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OCTOBER 23, 2018 / 12:30PM, UTX - Q3 2018 United Technologies Corp Earnings Call

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P R E S E N T A T I O N

Operator

Good morning, and welcome to the United Technologies Third Quarter 2018 Conference Call. On the call today are Greg Hayes, Chairman and Chief Executive Officer; Akhil Johri, Executive Vice President and Chief Financial Officer; and Carroll Lane, Vice President, Investor Relations. This call is being carried live on the Internet, and there is a presentation available for download from UTC's website at www.utc.com.

Please note, except where otherwise noted, the company will speak to results from continuing operations excluding restructuring costs and other significant items of a nonrecurring and/or nonoperational nature, often referred to by

management as other significant items.

The company also reminds listeners that the earnings and cash flow expectations and any other forward-looking statements provided in this call are subject to risks and uncertainties. UTC's SEC filings, including its Forms 10-Q and 10-K, provide details on important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements.

In addition, in connection with the pending Rockwell Collins acquisition, UTC has filed with the SEC a registration statement that includes a prospectus from UTC and a proxy statement from Rockwell Collins, which is effective and which contains important information about UTC, Rockwell Collins and the transaction and related matters.

(Operator Instructions) Please go ahead, Mr. Hayes.

Gregory J. Hayes - *United Technologies Corporation - Chairman & CEO*

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Before we go any further, just a couple of comments on Rockwell Collins. Regarding the timing of the close of the transaction, as you know, we received the Department of Justice approval, a U.S. DOJ approval on about October 1. That's later than what we had anticipated. If you'll recall, we had hoped to see that during sometime early to mid-September. It was a little bit later.

And as a result, it has pushed out the Chinese approval date. We always expected, I think I said this back in September, that it will be a few weeks after the U.S. DOJ approval that we would expect China to also grant their approval. So bottom line, we're still going to expect the timing range for China. We don't see any drama here, and we continue to expect this to happen shortly.

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Carter Copeland - *Melius Research LLC - Founding Partner, President and Research Analyst of Aerospace & Defense*

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Greg, I know your comments on the Chinese approval on Rockwell Collins and waiting for that. I realize these things can somehow or sometimes have a bit of a political aspect and drag on. How are you thinking about how that impacts the portfolio decision? And what should we be thinking about how that timeline is being affected?

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Gregory J. Hayes - *United Technologies Corporation - Chairman & CEO*

All right. Let me try this one more time on the Chinese approval, just to be very clear. We have heard nothing from the folks at SAMR, which is the regulatory agency that approves these transactions, that would cause us to believe there's any political issue that's holding up the approval of our deal. We had a remedies package agreed to with SAMR back in August. It was all contingent upon DOJ approval of the transaction, which didn't happen until October. So I know people are excited. There was a lot going on geopolitically. There's a lot of tension between the U.S. and China. We just don't see that as impacting the deal. Again, we've got a very large presence in China. We've been investing there for years and years. We're a key part of their aerospace industry. We've got 24,000 employees. We just don't see UTC as being caught up in the Sino-U.S. political issues. So again, we're still on track. And again, whether it takes another week or 2 weeks, I'm not all that concerned. I think you're right, Carter, as far as the portfolio discussion, A has to happen before B, right? So we've always said the Rockwell Collins transaction has to close before the board will make a final decision on the portfolio. You'll recall a year ago, in September, that when we announced the Rockwell transaction, that was really the impetus to start taking a look at the UTC portfolio. Obviously, having a very, very strong -- in fact, the #1 aerospace supplier with the addition of Rockwell Collins gives the board, I think, comfort that the aerospace business can indeed stand on its own going forward. But we've got to close Rockwell first. And so I think it's out there. We expect it to happen. I can't give you a date other than the fact that we know it will happen probably in the next, let's call, 2 to 6 weeks.

