

**United
Technologies**

2Q 2017 Earnings Conference Call
July 25, 2017

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

Cautionary Statement:

This presentation 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," "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 and other measures of financial performance or potential future plans, strategies or transactions. 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 we 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) future levels of indebtedness and capital spending and research and development spending; (4) future availability of credit and factors that may affect such availability, including credit market conditions and our capital structure; (5) the timing and scope of future repurchases of our common stock, which may be suspended at any time due to market conditions and the level of other investing activities and uses of cash; (6) delays and disruption in delivery of materials and services from suppliers; (7) company and customer-directed cost reduction efforts and restructuring costs and savings and other consequences thereof; (8) the scope, nature, impact or timing of acquisition and divestiture activity, including among other things integration of acquired businesses into our existing businesses and realization of synergies and opportunities for growth and innovation; (9) new business or 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 we 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; and (16) the effect of changes in tax, environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S. and other countries in which we operate. For additional information identifying factors that may cause actual results to vary materially from those stated in forward-looking statements, see our reports on Forms 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 we 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.

2017 OUTLOOK



Adjusted EPS*

\$6.45 - \$6.60 up from \$6.30 - \$6.60

+ 15 cents

Increasing low end of prior outlook



Sales

\$58.5 - \$59.5B up from \$57.5 - \$59B

+ \$0.75 billion

Increasing mid point of prior outlook



Organic sales*

3% - 4% up from 2% - 4%

+ 1 percent

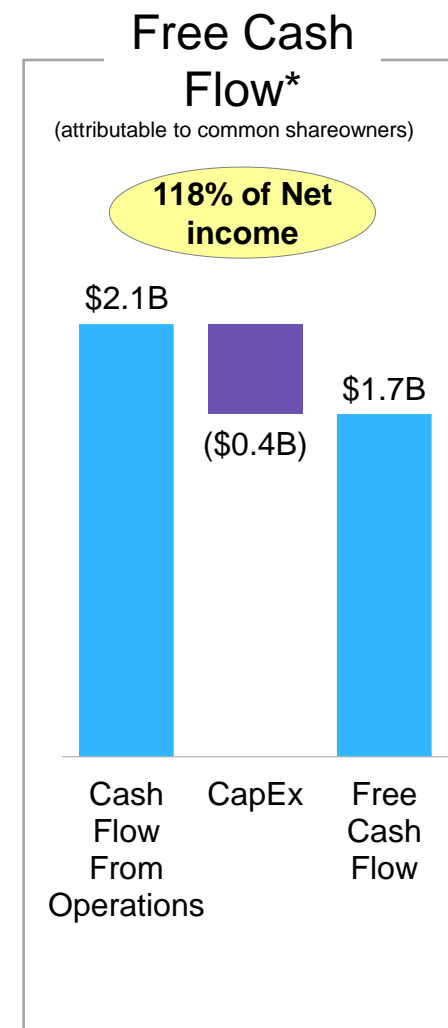
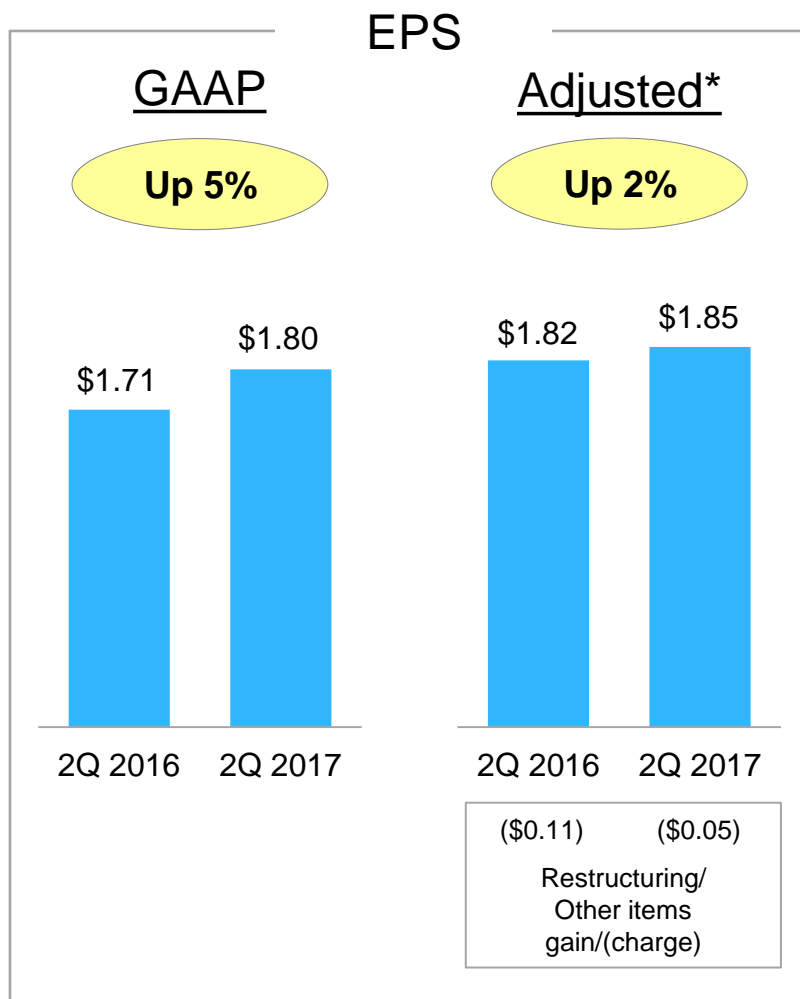
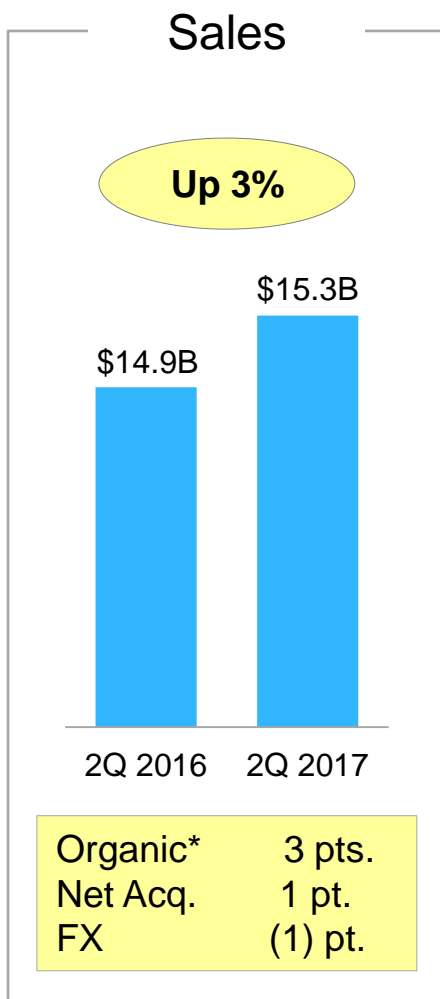
Increasing low end of prior outlook



