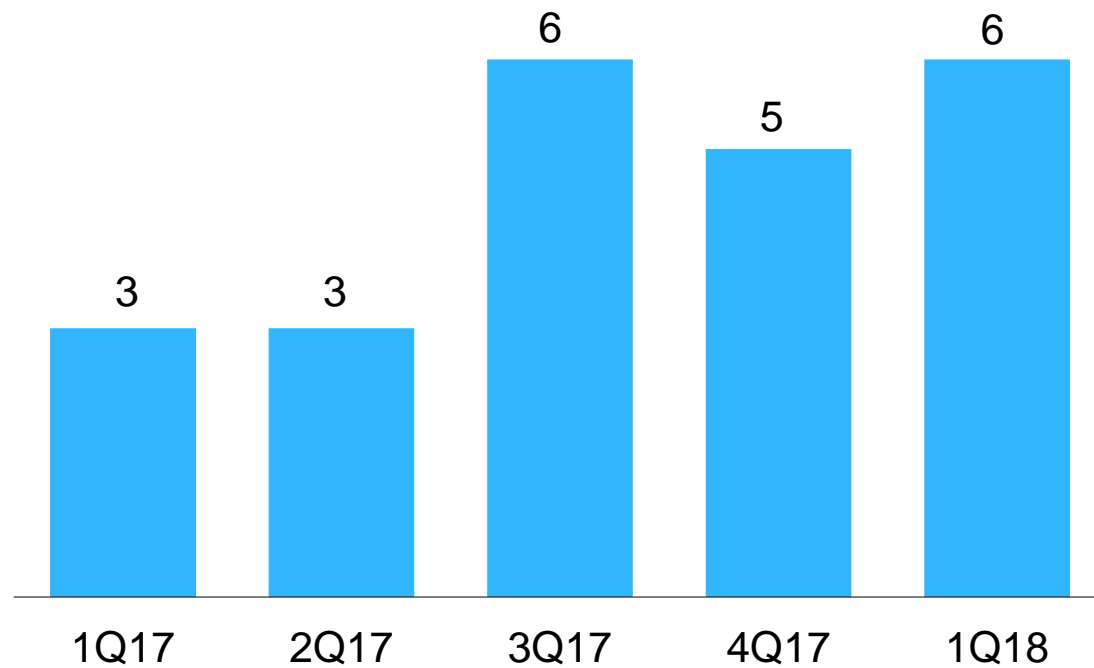


*See appendix for additional information regarding these non-GAAP financial measures.

Organic Sales Growth

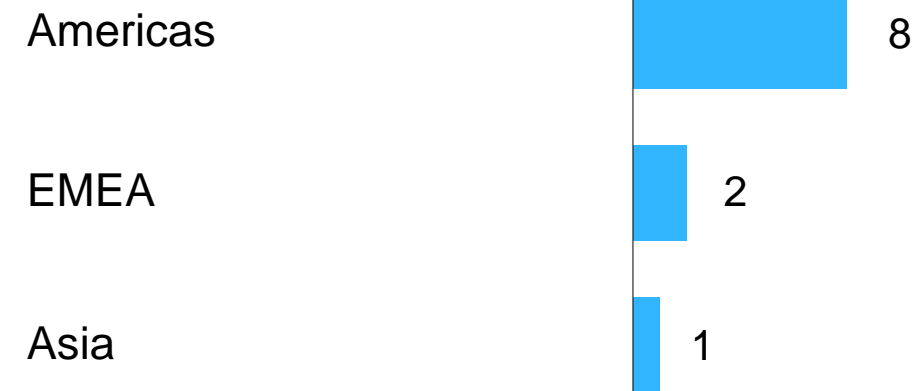
(VPY %)

