

**United  
Technologies**





4Q 2016 Earnings Conference Call  
January 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 various factors, including 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 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.

# OVERVIEW

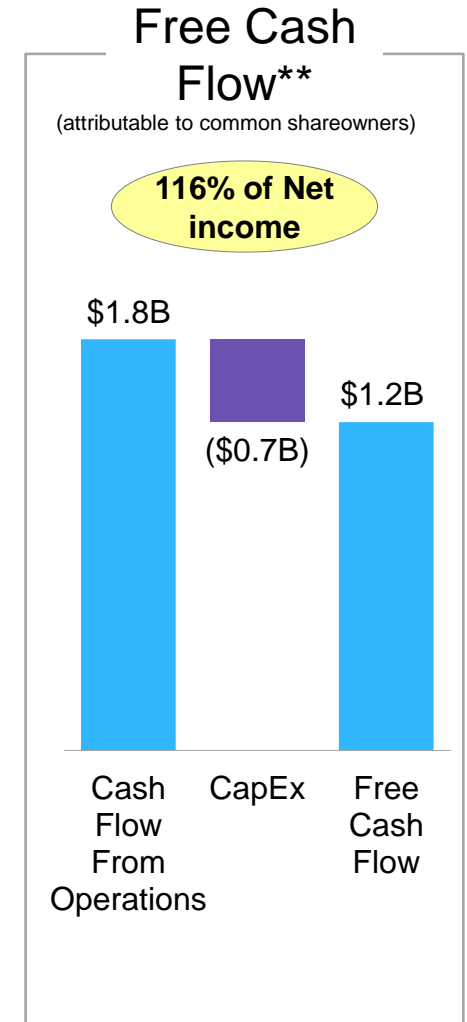
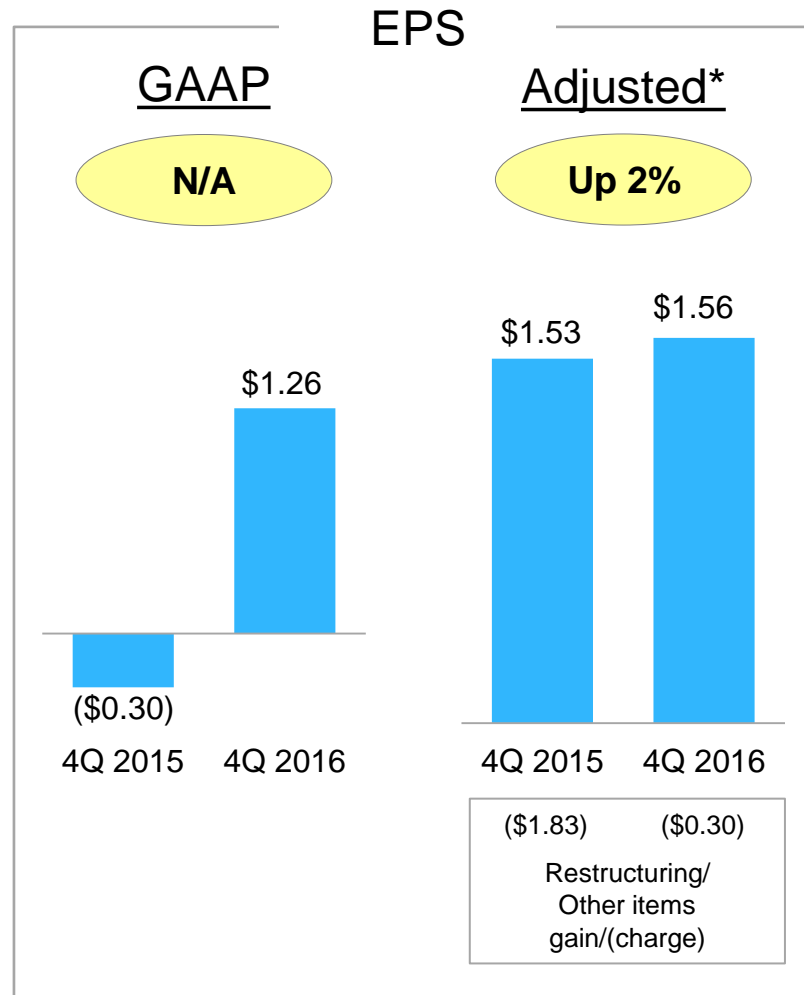
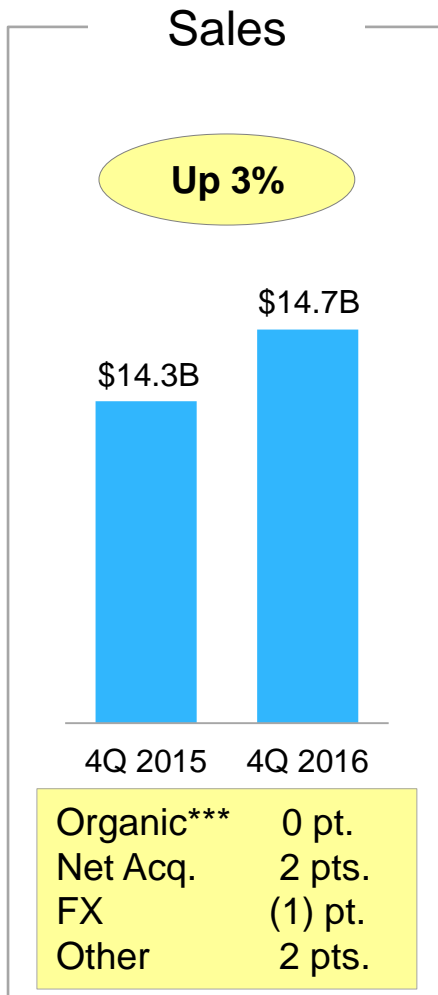
	<u>2016 outlook in Dec. 2015</u>	<u>2016 Actual</u>	<u>2017 outlook</u>
<b>Adjusted EPS*</b>	\$6.30 – \$6.60	 \$6.61	\$6.30 – \$6.60
<b>Sales</b>	\$56 – \$58B	 \$57.2B	\$57.5 – \$59B
<b>Organic Sales**</b>	1 – 3%	 2%	2 – 4%
<b>Free cash flow***</b>	90% – 100% of net income attributable to common shareowners	 93% of net income attributable to common shareowners	90% – 100% of net income attributable to common shareowners