Free cash flow*

90% - 100% of net income attributable
to common shareowners

2Q 2017

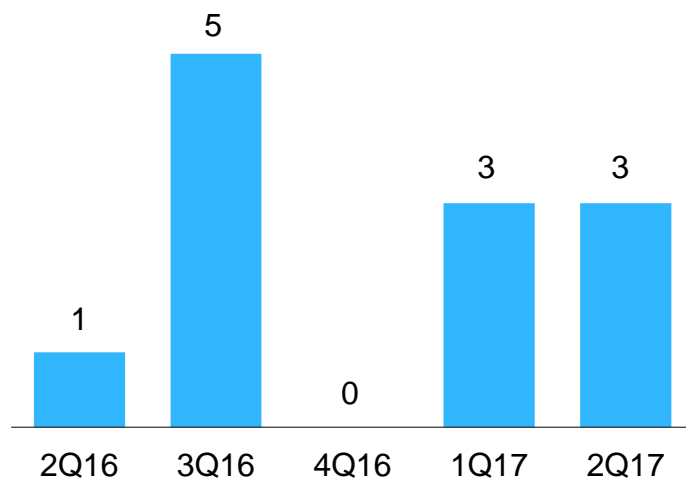


*See appendix for additional information regarding these non-GAAP financial measures.

ORGANIC SALES GROWTH

(VPY%)

Quarterly Trend



2Q 2017

Commercial

Americas

7

EMEA

0

Asia

0

Aerospace

Commercial

(1)

Military

17

Total = 3%

2Q 2017 SEGMENT HIGHLIGHTS

Otis

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	3,131	3,131	1%
Operating profit	544	556	(7%)
ROS	17.4%	17.8%	(1.5) pts

Organic sales* up 1%

Service sales up 5%** and new equipment up 1%**

Adjusted operating profit* down 5%**

China price and mix pressure
Service and E&D investments

New equipment orders flat**

China up 3%
North America up 6%
Europe down 14% off tough compares



The Warriors' sports and entertainment venue in San Francisco, to be anchored by Chase Center and two office buildings, will feature more than 60 Otis units. The state-of-the-art district is the future home of the NBA champion Golden State Warriors, and a separate affiliation agreement makes Otis an official development partner of Chase Center.