Quarterly Trend

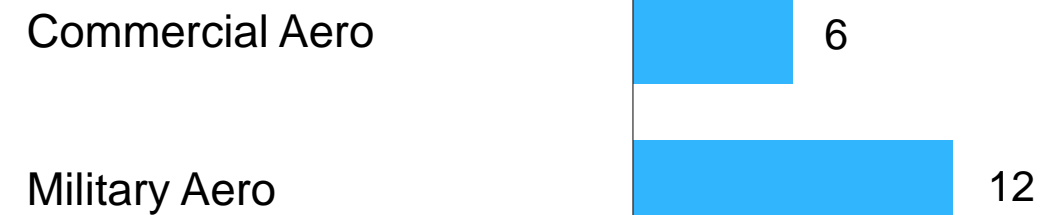


1Q 2018

Commercial



Aerospace



1Q 2018 Segment Highlights

Otis

(\$ millions)

| | <u>Reported</u> | <u>Adjusted*</u> | <u>YOY Var.*</u> |
|------------------|-----------------|------------------|------------------|
| Sales | 3,037 | 3,037 | 8% |
| Operating profit | 450 | 476 | 5% |
| ROS | 14.8% | 15.7% | (0.4) pts |

Organic sales up 1%*

Americas up 6%

China down mid-teens

Adjusted operating profit* down 2%**

China price / mix pressure

Service investments

Mark-to-market FX benefit

Organic new equipment orders down 4%

North America down 9% (prior year up ~30%)

China down 2% (units down 1%)

Europe up 2% (prior year up ~30%)



Otis Turkey has won a contract from Halk GYO to provide 83 elevators, including 29 super double deck SkyRise® elevators for the Halk Bank building in the Istanbul International Financial Center Project, located in the Levent business district.



Otis Elevator (China) Co. Ltd. ("Otis China") will provide 102 escalators with around-the-clock maintenance support to Wuxi Metro Line 3 Phase 1, an important public transit network for the development of Wuxi, a business hub near Shanghai in eastern China.

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

**At constant currency.

1Q 2018 Segment Highlights

UTC Climate, Controls & Security

(\$ millions)

| | <u>Reported</u> | <u>Adjusted*</u> | <u>YOY Var.*</u> |
|------------------|-----------------|------------------|------------------|
| Sales | 4,376 | 4,376 | 12% |
| Operating profit | 592 | 606 | 5% |
| ROS | 13.5% | 13.8% | (1.0) pts |

Organic sales up 7%*

- Transport Refrigeration up 18%
- NA residential HVAC up 11%
- Global commercial HVAC up 5%

Adjusted operating profit* up 2%**

- Organic volume contribution
- Restructuring & productivity gains
- Fire extinguisher recall period cost
- Commodity headwinds

Organic equipment orders up 10%

- Transport Refrigeration up 37%
- NA Residential HVAC up 24%



The UTC Center for Intelligent Buildings opened in Palm Beach Gardens, Florida, which serves as the world headquarters for UTC Climate, Controls & Security, and features a broad portfolio of the company's products, as well as a customer experience showcase.

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

**At constant currency.

1Q 2018 Segment Highlights

Pratt & Whitney

(\$ millions)

| | <u>Reported</u> | <u>Adjusted*</u> | <u>YOY Var.*</u> |
|------------------|-----------------|------------------|------------------|
| Sales | 4,329 | 4,329 | 15% |
| Operating profit | 413 | 413 | 16% |
| ROS | 9.5% | 9.5% | 0.0 pts |

Organic sales up 9%*

Sales up 15%

Military up 19%

Commercial aftermarket up 18%

Adjusted operating profit* up 16%

Aftermarket strength

Higher negative engine margin, including GTF customer support costs



Powered by Pratt & Whitney, Widerøe Celebrates Delivery of First Embraer E190-E2 Aircraft

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

1Q 2018 Segment Highlights

UTC Aerospace Systems

(\$ millions)

| | <u>Reported</u> | <u>Adjusted*</u> | <u>YOY Var.*</u> |
|------------------|-----------------|------------------|------------------|
| Sales | 3,817 | 3,817 | 6% |
| Operating profit | 588 | 615 | 11% |
| ROS | 15.4% | 16.1% | 0.8 pts |

Organic sales up 5%*

Commercial aftermarket up 16%

Military up 15%

Commercial OE down 8%

Adjusted operating profit* up 11%

Higher commercial AM and military volumes

Continued cost reduction

OE mix headwind

Transactional FX headwind



UTC Aerospace Systems is proud to be entrusted by Dassault Aviation to develop a full nacelle system for its newest business jet targeted for entry into service in 2022. This agreement represents the company's return to the business and corporate jet nacelle market. This integrated system will employ lightweight composites that take full advantage of the company's state-of-the-art design and proprietary manufacturing technologies.