\*Excludes restructuring and other significant items – see appendix for reconciliation

\*\*See appendix for definition and reconciliation of organic sales

\*\*\*See appendix for definition and reconciliation of free cash flow

## Q4 2016



\*Excludes restructuring and other significant items – see appendix for reconciliation

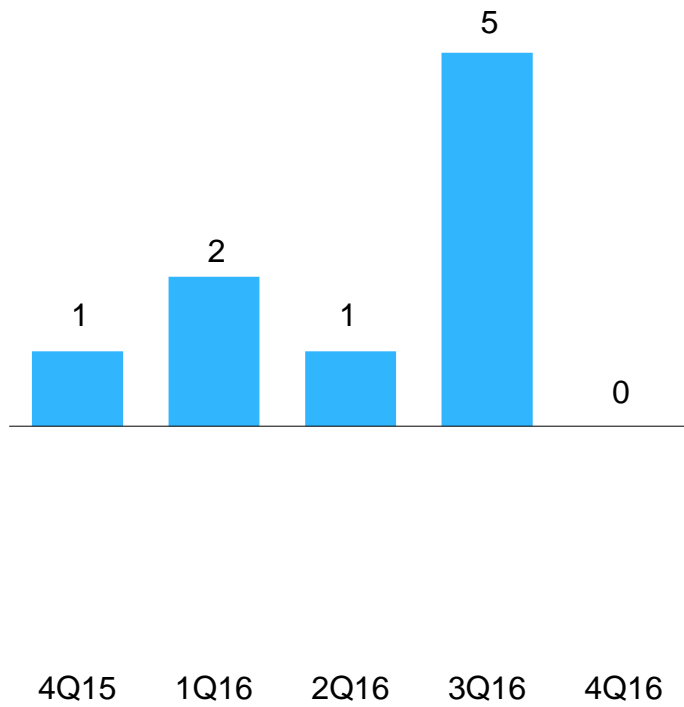
\*\*See appendix for definition and reconciliation of free cash flow

\*\*\*See appendix for definition and reconciliation of organic sales

# ORGANIC SALES GROWTH

(VPY%)

## Quarterly Trend



## 4Q 2016

## FY 2016

### Commercial

Americas

3

3

EMEA

(4)

(2)

Asia

0

(2)

### Aerospace

Commercial Aero

0

5

Military Aero

0

0

4Q = 0%

FY = 2%

# 2016 SEGMENT HIGHLIGHTS

## Otis

(\$ millions)

	Q4 2016		
	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	3,063	3,063	(1%)
Operating profit	516	534	(5%)
ROS	16.8%	17.4%	(0.7) pts.

	Full Year 2016		
	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	11,893	11,893	(1%)
Operating profit	2,147	2,206	(8%)
ROS	18.1%	18.5%	(1.4) pts.

### Q4 2016:

Organic sales flat\*\*

Service sales up 3%, new equipment down 2% at constant currency

New equipment ex. China up 5%

Operating profit\* down 4% at constant currency

China and EMEA price headwind

Continued E&D investment

### Full Year 2016:

Organic sales up 1%\*\*

Operating profit\* down 6% at constant currency

New equipment order share gains



The 59-story Twentytwo Bishopgate development in London, scheduled for completion in 2019, will use 67 state-of-the-art Otis elevators and escalators, including the fastest SkyRise® double-deck elevators in Europe, traveling up to 8 meters per second.

\*Excludes restructuring and other significant items – see appendix for reconciliation

\*\*See appendix for definition and reconciliation of organic sales

# 2016 SEGMENT HIGHLIGHTS

## UTC Climate, Controls & Security

(\$ millions)

Q4 2016			
	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	4,249	4,249	3%
Operating profit	677	680	3%
ROS	15.9%	16.0%	0.0 pts

Full Year 2016			
	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	16,851	16,851	1%
Operating profit	2,956	3,053	4%
ROS	17.5%	18.1%	0.6 pts

### Q4 2016:

Organic sales flat\*\*

Strength in N.A. HVAC

Continued headwind in Middle East HVAC

Equipment orders up 2%

Operating profit\* up 5% at constant currency

### Full Year 2016:

Organic sales down slightly\*\*

Operating profit\* up 6% at constant currency

Margin gains from productivity/commodities



Carrier officially launched the new AquaEdge™ 19DV centrifugal chiller with Greenspeed™ intelligence and PUREtec™ low Global Warming Potential (GWP) refrigerant. The new product delivers on customer demands for excellent performance, leading efficiency and environmental responsibility.

\*Excludes restructuring and other significant items – see appendix for reconciliation

\*\*See appendix for definition and reconciliation of organic sales

# 2016 SEGMENT HIGHLIGHTS

## Pratt & Whitney

(\$ millions)

	Q4 2016		
	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	3,992	3,992	0%
Operating profit	409	470	(15%)
ROS	10.2%	11.8%	(2.0) pts.