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

**At constant currency

2Q 2017 SEGMENT HIGHLIGHTS

UTC Climate, Controls & Security

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	4,712	4,712	6%
Operating profit	873	891	(2%)
ROS	18.5%	18.9%	(1.5) pts

Organic sales* up 5%

NA residential HVAC up 11%

Global commercial HVAC up 3%

Commercial refrigeration up 12%

Transicold up 3%

Adjusted operating profit* down (1%)**

Unfavorable mix in F&S & com'l refrigeration

Net pricing/commodities pressure

Organic equipment orders up 11%

Growth in all product segments

NA residential HVAC up mid-teens



Carrier Transicold acquired select IMPCO road and rail transport product lines, including the ComfortPro® Auxiliary Power Unit, from Westport Fuel Systems, Inc. expanding its offerings to include anti-idling technologies that reduce fuel consumption.

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

**At constant currency

2Q 2017 SEGMENT HIGHLIGHTS

Pratt & Whitney

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	4,070	4,070	7%
Operating profit	402	408	(10%)
ROS	9.9%	10.0%	(1.9) pts

Organic sales* up 6%

Military engines up 30%

Commercial aftermarket up 4%

Commercial OE down 10%

Adjusted operating profit* down 10%

GTF ramp costs and lower Pratt Canada OE shipments

Favorable military and commercial aftermarket volumes

FX and pension tailwind



Irkut completes first flight of the MC-21 aircraft powered by PurePower PW1400 engine

2Q 2017 SEGMENT HIGHLIGHTS

UTC Aerospace Systems

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	3,640	3,640	(2%)
Operating profit	579	603	2%
ROS	15.9%	16.6%	0.7 pts

Organic sales down 1%*

Commercial OE down 8%

Commercial aftermarket up 7%

Military up 5%

Adjusted operating profit* up 2%

Higher commercial aftermarket volume

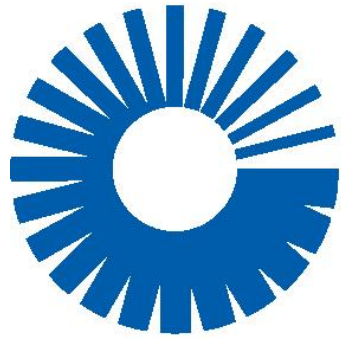
Continued cost reduction

Pension and FX tailwind

Commercial OE mix headwind



UTC Aerospace systems has been selected to provide wheels and brakes to more than 375 aircraft, including the Boeing 737 MAX and Airbus A320neo, for five of the world's leading airlines: Alaska Airlines, Southwest, Lufthansa, easyJet and Icelandair. The company's brake systems include its proprietary DURACARB® carbon friction material which allows for an average 35 percent longer brake life over competing carbon materials. Taken together, the wheel and brake selections represent \$180 million in new business to UTC Aerospace Systems