*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.

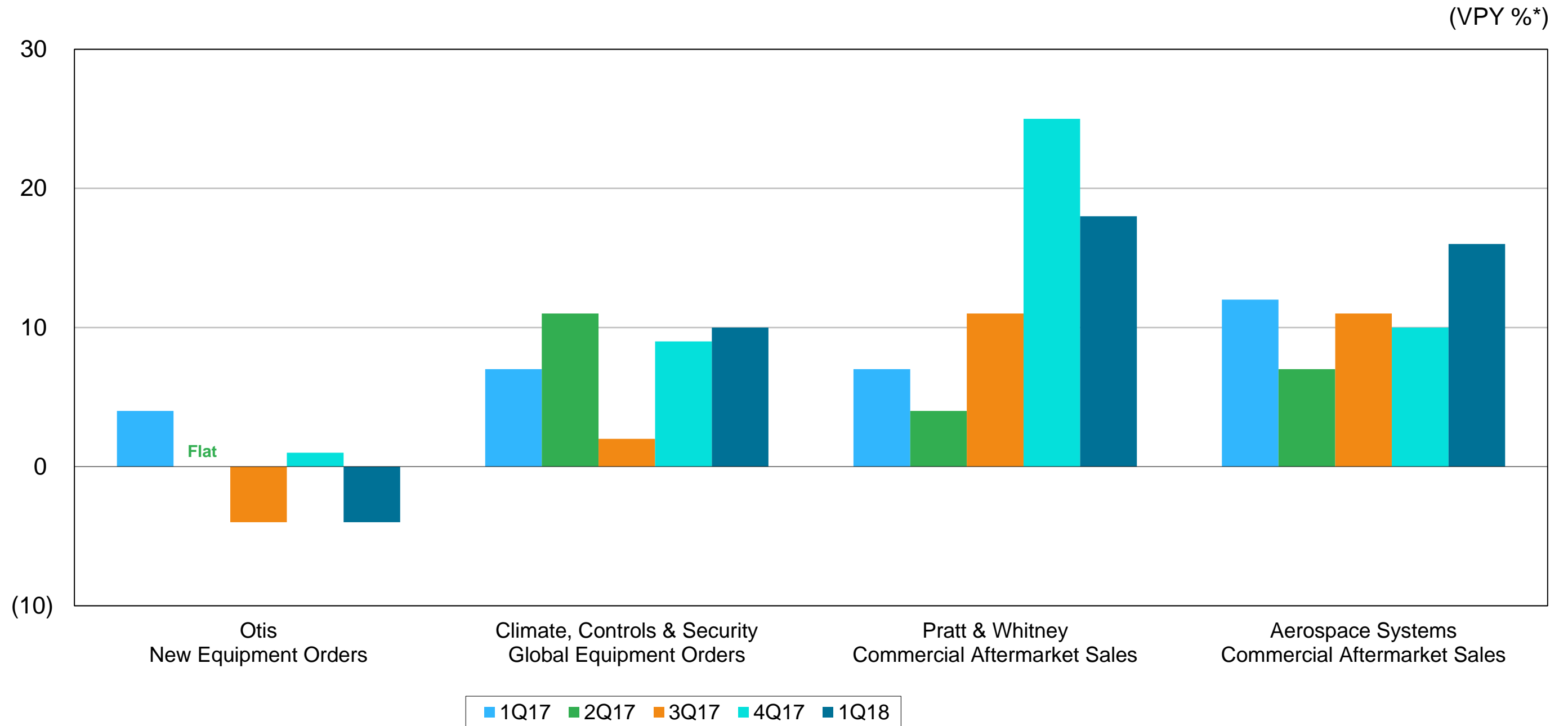
Adjusted net sales, organic sales, adjusted operating profit, adjusted net income and adjusted earnings per share ("EPS") are non-GAAP financial measures. Adjusted net sales represents consolidated net sales from continuing operations (a GAAP measure), excluding significant items of a non-recurring and/or 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.

