

# **United Technologies**

4Q 2011 Earnings Conference Call  
January 25, 2012

This presentation includes statements that constitute “forward-looking statements” under the securities laws. Forward-looking statements often contain words such as “believe,” “expect,” “plans,” “strategy,” “prospects,” “estimate,” “project,” “target,” “anticipate,” “will,” “should,” “see,” “guidance,” “confident” and similar terms. Forward-looking statements may include, among other things, statements relating to future and estimated sales, earnings, cash flow, results of operations, uses of cash and other measures of financial performance. All forward-looking statements involve risks, uncertainties and assumptions that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. Risks and uncertainties include, without limitation, the effect of economic conditions in the markets in which we operate, including financial market conditions, fluctuation in commodity prices, interest rates and foreign currency exchange rates; future levels of indebtedness and capital and research and development spending; levels of end market demand in construction and in the aerospace industry; levels of air travel; financial difficulties of commercial airlines; the impact of weather conditions and natural disasters; the financial condition of our customers and suppliers; delays and disruption in delivery of materials and services from suppliers; cost reduction efforts and restructuring costs and savings and other consequences thereof; the scope, nature or impact of acquisitions, dispositions, joint ventures and other business arrangements, including integration of acquired businesses; the expected timing of completion of the previously announced transactions with Goodrich and Rolls-Royce; the development and production of new products and services; the anticipated benefits of diversification and balance of operations across product lines, regions and industries; the impact of the negotiation of collective bargaining agreements, and labor disputes; the outcome of legal proceedings and other contingencies; future availability of credit; pension plan assumptions and future contributions; and the effect of changes in tax, environmental and other laws and regulations and political conditions in countries in which we operate and other factors beyond our control. The closing of the Goodrich acquisition is subject to customary closing conditions, including regulatory and Goodrich shareholder approvals. The transaction with Rolls-Royce is also subject to customary closing conditions, including regulatory approvals. These forward-looking statements speak only as of the date of this release and we undertake no obligation to update or revise any forward-looking statements after we distribute this release. For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, see our reports on Forms 10-K, 10-Q and 8-K filed with the SEC from time to time, including, but not limited to, the information included in UTC's Forms 10-K and 10-Q under the headings “Business,” “Risk Factors,” “Management's Discussion and Analysis of Financial Condition and Results of Operations” and “Legal Proceedings” and in the notes to the financial statements included in UTC's Forms 10-K and 10-Q.

# UTC

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## FY 2011

Sales of \$58.2B, up 7%

6 pts organic growth, 2 pts favorable FX, 1 pt net divestitures

Organic growth at all 6 business units

Record adjusted\* segment operating margin of 15.7%

All 6 business units achieved double digit margins

EPS of \$5.49 up 16%

2011 includes 4¢ net charge from restructuring & one time items

2010 includes 29¢ net charge from restructuring & one time items

10% EPS increase, adjusted\*

Free cash flow\*\* 113% of net income attributable to common shareowners

Global pension contributions \$551M cash and \$450M stock

M&A \$357M

Share repurchase \$2.2B

\*Adjusted for restructuring and one time items – see appendix for reconciliation

\*\* See free cash flow reconciliation and definition in appendix

# UTC

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## 4Q 2011

Sales of \$15.0B, up 1%  
2 pts organic growth  
1 pt net divestitures

EPS of \$1.47, up 12%  
4Q 2011 includes 1¢ net benefit for restructuring & one time items  
4Q 2010 includes 3¢ net charge for restructuring & one time items  
9% EPS increase, adjusted\*