	Full Year 2016		
	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	14,894	15,078	6%
Operating profit	1,545	1,751	(8%)
ROS	10.4%	11.6%	(1.8) pts.

### Q4 2016:

Organic sales flat\*\*

Commercial OE up on favorable mix

Commercial aftermarket down 6%

Operating profit\* down 15%

Long term aftermarket contract adjustment headwind

Ramp related costs and unfavorable military mix

Pension, FX and negative engine margin tailwind

### Full Year 2016:

Organic sales up 6%\*\*

Operating profit\* down 8%

Commercial aftermarket sales up 10%



Pratt & Whitney celebrates the Airbus A321neo joint Type Certification from the Federal Aviation Administration (FAA) and from the European Aviation Safety Agency (EASA)

\*Excludes restructuring and other significant items – see appendix for reconciliation

\*\*See appendix for definition and reconciliation of organic sales



# 2016 SEGMENT HIGHLIGHTS

## UTC Aerospace Systems

(\$ millions)

Q4 2016			
	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	3,598	3,598	(2%)
Operating profit	578	595	4%
ROS	16.1%	16.5%	1.0 pt.

Full Year 2016			
	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	14,465	14,465	1%
Operating profit	2,298	2,347	(0%)
ROS	15.9%	16.2%	(0.3) pts.

### Q4 2016:

Organic sales flat\*\*

Commercial up 1%, military down 4%

Operating profit\* up 4%

Cost reduction and pension tailwind

### Full Year 2016:

Organic sales up 2%\*\*

Operating profit\* flat

Strong cost reduction

Unfavorable product mix and military headwinds



UTC Aerospace Systems will deliver state-of-the-art Aircraft Data Management (ADM) systems to Hawaiian Airlines for their entire fleet, including A330, 717 and 767 aircraft. This will enable use of tablets as fully functional Electronic Flight Bags (EFBs), while also providing safer and more efficient flight operations via access to real-time performance and weather data coupled with secure connectivity to the airline's network.

\*Excludes restructuring and other significant items – see appendix for reconciliation

\*\*See appendix for definition and reconciliation of organic sales

# 2017 PRIORITIES

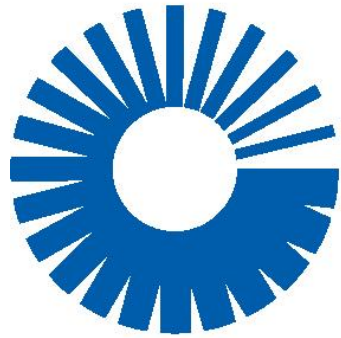
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Focused on execution

Innovation for growth

Structural cost reduction

Disciplined capital allocation



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# Appendix

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## Use and Definitions of Non-GAAP Financial Measures

We supplement the reporting of our financial information determined under accounting principles generally accepted in the United States ("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 and adjusted diluted 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 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.