Key Market Trends



*% VPY for Otis at constant currency and excludes the New Revenue Standard adoption impact in 1Q 2018. % VPY for Climate, Controls & Security and Aerospace Systems are on an organic basis. % VPY for Pratt is on a reported basis.

1Q 2018 Financial Data

(% VPY*)

| |
|------------------|
| Commercial Sales |
|------------------|

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

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

| |
|-----------------|
| Aerospace Sales |
|-----------------|

| <u>Pratt & Whitney</u> | | <u>UTC Aerospace Systems</u> | |
|-----------------------------|-----------------------|------------------------------|------------------------|
| Commercial aero OEM | down low single digit | Commercial aero OEM | down high single digit |
| Commercial aero aftermarket | up high teens | Commercial aero aftermarket | up mid teens |
| Military aero OEM | up ~25% | Military aero OEM | up high teens |
| Military aero aftermarket | up low teens | 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.

1Q 2018 Sales Reconciliation

| | <u>Total Growth</u> | <u>Organic</u> | <u>FX</u> | <u>Net Acquisitions</u> | <u>Other</u> |
|-------------------|---------------------|----------------|-----------|-------------------------|--------------|
| Otis | 8% | 1% | 6% | 0% | 1% |
| CCS | 12% | 7% | 5% | 0% | 0% |
| Pratt & Whitney | 15% | 9% | 1% | 0% | 5% |
| Aerospace Systems | <u>6%</u> | <u>5%</u> | <u>1%</u> | <u>0%</u> | <u>0%</u> |
| Total UTC* | 10% | 6% | 3% | 0% | 1% |

Selected Metrics

Pratt & Whitney engine shipments to customers

| | 2017 | | | | | 2018 |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>FY</u> | <u>Q1</u> |
| Military | 23 | 25 | 32 | 41 | 121 | 25 |
| Large commercial* | 139 | 139 | 129 | 130 | 537 | 124 |
| Pratt & Whitney Canada** | 454 | 485 | 476 | 565 | 1,980 | 503 |

*Large commercial excludes industrial engine shipments.

**Excludes APUs.

Segment Data – GAAP

UNITED TECHNOLOGIES CORPORATION SEGMENT DATA - Reported

(\$ Millions except per share amounts)