**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.

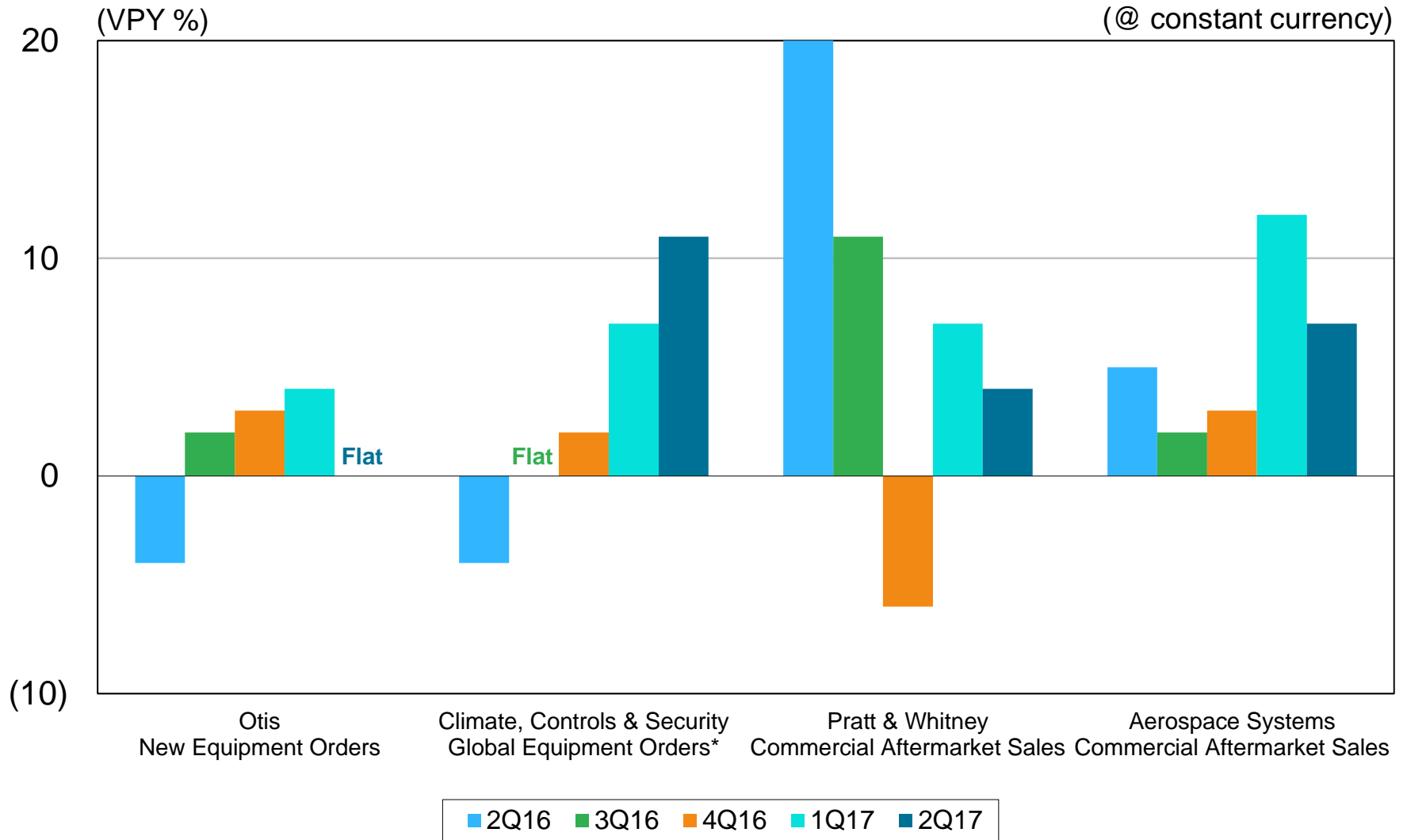
Adjusted net sales, organic sales, adjusted operating profit, adjusted net income and adjusted diluted earnings per share ("EPS") are non-GAAP financial measures. Adjusted net sales represents consolidated net sales from continuing operations (a GAAP measure), excluding significant items of a non-recurring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



*2Q 2016 to 3Q 2016 includes North America Residential HVAC equipment sales as a proxy for orders.

2Q 2017 FINANCIAL DATA



(% VPY*)

Commercial Sales

<u>Otis</u>	<u>Americas</u>	<u>EMEA</u>	<u>Asia</u>	<u>Total</u>
New equipment	up low teens	up mid single digit	down high single digit	up slightly
Service	up high single digit	flat	up high 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 digits			up low double digits
Commercial HVAC	up mid single digit	down low single digit	up mid single digit	up low single digit
Fire & security product	up mid single digit	down low double digits	down mid single digit	flat
Fire & security field	up mid single digit	down low single digit	up high single digit	flat
Transport refrigeration				up low single digit
Commercial refrigeration				up low double digits

Aerospace Sales

<u>Pratt & Whitney</u>		<u>UTC Aerospace Systems</u>	
Commercial aero OEM	down mid single digit	Commercial aero OEM	down high single digit
Commercial aero aftermarket	up mid single digit	Commercial aero aftermarket	up high single digit
Military aero OEM	up ~35%	Military aero OEM	up mid single digit
Military aero aftermarket	up ~25%	Military aero aftermarket	up mid single digit

*% VPY for Otis at constant currency. % VPY for Climate, Controls & Security and Aerospace Systems sales are on an organic basis.