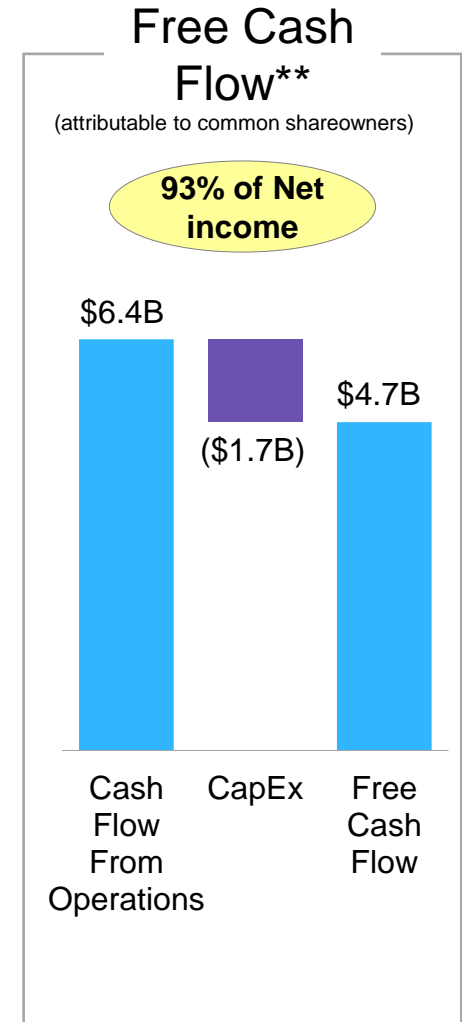
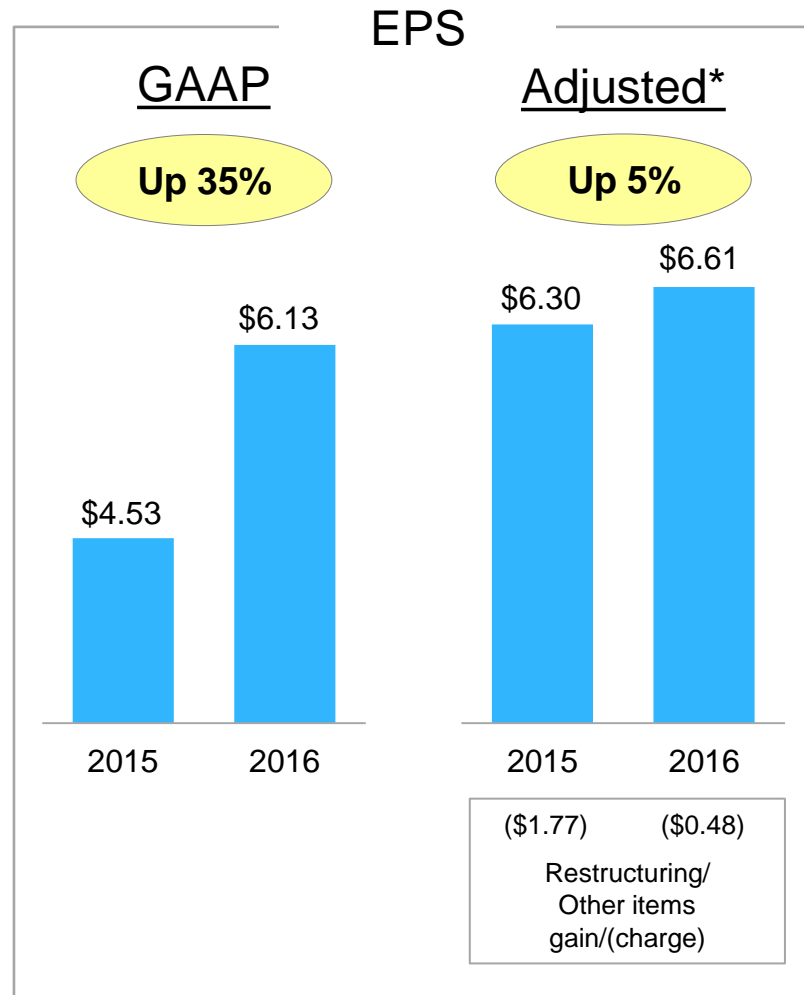
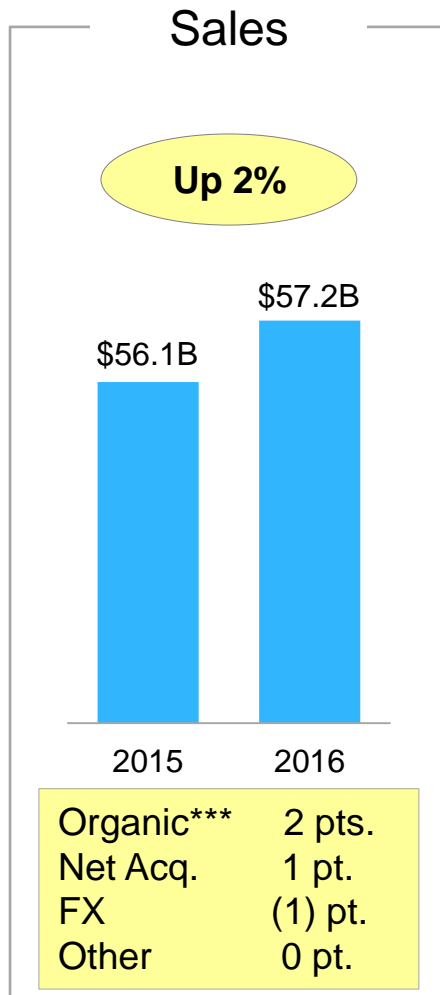
Free cash flow is a non-GAAP financial measure that represents cash flow from operations (a GAAP measure) less capital expenditures. Management believes free cash flow is a useful measure of liquidity and an additional basis for assessing UTC's ability to fund its activities, including the financing 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 and organic sales and/or 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, expected cash flow from operations and sales) 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.