Adjusted\* segment operating margin of 15.4%, up 20 bps  
E&D up \$95M

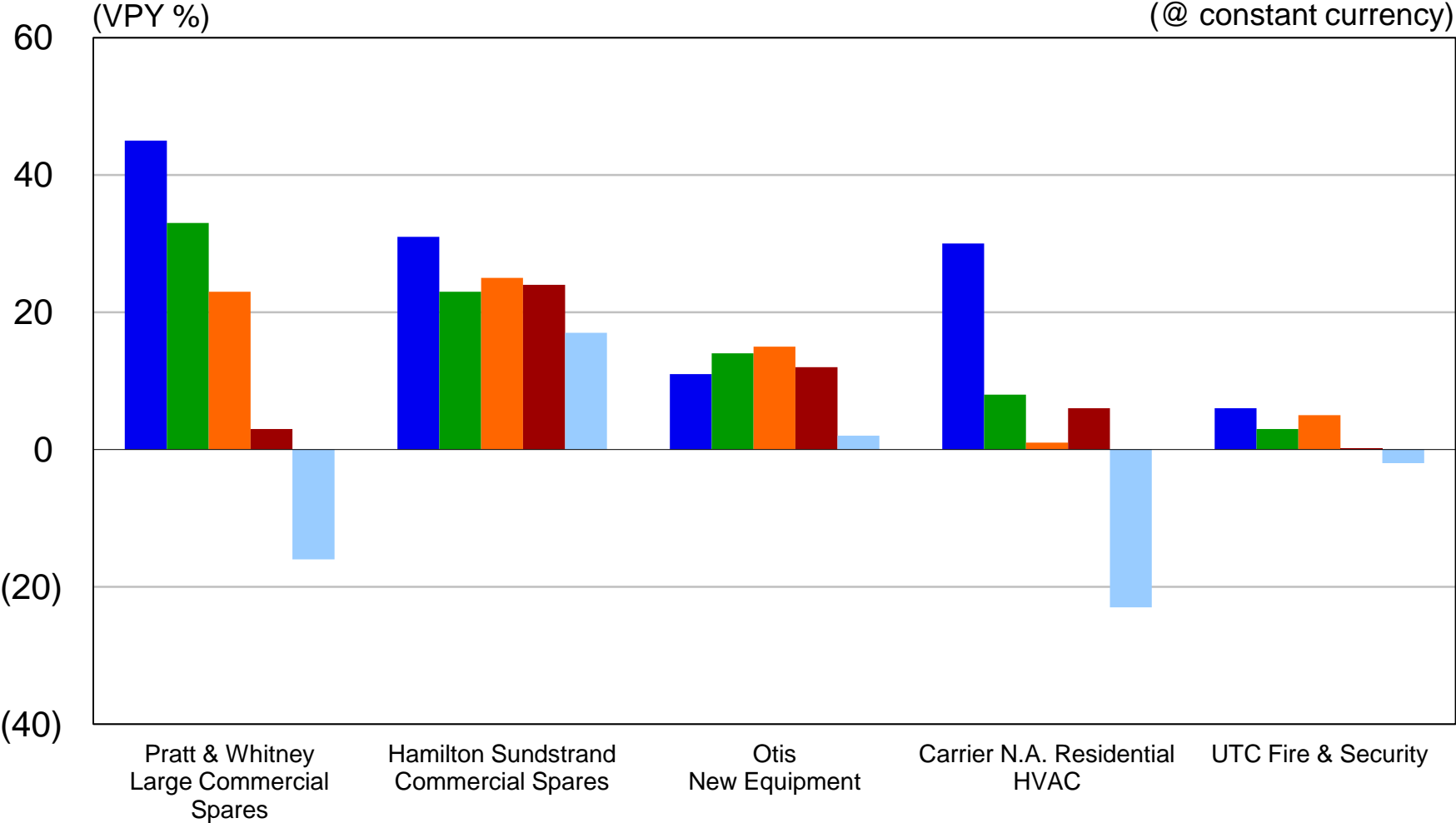
Free cash flow\*\* 123% of net income attributable to common shareowners

M&A	\$128M
Share repurchase	\$0

\*Adjusted for restructuring and one time items – see appendix for reconciliation

\*\* See free cash flow reconciliation and definition in appendix

# ORDER TRENDS



# 4Q 2011 SEGMENT HIGHLIGHTS

## Otis

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	3,211	3,211	3%
Operating profit	711	737	5%
ROS	22.1%	23.0%	0.4 pts