| | 2018 | 2017 | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| | 1st Qtr. | 1st Qtr. | 2nd Qtr. | 3rd Qtr. | 4th Qtr. | 2017 Total |
| Otis | | | | | | |
| Net Sales | 3,037 | 2,804 | 3,131 | 3,156 | 3,250 | 12,341 |
| Operating Profit (a) | 450 | 447 | 539 | 550 | 466 | 2,002 |
| Operating Profit % | 14.8% | 15.9% | 17.2% | 17.4% | 14.3% | 16.2% |
| UTC Climate, Controls & Security | | | | | | |
| Net Sales | 4,376 | 3,892 | 4,712 | 4,688 | 4,520 | 17,812 |
| Operating Profit (a),(b),(i) | 592 | 931 | 837 | 794 | 603 | 3,165 |
| Operating Profit % | 13.5% | 23.9% | 17.8% | 16.9% | 13.3% | 17.8% |
| Pratt & Whitney | | | | | | |
| Net Sales (d), (o) | 4,329 | 3,758 | 4,070 | 3,871 | 4,461 | 16,160 |
| Operating Profit (a),(d) | 413 | 356 | 364 | 188 | 392 | 1,300 |
| Operating Profit % | 9.5% | 9.5% | 8.9% | 4.9% | 8.8% | 8.0% |
| UTC Aerospace Systems | | | | | | |
| Net Sales | 3,817 | 3,611 | 3,640 | 3,637 | 3,803 | 14,691 |
| Operating Profit (a) | 588 | 531 | 534 | 572 | 554 | 2,191 |
| Operating Profit % | 15.4% | 14.7% | 14.7% | 15.7% | 14.6% | 14.9% |
| Total Segments | | | | | | |
| Net Sales | 15,559 | 14,065 | 15,553 | 15,352 | 16,034 | 61,004 |
| Operating Profit | 2,043 | 2,265 | 2,274 | 2,104 | 2,015 | 8,658 |
| Operating Profit % | 13.1% | 16.1% | 14.6% | 13.7% | 12.6% | 14.2% |
| Corporate, Eliminations, and Other | | | | | | |
| Net Sales: | | | | | | |
| Other | (317) | (250) | (273) | (290) | (354) | (1,167) |
| Operating Profit: | | | | | | |
| General corporate expenses (a) | (104) | (103) | (105) | (104) | (127) | (439) |
| Eliminations and other (a),(c),(e),(f),(j),(n) | (11) | (18) | (5) | 32 | (90) | (81) |
| Consolidated | | | | | | |
| Net Sales | 15,242 | 13,815 | 15,280 | 15,062 | 15,680 | 59,837 |
| Operating Profit | 1,928 | 2,144 | 2,164 | 2,032 | 1,798 | 8,138 |
| Operating Profit % | 12.6% | 15.5% | 14.2% | 13.5% | 11.5% | 13.6% |
| Non-service pension costs | 191 | 123 | 126 | 131 | 154 | 534 |
| Interest expense, net (g) | (229) | (213) | (226) | (223) | (247) | (909) |
| Income from continuing operations before income taxes | 1,890 | 2,054 | 2,064 | 1,940 | 1,705 | 7,763 |
| Income tax expense (l),(h),(k),(m),(o) | (522) | (586) | (532) | (506) | (1,219) | (2,843) |
| Effective Tax Rate | 27.6% | 28.5% | 25.8% | 26.1% | 71.5% | 36.6% |
| Income from continuing operations | 1,368 | 1,468 | 1,532 | 1,434 | 486 | 4,920 |
| Net income | 1,368 | 1,468 | 1,532 | 1,434 | 486 | 4,920 |
| Less: Noncontrolling interest in subsidiaries' earnings | (71) | (82) | (93) | (104) | (89) | (368) |
| Net income attributable to common shareowners | 1,297 | 1,386 | 1,439 | 1,330 | 397 | 4,552 |
| Net income attributable to common shareowners: | | | | | | |
| Income from continuing operations | 1,297 | 1,386 | 1,439 | 1,330 | 397 | 4,552 |
| Income (loss) from discontinued operations | - | - | - | - | - | - |
| | 1st Qtr. | 1st Qtr. | 2nd Qtr. | 3rd Qtr. | 4th Qtr. | 2017 Total |
| Continuing Operations | | | | | | |
| Earnings per share - basic | 1.64 | 1.75 | 1.83 | 1.69 | 0.49 | 5.75 |
| Earnings per share - diluted | 1.62 | 1.73 | 1.80 | 1.67 | 0.50 | 5.70 |
| Total EPS attributable to common shareowners | | | | | | |
| Total basic earnings per share | 1.64 | 1.75 | 1.82 | 1.69 | 0.49 | 5.75 |
| Total diluted earnings per share | 1.62 | 1.73 | 1.80 | 1.67 | 0.50 | 5.70 |
| Weighted average number of shares outstanding (millions) | | | | | | |
| Basic shares | 789.9 | 793.5 | 788.7 | 788.3 | 788.8 | 790.0 |
| Diluted shares | 800.4 | 802.3 | 798.2 | 797.1 | 798.0 | 799.1 |
| | Q1 | Q1 | Q2 | Q3 | Q4 | Total |
| Effective Tax Rate - continuing ops | 27.6% | 28.5% | 25.8% | 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 | | Q1 | Q2 | Q3 | Q4 | Total |
| Operating Profit: | | | | | | | |
| Otis | (26) | | (5) | (12) | (6) | (25) | (48) |
| UTC Climate, Controls & Security | (14) | | (23) | (18) | (43) | (27) | (111) |
| Pratt & Whitney | - | | - | (6) | 2 | (1) | (5) |
| UTC Aerospace Systems | (27) | | (23) | (23) | (15) | (16) | (77) |
| Total Segments operating profit | (67) | | (51) | (59) | (62) | (69) | (241) |
| General corporate expenses | (2) | | (1) | - | (1) | (2) | (4) |
| Eliminations and other | - | | - | - | - | (3) | (3) |
| Total consolidated operating profit | (69) | | (52) | (59) | (63) | (74) | (248) |
| Non-service pension costs | | | - | 1 | 2 | 2 | 5 |
| Total UTC Net Income | (69) | | (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.