# UTC

## Full Year 2016

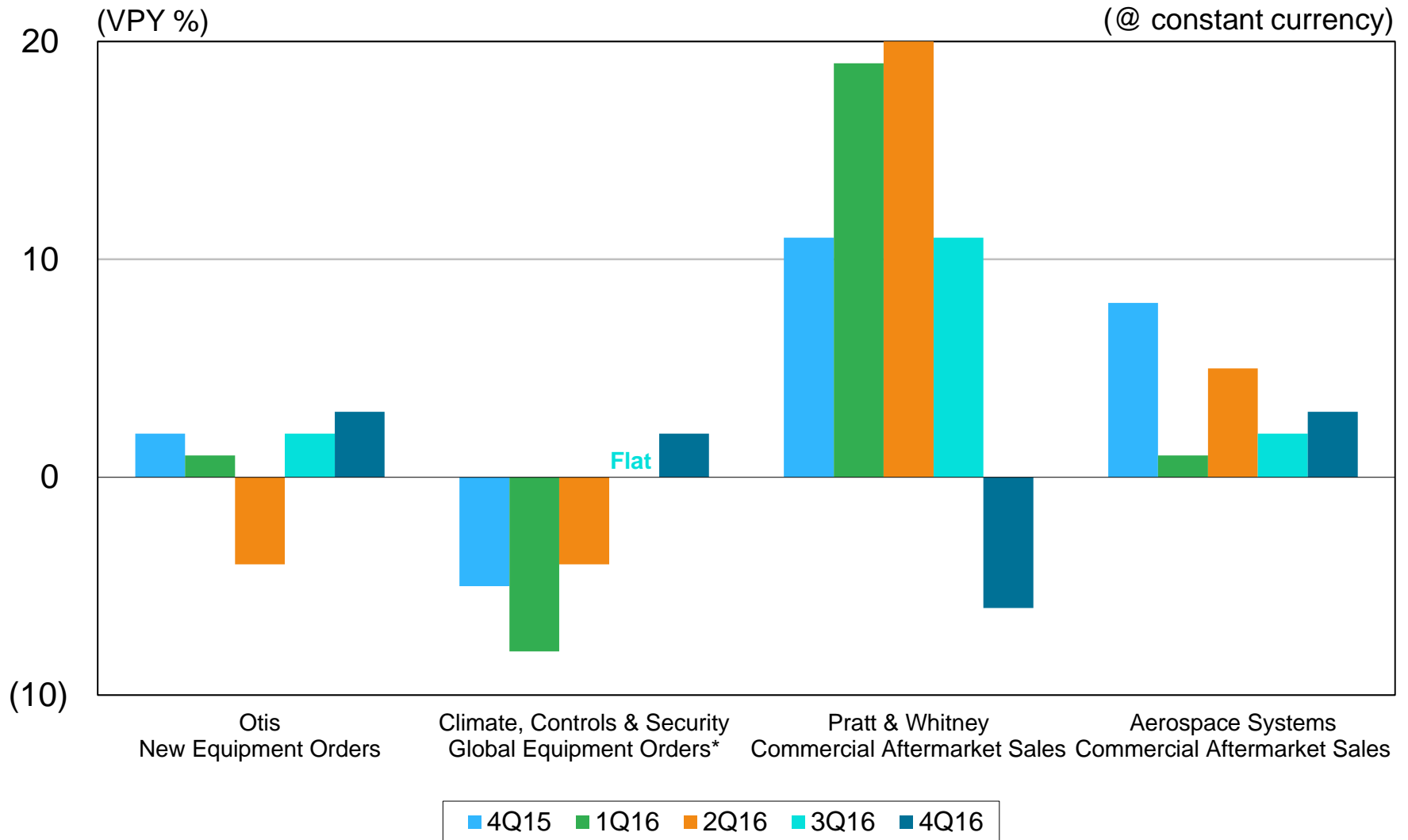


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\*\*\*See appendix for definition and reconciliation of organic sales

# KEY MARKET TRENDS



\*4Q 2015 to 3Q 2016 Includes North America Residential HVAC equipment sales as a proxy for orders

# Q4 FINANCIAL DATA



(% VPY\*)

## Commercial Sales

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

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

## Aerospace Sales

<u>Pratt &amp; Whitney</u>		<u>UTC Aerospace Systems</u>	
Commercial aero OEM	up high teens	Commercial aero OEM	down slightly
Commercial aero aftermarket	down mid single digit	Commercial aero aftermarket	up low single digit
Military aero OEM	up low single digit	Military aero OEM	down mid single digit
Military aero aftermarket	up mid single digit	Military aero aftermarket	flat

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



# 4Q 2016 SALES RECONCILIATION



	<u>Total Growth</u>	<u>Organic</u>	<u>FX</u>	<u>Net Acquisitions</u>	<u>Other</u>
Otis	(1%)	0%	(1%)	0%	0%
CCS	3%	0%	(2%)	5%	0%
Pratt & Whitney	4%	0%	1%	(1%)	4%
Aerospace Systems	<u>4%</u>	<u>0%</u>	<u>(1%)</u>	<u>(1%)</u>	<u>6%</u>
<b>Total UTC*</b>	<b>3%</b>	<b>0%</b>	<b>(1%)</b>	<b>2%</b>	<b>2%</b>

\*Reflects consolidated net sales

# 2016 FULL YEAR SALES RECONCILIATION

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

\*Reflects consolidated net sales

# SELECTED METRICS



	2015					2016				
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY</u>
<u>Pratt &amp; Whitney engine shipments</u>										
Military	20	30	14	38	101	30	19	26	31	105
Large commercial*	166	148	96	148	558	148	149	113	128	538
Pratt & Whitney Canada	616	647	550	719	2,532	515	596	524	662	2,297

\* Large commercial excludes industrial engines shipments

# SEGMENT DATA - GAAP



## UNITED TECHNOLOGIES CORPORATION

### SEGMENT DATA - Reported

(\$ Millions except per share amounts)