Sales up 3% at constant currency  
New equipment sales up 6%  
Continued service sales growth

Operating profit\* up 4% at constant currency  
Higher volume and continued cost reduction

New equipment orders up 2% at constant currency  
New equipment backlog up 8% YOY



Otis will provide 35 elevators, including 8 double-deck elevators and 8 escalators to the King Abdullah Financial District World Trade Center in Riyadh, Saudi Arabia

# 4Q 2011 SEGMENT HIGHLIGHTS

## Carrier

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	2,635	2,635	(9%)
Operating profit	330	258	10%
ROS	12.5%	9.8%	1.7 pts

Organic sales flat

Continued moderation in Transicold

Thailand factory shutdown

Weaker N.A. residential

Operating profit\* up 12% at constant currency

Lower earnings from Latin America

Formed joint venture with Midea

Record Q4 operating margin\*



Carrier launched its Pulsor™ range for light commercial vehicles in Europe, providing “constant cold” throughout the delivery cycle while reducing CO<sub>2</sub> emissions by 75 percent annually

# 4Q 2011 SEGMENT HIGHLIGHTS

## UTC Fire & Security

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	1,775	1,775	(2%)
Operating profit	130	227	(13%)
ROS	7.3%	12.8%	(1.7 pts)

Organic sales up 1%

Organic orders down 2%

Operating profit\* down 13% at constant currency

Benefits from cost reduction

Gain on divestiture of a guarding-related business

Lower UK sales & performance

Unfavorable sales mix



UTC Fire & Security won a contract to design and install fire and alarm products at Subway Line 11 in Shanghai

# 4Q 2011 SEGMENT HIGHLIGHTS

## Pratt & Whitney

(\$ millions)

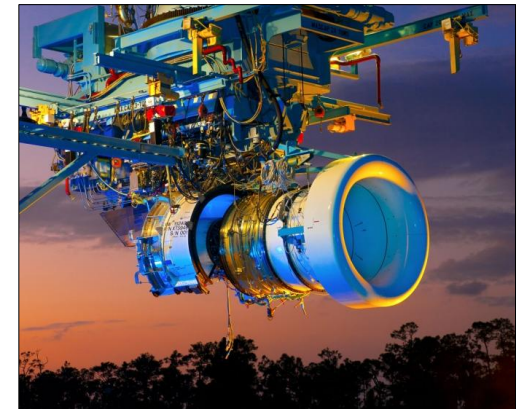
	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	3,632	3,632	1%
Operating profit	539	558	(2%)
ROS	14.8%	15.4%	(0.6 pts)

Higher sales of large commercial engines and Power Systems

Large commercial engine spares down 7%

Higher E&D

Gain on favorable adjustment due to a contract termination



PurePower® PW1000G Geared Turbofan™  
Engine Named to TIME Magazine's  
'50 Best Inventions of 2011'

# 4Q 2011 SEGMENT HIGHLIGHTS

## Hamilton Sundstrand

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	1,647	1,647	11%
Operating profit	289	295	12%
ROS	17.5%	17.9%	0.1 pts

Organic sales growth of 12% led by  
Aerospace OEM and Industrial

Aerospace aftermarket sales up mid single digit

Commercial spares orders up 17%

Industrial orders up 16% at constant currency



HS selected for the electric power generation system and the auxiliary power unit on the Embraer KC390

# 4Q 2011 SEGMENT HIGHLIGHTS

## Sikorsky

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Sales	2,110	2,110	1%
Operating profit	207	244	2%
ROS	9.8%	11.6%	0.1 pts

Strong aftermarket volumes

Lower manufacturing costs

Lower commercial aircraft deliveries

Two Canadian Maritime helicopters

Aircraft deliveries:

61 military platforms

12 commercial platforms



Brunei orders S-70i™ BLACK HAWK helicopters

# SUMMARY

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## **Strong performance in 2011:**