2Q 2017 SALES RECONCILIATION



	<u>Total Growth</u>	<u>Organic</u>	<u>FX</u>	<u>Net Acquisitions</u>	<u>Other</u>
Otis	1%	1%	(2%)	1%	1%
CCS	6%	5%	(1%)	2%	0%
Pratt & Whitney	7%	6%	1%	0%	0%
Aerospace Systems	<u>(2%)</u>	<u>(1%)</u>	<u>0%</u>	<u>(1%)</u>	<u>0%</u>
Total UTC*	3%	3%	(1%)	1%	0%

SELECTED METRICS



	2016					2017		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY</u>	<u>Q1</u>	<u>Q2</u>	<u>YTD</u>
<u>Pratt & Whitney engine shipments</u>								
Military*	31	19	30	32	112	23	28	51
Large commercial**	148	149	113	128	538	139	139	278
Pratt & Whitney Canada	515	596	524	662	2,297	454	485	939

*2016 restated for F135 modules

**Large commercial excludes industrial engine shipments

SEGMENT DATA - GAAP



UNITED TECHNOLOGIES CORPORATION SEGMENT DATA - Reported

(\$ Millions except per share amounts)

	2017			2016				
	1st Qtr.	2nd Qtr.	2017 Total YTD	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2016 Total
Otis								
Net Sales	2,804	3,131	5,935	2,715	3,097	3,018	3,063	11,893
Operating Profit (a)	452	544	996	466	581	584	516	2,147
Operating Profit %	16.1%	17.4%	16.8%	17.2%	18.8%	19.4%	16.8%	18.1%
UTC Climate, Controls & Security								
Net Sales	3,892	4,712	8,604	3,728	4,459	4,415	4,249	16,851
Operating Profit (a), (b), (c), (g), (m)	963	873	1,836	606	872	801	677	2,956
Operating Profit %	24.7%	18.5%	21.3%	16.3%	19.6%	18.1%	15.9%	17.5%
Pratt & Whitney								
Net Sales (d)	3,758	4,070	7,828	3,588	3,813	3,501	3,992	14,894
Operating Profit (a), (d)	393	402	795	410	386	340	409	1,545
Operating Profit %	10.5%	9.9%	10.2%	11.4%	10.1%	9.7%	10.2%	10.4%
UTC Aerospace Systems								
Net Sales	3,611	3,640	7,251	3,505	3,716	3,646	3,598	14,465
Operating Profit (a)	576	579	1,155	538	582	600	578	2,298
Operating Profit %	16.0%	15.9%	15.9%	15.3%	15.7%	16.5%	16.1%	15.9%
Total Segments								
Net Sales	14,065	15,553	29,618	13,536	15,085	14,580	14,902	58,103
Operating Profit	2,384	2,398	4,782	2,020	2,421	2,325	2,180	8,946
Operating Profit %	16.9%	15.4%	16.1%	14.9%	16.0%	15.9%	14.6%	15.4%
Corporate, Eliminations, and Other								
Net Sales:								
Other	(250)	(273)	(523)	(179)	(211)	(226)	(243)	(859)
Operating Profit:								
General corporate expenses (a)	(104)	(106)	(210)	(91)	(97)	(92)	(126)	(406)
Task/(Contingency)	-	-	-	-	-	-	-	-
Eliminations and other (a), (h), (n)	(13)	(2)	(15)	16	13	18	(415)	(368)
Consolidated								
Net Sales	13,815	15,280	29,095	13,357	14,874	14,354	14,659	57,244
Operating Profit	2,267	2,290	4,557	1,945	2,337	2,251	1,639	8,172
Operating Profit %	16.4%	15.0%	15.7%	14.6%	15.7%	15.7%	11.2%	14.3%
Interest expense, net (e), (f), (j)	(213)	(226)	(439)	(223)	(225)	(225)	(366)	(1,039)
Income from continuing operations before income taxes	2,054	2,064	4,118	1,722	2,112	2,026	1,273	7,133
Income tax expense (f), (k), (l)	(586)	(532)	(1,118)	(469)	(587)	(492)	(149)	(1,697)
Income from continuing operations	1,468	1,532	3,000	1,253	1,525	1,534	1,124	5,436
Income (loss) from discontinued operations	-	-	-	11	(47)	37	(11)	(10)
Net income	1,468	1,532	3,000	1,264	1,478	1,571	1,113	5,426
Less: Noncontrolling interest in subsidiaries' earnings	(82)	(93)	(175)	(81)	(99)	(91)	(100)	(371)
Net income attributable to common shareowners	1,386	1,439	2,825	1,183	1,379	1,480	1,013	5,055
Net income attributable to common shareowners:								
Income from continuing operations	1,386	1,439	2,825	1,172	1,426	1,443	1,024	5,065
Income (loss) from discontinued operations	-	-	-	11	(47)	37	(11)	(10)
	1st Qtr.	2nd Qtr.	2017 Total YTD	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2016 Total YTD
Continuing Operations								
Earnings per share - basic	1.75	1.83	3.57	1.42	1.73	1.76	1.28	6.19
Earnings per share - diluted	1.73	1.80	3.53	1.41	1.71	1.74	1.26	6.13
Discontinued Operations								
Earnings (loss) per share - basic	-	-	-	0.01	(0.06)	0.04	(0.01)	(0.01)
Earnings (loss) per share - diluted	-	-	-	0.01	(0.06)	0.04	(0.01)	(0.01)
Total EPS attributable to common shareowners								
Total basic earnings per share	1.75	1.82	3.57	1.43	1.67	1.80	1.26	6.18
Total diluted earnings per share	1.73	1.80	3.53	1.42	1.65	1.78	1.25	6.12
Weighted average number of shares outstanding (millions)								
Basic shares	793.5	788.7	791.1	825.0	825.3	822.4	802.0	818.2
Diluted shares	802.3	798.2	800.4	831.3	833.6	831.2	810.3	826.1
	Q1	Q2	Total YTD	Q1	Q2	Q3	Q4	Total YTD
Effective Tax Rate - continuing ops	28.5%	25.8%	27.1%	27.2%	27.8%	24.3%	11.7%	23.8%