Segment Data – Adjusted

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

| | 2018 | | 2017 | | | | |
|---|--------------|---|--------------|--------------|--------------|--------------|--------------|
| | 1st Qtr. | Ex Rest & Significant non-recurring and non-operational items | 1st Qtr. | 2nd Qtr. | 3rd Qtr. | 4th Qtr. | 2017 Total |
| Otis | | | | | | | |
| Net Sales | 3,037 | | 2,804 | 3,131 | 3,156 | 3,250 | 12,341 |
| Operating Profit (a) | 476 | | 452 | 551 | 556 | 491 | 2,050 |
| Operating Profit % | 15.7% | | 16.1% | 17.6% | 17.6% | 15.1% | 16.6% |
| UTC Climate, Controls & Security | | | | | | | |
| Net Sales | 4,376 | | 3,892 | 4,712 | 4,688 | 4,520 | 17,812 |
| Operating Profit (a),(b),(i) | 606 | | 575 | 855 | 837 | 726 | 2,993 |
| Operating Profit % | 13.8% | | 14.8% | 18.1% | 17.9% | 16.1% | 16.8% |
| Pratt & Whitney | | | | | | | |
| Net Sales (d), (o) | 4,329 | | 3,758 | 4,070 | 4,256 | 4,461 | 16,545 |
| Operating Profit (a),(d) | 413 | | 356 | 370 | 382 | 393 | 1,501 |
| Operating Profit % | 9.5% | | 9.5% | 9.1% | 9.0% | 8.8% | 9.1% |
| UTC Aerospace Systems | | | | | | | |
| Net Sales | 3,817 | | 3,611 | 3,640 | 3,637 | 3,803 | 14,691 |
| Operating Profit (a) | 615 | | 554 | 557 | 587 | 570 | 2,268 |
| Operating Profit % | 16.1% | | 15.3% | 15.3% | 16.1% | 15.0% | 15.4% |
| Total Segments | | | | | | | |
| Net Sales | 15,559 | | 14,065 | 15,553 | 15,737 | 16,034 | 61,389 |
| Operating Profit | 2,110 | | 1,937 | 2,333 | 2,362 | 2,180 | 8,812 |
| Operating Profit % | 13.6% | | 13.8% | 15.0% | 15.0% | 13.6% | 14.4% |
| Corporate, Eliminations, and Other | | | | | | | |
| Net Sales: | | | | | | | |
| Other | (317) | | (250) | (273) | (290) | (354) | (1,167) |
| Operating Profit: | | | | | | | |
| General corporate expenses (a) | (102) | | (102) | (105) | (103) | (125) | (435) |
| Eliminations and other (a),(c),(e),(f),(j),(n) | 19 | | (19) | (5) | (61) | (49) | (134) |
| Consolidated | | | | | | | |
| Net Sales | 15,242 | | 13,815 | 15,280 | 15,447 | 15,680 | 60,222 |
| Operating Profit | 2,027 | | 1,816 | 2,223 | 2,198 | 2,006 | 8,243 |
| Operating Profit % | 13.3% | | 13.1% | 14.5% | 14.2% | 12.8% | 13.7% |
| Non-service pension costs | 191 | | 123 | 127 | 133 | 156 | 539 |
| Interest expense, net (g) | (229) | | (213) | (226) | (232) | (241) | (912) |
| Income from continuing operations before income taxes | 1,989 | | 1,726 | 2,124 | 2,099 | 1,921 | 7,870 |
| Income tax expense (l),(h),(k),(m),(o) | (497) | | (462) | (552) | (615) | (558) | (2,187) |
| Effective Tax Rate | 25.0% | | 26.8% | 26.0% | 29.3% | 29.0% | 27.8% |
| Income from continuing operations | 1,492 | | 1,264 | 1,572 | 1,484 | 1,363 | 5,683 |
| Income (loss) from discontinued operations | - | | - | - | - | - | - |
| Net income | 1,492 | | 1,264 | 1,572 | 1,484 | 1,363 | 5,683 |
| Less: Noncontrolling interest in subsidiaries' earnings | (71) | | (82) | (93) | (104) | (89) | (368) |
| Net income attributable to common shareowners | 1,421 | | 1,182 | 1,479 | 1,380 | 1,274 | 5,315 |
| Net income attributable to common shareowners: | | | | | | | |
| From continuing operations | 1,421 | | 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 | Q1 | Q2 | Q3 | Q4 | Total |
| Diluted earnings per share attributable to common shareowners | \$ 1.62 | \$ 1.73 | \$ 1.80 | \$ 1.67 | \$ 0.50 | \$ 5.70 |
| Less: diluted earnings (loss) per share from discontinued operations attributable to common shareowners | - | - | - | - | - | - |
| Diluted earnings per share - Net income from continuing operations attributable to common shareowners (GAAP) | \$ 1.62 | \$ 1.73 | \$ 1.80 | \$ 1.67 | \$ 0.50 | \$ 5.70 |
| Net income attributable to common shareowners | \$ 1,297 | \$ 1,386 | \$ 1,439 | \$ 1,330 | \$ 397 | \$ 4,552 |
| Less: Income (loss) from discontinued operations attributable to common shareowners | - | - | - | - | - | - |
| Net income from continuing operations attributable to common shareowners | 1,297 | 1,386 | 1,439 | 1,330 | 397 | 4,552 |
| Adjustments to net income from continuing operations attributable to common shareowners: | | | | | | |
| Restructuring costs | (69) | (52) | (60) | (65) | (76) | (253) |
| Charge resulting from product recall program | - | - | - | - | (96) | (96) |
| Collins Integration & transaction Costs | (30) | - | - | (27) | (38) | (65) |
| 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 | (124) | 20 | 54 | 61 | 11 |
| U.S Tax Reform Legislation | (44) | - | - | - | (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 continuing operations attributable to common shareowners | (124) | 204 | (40) | (50) | (877) | (763) |
| Adjusted net income from continuing operations attributable to common shareowners | \$ 1,421 | \$ 1,182 | \$ 1,479 | \$ 1,380 | \$ 1,274 | \$ 5,315 |
| Less: Impact of total adjustments on diluted earnings per share | \$ (0.15) | \$ 0.25 | \$ (0.05) | \$ (0.06) | \$ (1.10) | \$ (0.95) |
| Adjusted diluted earnings per share - Net income from continuing operations attributable to common shareowners (Non-GAAP) | \$ 1.77 | \$ 1.48 | \$ 1.85 | \$ 1.73 | \$ 1.60 | \$ 6.65 |