Organic sales growth of 6%

EPS up 16%

Free cash flow\*\* 113% of net income attributable to common shareowners

## **Outlook for 2012 (base business, excluding Goodrich):**

EPS range of \$5.80 – \$6.00; up 6 – 9%

Sales of \$59 – \$60 billion; up 1 – 3%

Free cash flow\*\*  $\geq$  net income attributable to common shareowners

# Appendix

# 2012 EXPECTATIONS

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	Sales change	Operating profit change
Otis	up mid single digit	\$50 – 75M
Climate, Controls & Security	flat	~\$225M
Pratt & Whitney	up high single digit	\$0 – (50)M
Hamilton Sundstrand	up ~10%	~\$150M
Sikorsky	down mid single digit	\$25 – 50M

Excludes restructuring & one time items

# FY 2011 SALES GROWTH

	<u>Total Growth</u>	<u>Organic</u>	<u>FX</u>	<u>Net Acquisitions</u>	<u>Other</u>
Otis	7%	2%	4%	1%	0%
Carrier	5%	9%	2%	(6%)	0%
UTC Fire & Security	6%	2%	4%	1%	(1%)
Pratt & Whitney*	4%	4%	0%	0%	0%
Hamilton Sundstrand	10%	9%	1%	0%	0%
Sikorsky	<u>10%</u>	<u>10%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
<b>Total UTC</b>	<b>7%</b>	<b>6%</b>	<b>2%</b>	<b>(1%)</b>	<b>0%</b>

Organic sales growth represents the total reported increase within the Corporation's ongoing businesses less the impact of foreign currency translation, acquisitions and divestitures completed in the preceding twelve months and significant non-recurring items.

\* Organic growth at Pratt & Whitney includes the net impact of transactional foreign exchange hedging

# 4Q 2011 SALES GROWTH

	<u>Total Growth</u>	<u>Organic</u>	<u>FX</u>	<u>Net Acquisitions</u>	<u>Other</u>
Otis	3%	3%	0%	0%	0%
Carrier	(9%)	0%	(1%)	(8%)	0%
UTC Fire & Security	(2%)	1%	0%	(3%)	0%
Pratt & Whitney*	1%	1%	0%	0%	0%
Hamilton Sundstrand	11%	12%	0%	(1%)	0%
Sikorsky	<u>1%</u>	<u>1%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
<b>Total UTC</b>	<b>1%</b>	<b>2%</b>	<b>0%</b>	<b>(1%)</b>	<b>0%</b>

Organic sales growth represents the total reported increase within the Corporation's ongoing businesses less the impact of foreign currency translation, acquisitions and divestitures completed in the preceding twelve months and significant non-recurring items.

\* Organic growth at Pratt & Whitney includes the net impact of transactional foreign exchange hedging

# Q4 2011 PERFORMANCE

## Restructuring and non-recurring items

(\$ millions)		\$ per share impact (after-tax)
Restructuring/other	(148)	(0.11)
Non-recurring items		
Favorable tax settlements		
Interest	89	0.06
Tax	63	0.07
Net gain, Carrier portfolio transformation	81	0.09
Impairment of equity investment	(46)	(0.05)
Reserve for legal matters	(45)	<u>(0.05)</u>
Subtotal non-recurring items		0.12
Net EPS impact		<u><u>0.01</u></u>

# SELECTED METRICS

	2010					2011				
	<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	40	44	47	49	180	30	44	38	49	161
Large commercial	112	120	98	110	440	123	120	133	154	530
Pratt & Whitney Canada	633	683	715	737	2,768	606	650	683	724	2,663
Pratt & Whitney Power Systems	3	9	6	6	24	2	11	4	11	28
<u>Sikorsky aircraft shipments*</u>										
Military platforms**	46	59	54	60	219	51	57	66	61	235
Commercial platforms	7	9	10	16	42	7	13	7	12	39