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Jeffrey Todd Sprague - *Vertical Research Partners, LLC - Founder and Managing Partner*

Greg, I just wanted to come back just to China again. Perfunctory is probably too strong a word, right, but it kind of sounded like the Chinese approval was viewed as relatively perfunctory once the U.S. kind of signed off. I'm just curious though, have they actually asked for anything else? Is there additional discussions? Are there remedies that they are looking for beyond what the U.S. sort of just here?

Gregory J. Hayes - *United Technologies Corporation - Chairman & CEO*

Nope. I don't mean to be flippant, but the answer is no. I think we had a complete package here for them back in August, a complete remedies package. Right now, it's just -- they told us it was going to be put on hold until we saw DOJ approval. That happened on the first of October. Of course, they had the Golden Week, so they were off for a week. So it really -- this is just the second week that they've been back since the holiday. And again, I don't ever actually think anything as perfunctory because you never know. But there has been no additional discussions, no additional requests. This is just simply the administrative process that SAMR has to go through.

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of diversification and balance of operations across product lines, regions and industries; (12) the outcome of legal proceedings, investigations and other contingencies; (13) pension plan assumptions and future contributions; (14) the impact of the negotiation of collective bargaining agreements and labor disputes; (15) the effect of changes in political conditions in the U.S. and other countries in which United Technologies and Rockwell Collins operate, including the effect of changes in U.S. trade policies or the U.K.'s pending withdrawal from the EU, on general market conditions, global trade policies and currency exchange rates in the near term and beyond; (16) the effect of changes in tax (including U.S. tax reform enacted on December 22, 2017, which is commonly referred to as the Tax Cuts and Jobs Act of 2017), environmental, regulatory (including among other things import/export) and other laws and regulations in the U.S. and other countries in which United Technologies and Rockwell Collins operate; (17) the ability of United Technologies and Rockwell Collins to receive the required regulatory approvals (and the risk that such approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of the merger) and to satisfy the other conditions to the closing of the pending acquisition on a timely basis or at all; (18) the occurrence of events that may give rise to a right of one or both of United Technologies or Rockwell Collins to terminate the merger agreement; (19) negative effects of the announcement or the completion of the merger on the market price of United Technologies' and/or Rockwell Collins' common stock and/or on their respective financial performance; (20) risks related to Rockwell Collins and United Technologies being restricted in their operation of their businesses while the merger agreement is in effect; (21) risks relating to the value of the United Technologies shares to be issued in connection with the pending Rockwell Collins acquisition, significant merger costs and/or unknown liabilities; (22) risks associated with third party contracts containing consent and/or other provisions that may be triggered by the Rockwell Collins merger agreement; (23) risks associated with merger-related litigation; and (24) the ability of United Technologies and Rockwell Collins, or the combined company, to retain and hire key personnel. There can be no assurance that United Technologies' pending acquisition of Rockwell Collins or any other transaction described above will in fact be consummated in the manner described or at all. For additional information on identifying factors that may cause actual results to vary materially from those stated in forward-looking statements, see the reports of United Technologies and Rockwell Collins on Forms S-4, 10-K, 10-Q and 8-K filed with or furnished to the SEC from time to time. Any forward-looking statement speaks only as of the date on which it is made, and United Technologies and Rockwell Collins assume no obligation to update or revise such statement, whether as a result of new information, future events or otherwise, except as required by applicable law. In addition, in connection with the pending Rockwell Collins acquisition, UTC has filed a registration statement, that includes a prospectus from UTC and a proxy statement from Rockwell Collins, which is effective and contains important information about UTC, Rockwell Collins, the transaction and related matters.

Additional Information

In connection with the proposed transaction, United Technologies has filed a registration statement on Form S-4 (File No. 333-220883), which includes a prospectus of United Technologies and a proxy statement of Rockwell Collins (the proxy statement/prospectus), and each party will file other documents regarding the proposed transaction with the SEC. The proxy statement/prospectus was declared effective by the SEC and is being mailed to Rockwell Collins

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