SEGMENT DATA - NOTES



The earnings release and conference-call discussion adjust 2017 and 2016 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 2017 and 2016 results:

	2017			2016				
	Restructuring Costs			Restructuring Costs				
	Q1	Q2	Total YTD	Q1	Q2	Q3	Q4	Total YTD
Operating Profit:								
Otis	(5)	(12)	(17)	(15)	(16)	(10)	(18)	(59)
UTC Climate, Controls & Security	(23)	(18)	(41)	(28)	(25)	(18)	6	(65)
Pratt & Whitney	-	(6)	(6)	(5)	(66)	21	(61)	(111)
UTC Aerospace Systems	(23)	(24)	(47)	(13)	(8)	(11)	(17)	(49)
Total Segments	(51)	(60)	(111)	(61)	(115)	(18)	(90)	(284)
General corporate expenses	(1)	-	(1)	-	-	(1)	-	(1)
Eliminations and other	-	-	-	(1)	(1)	(4)	1	(5)
Total within continuing operations	(52)	(60)	(112)	(62)	(116)	(23)	(89)	(290)
Total within discontinued operations	-	-	-	-	-	-	-	-
Total UTC	(52)	(60)	(112)	(62)	(116)	(23)	(89)	(290)

(b) Q2 2016: Approximately \$12 million of acquisition and integration costs related to UTC Climate, Controls & Security.

(c) Q3 2016: Approximately \$11 million of acquisition and integration costs related to UTC Climate, Controls & Security.

(d) Q3 2016: Approximately \$184 million to record in sales and \$95 million in losses from Pratt & Whitney on-going customer contract negotiations.

(e) Q3 2016: Approximately \$2 million of favorable pre-tax interest adjustments related to the IRS conclusion of Goodrich Corporation's 2011-2012 tax years.

(f) Q3 2016: Approximately \$56 million of favorable income tax adjustments related to the IRS conclusion of Goodrich Corporation's 2011-2012 tax years.

(g) Q4 2016: Approximately \$9 million of acquisition and integration costs related to UTC Climate, Controls & Security.

(h) Q4 2016: Approximately \$423 million of pension settlement charges resulting from defined benefit plan derisking actions.

(i) Q4 2016: Approximately \$164 million of net extinguishment loss from early redemption of debt.

(j) Q4 2016: Approximately \$22 million of favorable pre-tax interest adjustments related to the IRS conclusion of 2011-2012 tax years.

(k) Q4 2016: Approximately \$150 million of favorable income tax adjustments related to the IRS conclusion of 2011-2012 tax years.

(l) Q4 2016: Approximately \$25 million of favorable income tax adjustments related to changes in French tax laws.

(m) Q1 2017: Approximately \$379 million of pre-tax gains related to sale of available-for-sales securities at UTC Climate, Controls & Security.

(n) Q1 2017: Approximately \$1 million of pre-tax gains related to sale of available-for-sales securities.