\* Excludes Schweizer light helicopter deliveries

\*\* Includes M28 and S-61 deliveries

# SEGMENT DATA

## UNITED TECHNOLOGIES CORPORATION SEGMENT DATA - Reported

(\$ Millions except per share amounts)

	2011					2010				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2011 Total	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	2010 Total
<b>Otis</b>										
Net Sales	2,772	3,192	3,262	3,211	12,437	2,726	2,838	2,908	3,107	11,579
Operating Profit (a)	630	743	731	711	2,815	596	641	678	660	2,575
Operating Profit %	22.7%	23.3%	22.4%	22.1%	22.6%	21.9%	22.6%	23.3%	21.2%	22.2%
<b>Carrier</b>										
Net Sales	2,766	3,393	3,175	2,635	11,969	2,467	3,093	2,936	2,890	11,386
Operating Profit (a), (c), (e), (h), (m), (q)	310	458	422	330	1,520	139	333	380	210	1,062
Operating Profit %	11.2%	13.5%	13.3%	12.5%	12.7%	5.6%	10.8%	12.9%	7.3%	9.3%
<b>UTC Fire &amp; Security</b>										
Net Sales	1,628	1,746	1,746	1,775	6,895	1,415	1,615	1,657	1,803	6,490
Operating Profit (a), (p), (r)	162	206	194	130	692	123	168	187	236	714
Operating Profit %	10.0%	11.8%	11.1%	7.3%	10.0%	8.7%	10.4%	11.3%	13.1%	11.0%
<b>Pratt &amp; Whitney</b>										
Net Sales	3,095	3,452	3,251	3,632	13,430	2,841	3,279	3,230	3,585	12,935
Operating Profit (a), (n)	471	454	535	539	1,999	436	522	547	482	1,987
Operating Profit %	15.2%	13.2%	16.5%	14.8%	14.9%	15.3%	15.9%	16.9%	13.4%	15.4%
<b>Hamilton Sundstrand</b>										
Net Sales	1,448	1,524	1,531	1,647	6,150	1,326	1,379	1,420	1,483	5,608
Operating Profit (a), (b)	244	267	282	289	1,082	221	204	255	238	918
Operating Profit %	16.9%	17.5%	18.4%	17.5%	17.6%	16.7%	14.8%	18.0%	16.0%	16.4%
<b>Sikorsky</b>										
Net Sales	1,582	1,786	1,877	2,110	7,355	1,358	1,692	1,547	2,087	6,684
Operating Profit (a), (l)	141	277	215	207	840	145	169	163	239	716
Operating Profit %	8.9%	15.5%	11.5%	9.8%	11.4%	10.7%	10.0%	10.5%	11.5%	10.7%
<b>Total Segments</b>										
Net Sales	13,291	15,093	14,842	15,010	58,236	12,133	13,896	13,698	14,955	54,682
Operating Profit	1,958	2,405	2,379	2,206	8,948	1,660	2,037	2,210	2,065	7,972
Operating Profit %	14.7%	15.9%	16.0%	14.7%	15.4%	13.7%	14.7%	16.1%	13.8%	14.6%
<b>Corporate, Eliminations, and Other</b>										
Net Sales										
Other	53	(17)	(38)	(44)	(46)	(93)	(94)	(78)	(91)	(356)
Operating Profit										
General corporate expenses (a)	(89)	(104)	(102)	(124)	(419)	(77)	(93)	(83)	(124)	(377)
Eliminations and other (a), (f), (i), (s)	(90)	(81)	(75)	(184)	(430)	(60)	(62)	(199)	(88)	(409)
<b>Consolidated</b>										
Net Sales	13,344	15,076	14,804	14,966	58,190	12,040	13,802	13,620	14,864	54,326
Operating Profit	1,779	2,220	2,202	1,898	8,099	1,523	1,882	1,928	1,853	7,186
Operating Profit %	13.3%	14.7%	14.9%	12.7%	13.9%	12.6%	13.6%	14.2%	12.5%	13.2%
Interest expense, net (d), (t)	(149)	(141)	(138)	(66)	(494)	(171)	(149)	(161)	(167)	(648)
Income before income taxes	1,630	2,079	2,064	1,832	7,605	1,352	1,733	1,767	1,686	6,538
Income tax expense (g), (j), (k), (o), (u)	(529)	(649)	(643)	(410)	(2,231)	(405)	(521)	(468)	(433)	(1,827)
Net income	1,101	1,430	1,421	1,422	5,374	947	1,212	1,299	1,253	4,711
Less: Noncontrolling interest in subsidiaries' earnings	(89)	(112)	(97)	(97)	(395)	(81)	(102)	(101)	(54)	(338)
<b>Net income attributable to common shareowners</b>	<b>1,012</b>	<b>1,318</b>	<b>1,324</b>	<b>1,325</b>	<b>4,979</b>	<b>866</b>	<b>1,110</b>	<b>1,198</b>	<b>1,199</b>	<b>4,373</b>
<b>Net Earnings Per Share of Common Stock:</b>										
Basic	\$ 1.13	\$ 1.48	\$ 1.49	\$ 1.49	\$ 5.58	\$ 0.95	\$ 1.22	\$ 1.32	\$ 1.33	\$ 4.82
Diluted	\$ 1.11	\$ 1.45	\$ 1.47	\$ 1.47	\$ 5.49	\$ 0.93	\$ 1.20	\$ 1.30	\$ 1.31	\$ 4.74
<b>Weighted average number of shares outstanding: (In Millions)</b>										
Basic shares	899	893	889	888	892	914	910	906	902	908
Diluted shares	915	910	902	899	907	929	925	919	916	923
<b>Effective Tax Rate</b>	<b>Q1 11</b>	<b>Q2 11</b>	<b>Q3 11</b>	<b>Q4 11</b>	<b>2011</b>	<b>Q1 10</b>	<b>Q2 10</b>	<b>Q3 10</b>	<b>Q4 10</b>	<b>2010</b>
	32.5%	31.2%	31.1%	22.4%	29.3%	30.0%	30.0%	26.5%	25.7%	27.9%