	2016					2015				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2016 Total YTD	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2015 Total
<b>otis</b>										
Net Sales	2,715	3,097	3,018	3,063	11,893	2,745	3,098	3,043	3,094	11,980
Operating Profit (a)	466	581	584	516	2,147	527	627	642	542	2,338
Operating Profit %	17.2%	18.8%	19.4%	16.8%	18.1%	19.2%	20.2%	21.1%	17.5%	19.5%
<b>UTC Climate, Controls &amp; Security</b>										
Net Sales	3,728	4,459	4,415	4,249	16,851	3,852	4,454	4,279	4,122	16,707
Operating Profit (a), (b), (e), (n), (o), (s)	606	872	801	677	2,956	729	823	771	613	2,936
Operating Profit %	16.3%	19.6%	18.1%	15.9%	17.5%	18.9%	18.5%	18.0%	14.9%	17.6%
<b>Pratt &amp; Whitney</b>										
Net Sales (g), (p)	3,588	3,813	3,501	3,992	14,894	3,332	3,677	3,234	3,839	14,082
Operating Profit (a), (f), (g), (p)	410	386	340	409	1,545	419	487	419	(464)	861
Operating Profit %	11.4%	10.1%	9.7%	10.2%	10.4%	12.6%	13.2%	13.0%	-12.1%	6.1%
<b>UTC Aerospace Systems</b>										
Net Sales (h)	3,505	3,716	3,646	3,598	14,465	3,548	3,632	3,457	3,457	14,094
Operating Profit (a), (h), (i)	538	582	600	578	2,298	569	580	572	167	1,888
Operating Profit %	15.3%	15.7%	16.5%	16.1%	15.9%	16.0%	16.0%	16.5%	4.8%	13.4%
<b>Total Segments</b>										
Net Sales	13,536	15,085	14,580	14,902	58,103	13,477	14,861	14,013	14,512	56,863
Operating Profit	2,020	2,421	2,325	2,180	8,946	2,244	2,517	2,404	858	8,023
Operating Profit %	14.9%	16.0%	15.9%	14.6%	15.4%	16.7%	16.9%	17.2%	5.9%	14.1%
<b>Corporate, Eliminations, and Other</b>										
Net Sales:										
Other	(179)	(211)	(226)	(243)	(859)	(157)	(171)	(225)	(212)	(765)
Operating Profit:										
General corporate expenses (a)	(91)	(97)	(92)	(126)	(406)	(110)	(120)	(101)	(133)	(464)
Eliminations and other (a), (j), (k), (t)	16	13	18	(415)	(368)	48	18	(1)	(333)	(268)
<b>Consolidated</b>										
Net Sales	13,357	14,874	14,354	14,659	57,244	13,320	14,690	13,788	14,300	56,098
Operating Profit	1,945	2,337	2,251	1,639	8,172	2,182	2,415	2,302	392	7,291
Operating Profit %	14.6%	15.7%	15.7%	11.2%	14.3%	16.4%	16.4%	16.7%	2.7%	13.0%
Interest expense, net (q), (u), (v)	(223)	(225)	(225)	(366)	(1,039)	(217)	(217)	(184)	(206)	(824)
Income from continuing operations before income taxes	1,722	2,112	2,026	1,273	7,133	1,965	2,198	2,118	186	6,467
Income tax expense (l), (m), (r), (w), (x)	(469)	(587)	(492)	(149)	(1,697)	(530)	(626)	(592)	(363)	(2,111)
Income from continuing operations	1,253	1,525	1,534	1,124	5,436	1,435	1,572	1,526	(177)	4,356
Income (loss) from discontinued operations (c), (d)	11	(47)	37	(11)	(10)	63	80	(65)	3,532	3,610
Net income	1,264	1,478	1,571	1,113	5,426	1,498	1,652	1,461	3,355	7,966
Less: Noncontrolling interest in subsidiaries' earnings	(81)	(99)	(91)	(100)	(371)	(72)	(110)	(99)	(77)	(358)
<b>Net income attributable to common shareowners</b>	<b>1,183</b>	<b>1,379</b>	<b>1,480</b>	<b>1,013</b>	<b>5,055</b>	<b>1,426</b>	<b>1,542</b>	<b>1,362</b>	<b>3,278</b>	<b>7,608</b>
Net income attributable to common shareowners:										
Income from continuing operations	1,172	1,426	1,443	1,024	5,065	1,364	1,461	1,427	(256)	3,996
Income (loss) from discontinued operations	11	(47)	37	(11)	(10)	62	81	(65)	3,534	3,612
<b>Continuing Operations</b>										
Earnings per share - basic	1.42	1.73	1.76	1.28	6.19	1.53	1.67	1.63	(0.30)	4.58
Earnings per share - diluted	1.41	1.71	1.74	1.26	6.13	1.51	1.64	1.61	(0.30)	4.53
<b>Discontinued Operations</b>										
Earnings (loss) per share - basic	0.01	(0.06)	0.04	(0.01)	(0.01)	0.07	0.09	(0.07)	4.16	4.14
Earnings (loss) per share - diluted	0.01	(0.06)	0.04	(0.01)	(0.01)	0.07	0.09	(0.07)	4.16	4.09
<b>Weighted average number of shares outstanding (millions)</b>										
Basic shares	825.0	825.3	822.4	802.0	818.2	890.3	877.3	876.4	849.6	872.7
Diluted shares	831.3	833.6	831.2	810.3	826.1	904.2	889.4	885.0	849.6	883.2
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total YTD</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total YTD</b>
<b>Effective Tax Rate - continuing ops</b>	27.2%	27.8%	24.3%	11.7%	23.8%	27.0%	28.5%	28.0%	194.8%	32.6%

# SEGMENT DATA - NOTES

The earnings release and conference-call discussion adjust 2016 and 2015 segment results for Restructuring costs as well as certain Significant non-recurring and 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 2016 and 2015 results:

	2016					2015				
	Restructuring Costs					Restructuring Costs				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Operating Profit:										
Otis	(15)	(16)	(10)	(18)	(59)	(6)	(8)	(18)	(19)	(51)
UTC Climate, Controls & Security	(28)	(25)	(18)	6	(65)	(24)	(28)	(15)	(41)	(108)
Pratt & Whitney	(5)	(66)	21	(61)	(111)	(13)	(2)	(22)	(68)	(105)
UTC Aerospace Systems	(13)	(8)	(11)	(17)	(49)	(50)	-	(14)	(47)	(111)
Total Segments	(61)	(115)	(18)	(90)	(284)	(93)	(38)	(69)	(175)	(375)
General corporate expenses	-	-	(1)	-	(1)	-	-	(4)	(5)	(9)
Eliminations and other	(1)	(1)	(4)	1	(5)	-	(1)	-	(11)	(12)
Total within continuing operations	(62)	(116)	(23)	(89)	(290)	(93)	(39)	(73)	(191)	(396)
Total within discontinued operations	-	-	-	-	-	-	(23)	(116)	-	(139)
Total UTC	(62)	(116)	(23)	(89)	(290)	(93)	(62)	(189)	(191)	(535)

(b) Q1 2015: Approximately \$126 million gain as a result of a fair value adjustment related to the acquisition of a controlling interest in a UTC Climate, Controls & Security joint venture investment.