SEGMENT DATA - ADJUSTED



UNITED TECHNOLOGIES CORPORATION SEGMENT DATA - (Unaudited)

(\$ Millions except per share amounts)

Otis

	2017		
	Ex Rest & Significant non-recurring and non-operational items		
	1st Qtr.	2nd Qtr.	Total YTD
Net Sales	2,804	3,131	5,935
Operating Profit (a)	457	556	1,013
Operating Profit %	16.3%	17.8%	17.1%

UTC Climate, Controls & Security

Net Sales	3,892	4,712	8,604
Operating Profit (a), (b), (c), (g), (m)	607	891	1,498
Operating Profit %	15.6%	18.9%	17.4%

Pratt & Whitney

Net Sales (d)	3,758	4,070	7,828
Operating Profit (a), (d)	393	408	801
Operating Profit %	10.5%	10.0%	10.2%

UTC Aerospace Systems

Net Sales	3,611	3,640	7,251
Operating Profit (a)	599	603	1,202
Operating Profit %	16.6%	16.6%	16.6%

Total Segments

Net Sales	14,065	15,553	29,618
Operating Profit	2,056	2,458	4,514
Operating Profit %	14.6%	15.8%	15.2%

Corporate, Eliminations, and Other

Net Sales:			
Other	(250)	(273)	(523)
Operating Profit:			
General corporate expenses (a)	(103)	(106)	(209)
Eliminations and other (a), (h), (n)	(14)	(2)	(16)
Task/(Contingency)	-	-	-

Consolidated

Net Sales	13,815	15,280	29,095
Operating Profit	1,939	2,350	4,289
Operating Profit %	14.0%	15.4%	14.7%

Interest expense, net (e), (i), (j)

	(213)	(226)	(439)
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Income from continuing operations before income taxes

	1,726	2,124	3,850
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Income tax expense (f), (k), (l)

	(462)	(552)	(1,014)
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Income from continuing operations

	1,264	1,572	2,836
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Income (loss) from discontinued operations

	-	-	-
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Net income

	1,264	1,572	2,836
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Less: Noncontrolling interest in subsidiaries' earnings

	(82)	(93)	(175)
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Net income attributable to common shareowners

	1,182	1,479	2,661
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Net income attributable to common shareowners:

From continuing operations	1,182	1,479	2,661
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From discontinued operations	-	-	-
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	2016				
	Ex Rest & Significant non-recurring and non-operational items				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2016 Total
Net Sales	2,715	3,097	3,018	3,063	11,893
Operating Profit	481	597	594	534	2,206
Operating Profit %	17.7%	19.3%	19.7%	17.4%	18.5%
Net Sales	3,728	4,459	4,415	4,249	16,851
Operating Profit (a), (b), (c), (g), (m)	634	909	830	680	3,053
Operating Profit %	17.0%	20.4%	18.8%	16.0%	18.1%
Net Sales (d)	3,588	3,813	3,685	3,992	15,078
Operating Profit (a), (d)	415	452	414	470	1,751
Operating Profit %	11.6%	11.9%	11.2%	11.8%	11.6%
Net Sales	3,505	3,716	3,646	3,598	14,465
Operating Profit (a)	551	590	611	595	2,347
Operating Profit %	15.7%	15.9%	16.8%	16.5%	16.2%
Net Sales	13,536	15,085	14,764	14,902	58,287
Operating Profit	2,081	2,548	2,449	2,279	9,357
Operating Profit %	15.4%	16.9%	16.6%	15.3%	16.1%
Net Sales:					
Other	(179)	(211)	(226)	(243)	(859)
Operating Profit:					
General corporate expenses (a)	(91)	(97)	(91)	(126)	(405)
Eliminations and other (a), (h), (n)	17	14	22	7	60
Task/(Contingency)	-	-	-	-	-
Net Sales	13,357	14,874	14,538	14,659	57,428
Operating Profit	2,007	2,465	2,380	2,160	9,012
Operating Profit %	15.0%	16.6%	16.4%	14.7%	15.7%
Interest expense, net (e), (i), (j)	(223)	(225)	(227)	(224)	(899)
Income from continuing operations before income taxes	1,784	2,240	2,153	1,936	8,113
Income tax expense (f), (k), (l)	(489)	(627)	(600)	(566)	(2,282)
Income from continuing operations	1,295	1,613	1,553	1,370	5,831
Income (loss) from discontinued operations	11	(47)	37	(11)	(10)
Net income	1,306	1,566	1,590	1,359	5,821
Less: Noncontrolling interest in subsidiaries' earnings	(81)	(99)	(91)	(100)	(371)
Net income attributable to common shareowners	1,225	1,467	1,499	1,259	5,450
Net income attributable to common shareowners:					
From continuing operations	1,214	1,514	1,462	1,270	5,460
From discontinued operations	11	(47)	37	(11)	(10)