# SEGMENT DATA – NOTES

The earnings release and conference-call discussion adjust 2011 and 2010 segment results for restructuring costs as well as certain non-recurring items.

The following items are included in current and prior year results:

(a) Restructuring costs as included in 2011 and 2010 segment results:

	2011					2010				
	Restructuring Costs					Restructuring Costs				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Operating Profit:										
Otis	2	4	41	26	73					
Carrier	14	15	8	9	46	11	17	12	43	83
UTC Fire & Security	7	9	13	51	80	18	15	(1)	43	75
Pratt & Whitney	4	38	6	19	67	10	19	24	25	78
Hamilton Sundstrand	3	3	4	6	16	26	9	13	90	138
Sikorsky	1	2	13	37	53	2	7	2	26	37
Total Segment	31	71	85	148	335	-	7	7	-	14
General corporate expenses	-	-	-	-	-	67	74	57	227	425
Eliminations and other <sup>1</sup>	-	1	-	-	1	-	-	-	-	-
Total UTC	31	72	85	148	336	-	11	1	6	18
						67	85	58	233	443

<sup>1</sup> Restructuring costs incurred in 2010 primarily reflects the impact of curtailments on our domestic pension plans.

(b) Q2 2010: Approximately \$28 million of asset impairment charges related primarily to the disposition of an aerospace business as part of Hamilton Sundstrand's ongoing low cost sourcing initiatives.

(c) Q2 2010: Approximately \$47 million net charge resulting from dispositions associated with Carrier's ongoing portfolio transformation. Included in this net charge is an approximately \$58 million asset impairment charge associated with the disposition of a business, partially offset by an approximately \$11 million gain on the sale of another business.

(d) Q2 2010: Favorable pre-tax interest adjustment of approximately \$24 million associated with the resolution of an uncertain temporary tax item in the quarter.

(e) Q3 2010: Approximately \$24 million net gain resulting from dispositions associated with Carrier's ongoing portfolio transformation.