(c) Q2 2015: Approximately \$28 million of transaction and separation costs related to the planned sale or spin-off of Sikorsky.

(d) Q3 2015: Approximately \$68 million of tax provision related to the undistributed earnings of Sikorsky's foreign subsidiaries, which will no longer be permanently reinvested as a result of the announced sale of Sikorsky to Lockheed Martin Corp.

(e) Q4 2015: Approximately \$5 million charge related to UTC Climate, Controls & Security acquisitions and integration costs.

(f) Q4 2015: Approximately \$867 million charge related to a Pratt & Whitney research and development support agreement with the Canadian government.

(g) Q4 2015: Approximately \$142 million to record in sales and \$80 million in losses from Pratt & Whitney customer contract renegotiations.

(h) Q4 2015: Approximately \$210 million to record in sales and \$295 million in losses from UTC Aerospace Systems customer contract renegotiations.

(i) Q4 2015: Approximately \$61 million charge to UTC Aerospace Systems for impairment of assets held for sale.

(j) Q4 2015: Approximately \$237 million charge for pending and future asbestos-related claims.

(k) Q4 2015: Approximately \$27 million charge from agreement with a state taxing authority for monetization of tax credits.

(l) Q4 2015: Approximately \$274 million of unfavorable income tax accruals related to the repatriation of foreign earnings.

(m) Q4 2015: Approximately \$69 million of unfavorable income tax accruals related to a change in tax laws.

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

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

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

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

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

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

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

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

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

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

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

# SEGMENT DATA - ADJUSTED



**UNITED TECHNOLOGIES CORPORATION**  
SEGMENT DATA - Adjusted/Non-GAAP (Unaudited)

(\$ Millions except per share amounts)

**Otis**

	2016				
	Ex Rest & Significant non-recurring and non-operational items				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2016 FY
Net Sales	2,715	3,097	3,018	3,063	11,893
Operating Profit (a)	481	597	594	534	2,206
Operating Profit %	17.7%	19.3%	19.7%	17.4%	18.5%

**UTC Climate, Controls & Security**

	2016				
	Ex Rest & Significant non-recurring and non-operational items				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2016 FY
Net Sales	3,728	4,459	4,415	4,249	16,851
Operating Profit (a), (b), (e), (n), (o), (s)	634	909	830	680	3,053
Operating Profit %	17.0%	20.4%	18.8%	16.0%	18.1%

**Pratt & Whitney**

	2016				
	Ex Rest & Significant non-recurring and non-operational items				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2016 FY
Net Sales (g), (p)	3,588	3,813	3,685	3,992	15,078
Operating Profit (a), (f), (g), (p)	415	452	414	470	1,751
Operating Profit %	11.6%	11.9%	11.2%	11.8%	11.6%

**UTC Aerospace Systems**

	2016				
	Ex Rest & Significant non-recurring and non-operational items				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2016 FY
Net Sales (h)	3,505	3,716	3,646	3,598	14,465
Operating Profit (a), (h), (i)	551	590	611	595	2,347
Operating Profit %	15.7%	15.9%	16.8%	16.5%	16.2%

**Total Segments**

	2016				
	Ex Rest & Significant non-recurring and non-operational items				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2016 FY
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%

**Corporate, Eliminations, and Other**

	2016				
	Ex Rest & Significant non-recurring and non-operational items				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2016 FY
Net Sales:					
Other	(179)	(211)	(226)	(243)	(859)
Operating Profit:					
General corporate expenses (a)	(91)	(97)	(91)	(126)	(405)
Eliminations and other (a), (j), (k), (t)	17	14	22	7	60
Task/(Contingency)	-	-	-	-	-

**Consolidated**

	2016				
	Ex Rest & Significant non-recurring and non-operational items				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2016 FY
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 (q), (u), (v)

	(223)	(225)	(227)	(224)	(899)
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Income from continuing operations before income taxes

	1,784	2,240	2,153	1,936	8,113
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Income tax expense (l), (m), (r), (w), (x)

	(489)	(627)	(600)	(566)	(2,282)
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Income from continuing operations

	1,295	1,613	1,553	1,370	5,831
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Income (loss) from discontinued operations (c), (d)

	11	(47)	37	(11)	(10)
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Net income

	1,306	1,566	1,590	1,359	5,821
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Less: Noncontrolling interest in subsidiaries' earnings

	(81)	(99)	(91)	(100)	(371)
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**Net income attributable to common shareowners**

	1,225	1,467	1,499	1,259	5,450
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Net income attributable to common shareowners:

	1,214	1,514	1,462	1,270	5,460
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From continuing operations  
From discontinued operations