1Q 2018 New Revenue Standard Adoption Impact

(\$ millions)

| | <u>Net Sales</u> | <u>Operating Profit</u> |
|-------------------|------------------|-------------------------|
| Otis | 28 | (2) |
| CCS | — | — |
| Pratt & Whitney | 200 | 12 |
| Aerospace Systems | <u>(6)</u> | <u>4</u> |
| Total UTC | 222 | 14 |

Key Data

(\$ millions)

| | <u>1Q 18</u> | <u>1Q 17</u> |
|----------------------|--------------|--------------|
| Free cash flow | 116 | 668 |
| Debt/capital* | 46% | 46% |
| Net debt/capital* | 38% | 37% |
| Capital expenditures | 337 | 325 |
| Share repurchase | 25 | 933 |
| Acquisitions** | 125 | 95 |

*Adjusted to reflect the accounting for noncontrolling interests.

**Includes debt assumed.

1Q 2018 Free Cash Flow Reconciliation

(\$ millions)

| | 1Q | |
|--|-------------------|-------------------|
| | <u>2018</u> | <u>2017</u> |
| Net income attributable to common shareowners from continuing operations | 1,297 | 1,386 |
| Depreciation & amortization | 581 | 512 |
| Change in working capital | (972) | (475) |
| Other | (453) | (430) |
| Cash flow from operations | <u>453</u> | <u>993</u> |
| Capital expenditures | (337) | (325) |
| Free cash flow | <u><u>116</u></u> | <u><u>668</u></u> |
| Free cash flow as a % of net income attributable to common shareowners from continuing operations | 9% | 48% |