(f) Q3 2010: Approximately \$159 million other-than-temporary impairment charge of our equity investment in Clipper.

(g) Q3 2010: Approximately \$102 million favorable net tax benefit associated with management's intention to repatriate additional foreign cash to the U.S. in 2010.

(h) Q4 2010: Approximately \$18 million net gain resulting from dispositions associated with Carrier's ongoing portfolio transformation.

(i) Q4 2010: Approximately \$21 million non-cash, non-taxable gain recognized on the remeasurement to fair value of our previously held equity interest in Clipper resulting from our purchase of a controlling interest (all remaining shares) of Clipper.

(j) Q4 2010: Approximately \$38 million favorable net tax benefit associated with management's decision to repatriate additional foreign cash to the U.S. in 2010 and 2011.

(k) Q4 2010: Approximately \$55 million net tax benefit associated with the completion of the acquisition of all remaining shares of Clipper in December 2010.

(l) Q2 2011: Approximately \$73 million gain recognized from the contribution of a business into a new venture in the United Arab Emirates.

(m) Q3 2011: Approximately \$28 million net gain resulting from dispositions associated with Carrier's ongoing portfolio transformation.

(n) Q3 2011: Approximately \$41 million gain recognized from the sale of an equity investment.

(o) Q3 2011: Favorable tax benefit of approximately \$17 million as a result of a U.K. tax rate reduction enacted in July 2011.

(p) Q3 2011: Approximately \$20 million other-than-temporary impairment charge on an equity investment.

(q) Q4 2011: Approximately \$81 million net gain resulting from Carrier's ongoing portfolio transformation primarily as a result of the contribution of Carrier's heating, air-conditioning, and ventilation operations in Brazil, Argentina, and Chile into a new venture controlled by Midea Group of China.

(r) Q4 2011: Approximately \$46 million other-than-temporary impairment charge on an equity investment.

(s) Q4 2011: Approximately \$45 million of reserves were established for legal matters.

(t) Q4 2011: Approximately \$89 million of favorable pre-tax interest adjustments related to the settlement of U.S. federal income tax refund claims for years prior to 2004.

(u) Q4 2011: Approximately \$63 million of favorable income tax adjustments related to the settlement of U.S. federal income tax refund claims for years prior to 2004.

# SEGMENT DATA

## United Technologies Corporation

Segment Net Sales and Operating Profit Adjusted for Restructuring Costs and Non-Recurring Items (as reflected on the previous pages)

(Millions)	Quarter Ended December 31, (Unaudited)		Year Ended December 31, (Unaudited)	
	2011	2010	2011	2010
<b>Net Sales</b>				
Otis	\$ 3,211	\$ 3,107	\$ 12,437	\$ 11,579
Carrier	2,635	2,890	11,969	11,386
UTC Fire & Security	1,775	1,803	6,895	6,490
Pratt & Whitney	3,632	3,585	13,430	12,935
Hamilton Sundstrand	1,647	1,483	6,150	5,608
Sikorsky	2,110	2,087	7,355	6,684
Segment Sales	15,010	14,955	58,236	54,682
Eliminations and other	(44)	(91)	(46)	(356)
<b>Consolidated Net Sales</b>	<b>\$ 14,966</b>	<b>\$ 14,864</b>	<b>\$ 58,190</b>	<b>\$ 54,326</b>
<b>Adjusted Operating Profit</b>				
Otis	\$ 737	\$ 703	\$ 2,888	\$ 2,658
Carrier	258	235	1,457	1,142
UTC Fire & Security	227	261	838	792
Pratt & Whitney	558	572	2,025	2,125
Hamilton Sundstrand	295	264	1,098	983
Sikorsky	244	239	820	730
Adjusted Segment Operating Profit	2,319	2,274	9,126	8,430
Eliminations and other	(139)	(103)	(384)	(253)
General corporate expenses	(124)	(124)	(419)	(377)
<b>Adjusted Consolidated Operating Profit</b>	<b>\$ 2,056</b>	<b>\$ 2,047</b>	<b>\$ 8,323</b>	<b>\$ 7,800</b>
<b>Adjusted Segment Operating Profit Margin</b>				
Otis	23.0%	22.6%	23.2%	23.0%
Carrier	9.8%	8.1%	12.2%	10.0%
UTC Fire & Security	12.8%	14.5%	12.2%	12.2%
Pratt & Whitney	15.4%	16.0%	15.1%	16.4%
Hamilton Sundstrand	17.9%	17.8%	17.9%	17.5%
Sikorsky	11.6%	11.5%	11.1%	10.9%
<b>Adjusted Segment Operating Profit Margin</b>	<b>15.4%</b>	<b>15.2%</b>	<b>15.7%</b>	<b>15.4%</b>