	11	(47)	37	(11)	(10)
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	2015				
	Ex Rest & Significant non-recurring and non-operational items				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2015 FY
Net Sales	2,745	3,098	3,043	3,094	11,980
Operating Profit	533	635	660	561	2,389
Operating Profit %	19.4%	20.5%	21.7%	18.1%	19.9%
Net Sales	3,852	4,454	4,279	4,122	16,707
Operating Profit	627	851	786	659	2,923
Operating Profit %	16.3%	19.1%	18.4%	16.0%	17.5%
Net Sales (g), (p)	3,332	3,677	3,234	3,981	14,224
Operating Profit	432	489	441	551	1,913
Operating Profit %	13.0%	13.3%	13.6%	13.8%	13.4%
Net Sales (h)	3,548	3,632	3,457	3,667	14,304
Operating Profit	619	580	586	570	2,355
Operating Profit %	17.4%	16.0%	17.0%	15.5%	16.5%
Net Sales	13,477	14,861	14,013	14,864	57,215
Operating Profit	2,211	2,555	2,473	2,341	9,580
Operating Profit %	16.4%	17.2%	17.6%	15.7%	16.7%
Net Sales:					
Other	(157)	(171)	(225)	(212)	(765)
Operating Profit:					
General corporate expenses (a)	(110)	(120)	(97)	(128)	(455)
Eliminations and other (a), (j), (k), (t)	48	19	(1)	(58)	8
Task/(Contingency)	-	-	-	-	-
Net Sales	13,320	14,690	13,788	14,652	56,450
Operating Profit	2,149	2,454	2,375	2,155	9,133
Operating Profit %	16.1%	16.7%	17.2%	14.7%	16.2%
Interest expense, net (q), (u), (v)	(217)	(217)	(184)	(206)	(824)
Income from continuing operations before income taxes	1,932	2,237	2,191	1,949	8,309
Income tax expense (l), (m), (r), (w), (x)	(560)	(641)	(613)	(572)	(2,386)
Income from continuing operations	1,372	1,596	1,578	1,377	5,923
Income (loss) from discontinued operations (c), (d)	63	80	(65)	3,532	3,610
Net income	1,435	1,676	1,513	4,909	9,533
Less: Noncontrolling interest in subsidiaries' earnings	(72)	(110)	(99)	(77)	(358)
Net income attributable to common shareowners	1,363	1,566	1,414	4,832	9,175
Net income attributable to common shareowners:					
From continuing operations	1,301	1,485	1,479	1,298	5,563
From discontinued operations	62	81	(65)	3,534	3,612

# EPS RECONCILIATION



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

(dollars in millions except per share amounts)

	2016					2015				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Diluted earnings per share - Net income from continuing operations attributable to common shareowners (GAAP)	\$ 1.41	\$ 1.71	\$ 1.74	\$ 1.26	\$ 6.13	\$ 1.51	\$ 1.64	\$ 1.61	\$ (0.30)	\$ 4.53
Net income from continuing operations attributable to common shareowners	\$ 1,172	\$ 1,426	\$ 1,443	\$ 1,024	\$ 5,065	\$ 1,364	\$ 1,461	\$ 1,427	\$ (256)	\$ 3,996
Adjustments to net income from continuing operations attributable to common shareowners:										
Restructuring costs	(62)	(116)	(23)	(89)	(290)	(93)	(39)	(73)	(191)	(396)
Gain on fair value adjustment on acquisition of controlling interest in a joint venture	-	-	-	-	-	126	-	-	-	126
Acquisition and integration costs related to current period acquisitions	-	(12)	(11)	(9)	(32)	-	-	-	(5)	(5)
Charge related to a research and development support agreement with Canadian government agencies	-	-	-	-	-	-	-	-	(867)	(867)
Charge resulting from customer contract negotiations	-	-	(95)	-	(95)	-	-	-	(375)	(375)
Charge for impairment of assets held for sale	-	-	-	-	-	-	-	-	(61)	(61)
Charge for pending and future asbestos-related claims	-	-	-	-	-	-	-	-	(237)	(237)
Charge from agreement with a state taxing authority for monetization of tax credits	-	-	-	-	-	-	-	-	(27)	(27)
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	20	40	52	242	354	30	15	21	551	617
Significant non-recurring and non-operational gains (charges) recorded within income tax expense	-	-	56	175	231	-	-	-	(342)	(342)
Total adjustments to net income from continuing operations attributable to common shareowners	(42)	(88)	(19)	(246)	(395)	63	(24)	(52)	(1,554)	(1,567)
Adjusted net income from continuing operations attributable to common shareowners	\$ 1,214	\$ 1,514	\$ 1,462	\$ 1,270	\$ 5,460	\$ 1,301	\$ 1,485	\$ 1,479	\$ 1,298	\$ 5,563
Less: Impact of total adjustments on diluted earnings per share	\$ (0.05)	\$ (0.11)	\$ (0.02)	\$ (0.30)	\$ (0.48)	\$ 0.07	\$ (0.03)	\$ (0.06)	\$ (1.83)	\$ (1.77)
Adjusted diluted earnings per share - Net income from continuing operations attributable to common shareowners (Non-GAAP)	\$ 1.46	\$ 1.82	\$ 1.76	\$ 1.56	\$ 6.61	\$ 1.44	\$ 1.67	\$ 1.67	\$ 1.53	\$ 6.30

# KEY DATA

(\$ millions)

	<u>FY 16</u>	<u>FY 15</u>
Free cash flow	4,713	5,103
Debt/capital*	45%	41%
Net debt/capital*	36%	32%
Capital expenditures	1,699	1,652
Share repurchase	2,254	10,000
Acquisitions**	712	556

\*Adjusted to reflect the accounting for noncontrolling interests

\*\*Includes debt assumed



# FREE CASH FLOW RECONCILIATION

(\$ millions)

	<u>FY 16</u>	<u>FY 15</u>
Net income attributable to common shareowners from continuing operations	5,065	3,996
Depreciation & amortization	1,962	1,863
Change in working capital	(1,161)	(769)
Other	<u>546</u>	<u>1,665</u>
Cash flow from operations	6,412	6,755
Capital expenditures	<u>(1,699)</u>	<u>(1,652)</u>
Free cash flow	<u><u>4,713</u></u>	<u><u>5,103</u></u>
Free cash flow as a % of net income attributable to common shareowners from continuing operations	93%	128%