EPS RECONCILIATION



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

(dollars in millions except per share amounts)

	2017			2016				
	Q1	Q2	Total YTD	Q1	Q2	Q3	Q4	FY
Diluted earnings per share attributable to common shareowners	\$ 1.73	\$ 1.80	\$ 3.53	\$ 1.42	\$ 1.65	\$ 1.78	\$ 1.25	\$ 6.12
Less: diluted earnings (loss) per share from discontinued operations attributable to common shareowners	-	-	-	0.01	(0.06)	0.04	(0.01)	(0.01)
Diluted earnings per share - Net income from continuing operations attributable to common shareowners (GAAP)	\$ 1.73	\$ 1.80	\$ 3.53	\$ 1.41	\$ 1.71	\$ 1.74	\$ 1.26	\$ 6.13
Net income attributable to common shareowners	\$ 1,386	\$ 1,439	\$ 2,825	\$ 1,183	\$ 1,379	\$ 1,480	\$ 1,013	\$ 5,055
Less: Income (loss) from discontinued operations attributable to common shareowners	-	-	-	11	(47)	37	(11)	(10)
Net income from continuing operations attributable to common shareowners	1,386	1,439	2,825	1,172	1,426	1,443	1,024	5,065
Adjustments to net income from continuing operations attributable to common shareowners:								
Restructuring costs	(52)	(60)	(112)	(62)	(116)	(23)	(89)	(290)
Pre-tax gains related to sale of available-for-sales securities	380	-	380	-	-	-	-	-
Acquisition and integration costs related to current period acquisitions	-	-	-	-	(12)	(11)	(9)	(32)
Charge resulting from customer contract negotiations	-	-	-	-	-	(95)	-	(95)
Pension settlement charge resulting from defined benefit plan de-risking actions	-	-	-	-	-	-	(423)	(423)
Net extinguishment loss from early redemption of debt, included in interest expense, net	-	-	-	-	-	-	(164)	(164)
Other significant non-recurring and non-operational items included in interest expense, net	-	-	-	-	-	2	22	24
Income tax benefit on restructuring costs and significant non-recurring and non-operational items	(124)	20	(104)	20	40	52	242	354
Significant non-recurring and non-operational gains (charges) recorded within income tax expense	-	-	-	-	-	56	175	231
Total adjustments to net income from continuing operations attributable to common shareowners	204	(40)	164	(42)	(88)	(19)	(246)	(395)
Adjusted net income from continuing operations attributable to common shareowners	\$ 1,182	\$ 1,479	\$ 2,661	\$ 1,214	\$ 1,514	\$ 1,462	\$ 1,270	\$ 5,460
Less: Impact of total adjustments on diluted earnings per share	\$ 0.25	\$ (0.05)	\$ 0.20	\$ (0.05)	\$ (0.11)	\$ (0.02)	\$ (0.30)	\$ (0.48)
Adjusted diluted earnings per share - Net income from continuing operations attributable to common shareowners (Non-GAAP)	\$ 1.48	\$ 1.85	\$ 3.33	\$ 1.46	\$ 1.82	\$ 1.76	\$ 1.56	\$ 6.61

KEY DATA

(\$ millions)

	<u>2Q 17</u>	<u>2Q 16</u>
Free cash flow	1,700	1,445
Debt/capital*	47%	45%
Net debt/capital*	36%	36%
Capital expenditures	446	363
Share repurchase	437	36
Acquisitions**	73	459

*Adjusted to reflect the accounting for noncontrolling interests

**Includes debt assumed

FREE CASH FLOW RECONCILIATION

(\$ millions)

	<u>2Q 17</u>	<u>2Q 16</u>
Net income attributable to common shareowners from continuing operations	1,439	1,426
Depreciation & amortization	527	494
Change in working capital	(79)	35
Other	<u>259</u>	<u>(147)</u>
Cash flow from operations	2,146	1,808
Capital expenditures	<u>(446)</u>	<u>(363)</u>
Free cash flow	<u><u>1,700</u></u>	<u><u>1,445</u></u>
Free cash flow as a % of net income attributable to common shareowners from continuing operations	118%	101%