The preceding data provides segment net sales, operating profits and operating profit margins as adjusted for restructuring and other costs. Management believes these adjusted results more accurately portray the ongoing operational performance and fundamentals of the underlying businesses. The amount and timing of restructuring and other costs and non-recurring activity can vary substantially from period to period with no assurances of comparable activity or amounts being incurred in future periods. These amounts have therefore been adjusted out in the preceding schedule in order to provide a more representative comparison of current year operating performance to prior year performance.

# KEY DATA

(\$ millions)

	<u>4Q 11</u>	<u>4Q 10</u>
Free cash flow*	1,634	1,290
Debt/capital**	31%	32%
Net debt/capital**	16%	22%
Capital expenditures	378	386
Share repurchase	-	556
Acquisitions***	138	213

\* See free cash flow reconciliation in appendix

\*\* Adjusted to reflect the accounting for noncontrolling interests

\*\*\* Includes debt assumed

# FREE CASH FLOW RECONCILIATION

(\$ millions)

	<u>4Q 11</u>	<u>4Q 10</u>
Net income attributable to common shareowners	1,325	1,199
Noncontrolling interest in subsidiaries' earnings	<u>97</u>	<u>54</u>
Net income	1,422	1,253
Depreciation & amortization	324	348
Change in working capital	275	494
Other	<u>(9)</u>	<u>(419)</u>
Cash flow from operations	<u>2,012</u>	<u>1,676</u>
Capital expenditures	<u>(378)</u>	<u>(386)</u>
Free cash flow	1,634	1,290

Free cash flow, which represents cash flow from operations less capital expenditures, is the principal cash performance measure used by the company. Management believes free cash flow provides a relevant measure of liquidity and a useful basis for assessing the Corporation's ability to fund its activities, including the financing of acquisitions, debt service, repurchases of the Corporation's Common Stock and distribution of earnings to shareholders. Others that use the term free cash flow may calculate it differently. The reconciliation of net cash flow provided by operating activities prepared in accordance with Generally Accepted Accounting Principles to free cash flow is above.

# FREE CASH FLOW RECONCILIATION

(\$ millions)

	<u>FY 11</u>	<u>FY 10</u>
Net income attributable to common shareowners	4,979	4,373
Noncontrolling interest in subsidiaries' earnings	<u>395</u>	<u>338</u>
Net income	5,374	4,711
Depreciation & amortization	1,347	1,356
Change in working capital	(418)	525
Other	<u>287</u>	<u>(686)</u>
Cash flow from operations	<u>6,590</u>	<u>5,906</u>
Capital expenditures	<u>(983)</u>	<u>(865)</u>
Free cash flow	5,607	5,041

Free cash flow, which represents cash flow from operations less capital expenditures, is the principal cash performance measure used by the company. Management believes free cash flow provides a relevant measure of liquidity and a useful basis for assessing the Corporation's ability to fund its activities, including the financing of acquisitions, debt service, repurchases of the Corporation's Common Stock and distribution of earnings to shareholders. Others that use the term free cash flow may calculate it differently. The reconciliation of net cash flow provided by operating activities prepared in accordance with Generally Accepted Accounting Principles to free cash flow is above.