



Fact Sheet

turn to the experts™ 

Overview

- Carrier announced plans on February 10, 2016, to relocate its Indianapolis, Indiana, manufacturing operations to a location near existing Carrier manufacturing facilities in Monterrey, Mexico, over the course of an estimated three-year period.
- The plan anticipates no immediate impact on jobs as the relocation would occur in phases, with work movement expected to begin in 2017 and estimated project completion in 2019. Discussions with local union representatives began this week.
- Carrier's residential HVAC headquarters and engineering organization, with approximately 300 employees, will remain in Indianapolis.
- Relocating our operations to a region where we have existing infrastructure and a strong supplier base will allow us to operate more cost effectively so that we can continue to produce high-quality HVAC products that are competitively positioned while continuing to meet customer needs.
- The multi-year transition plan was developed with the appropriate manufacturing redundancies to allow us to continue to meet our commitments to our customers and distribution network without interruption to the high quality and service levels our customers expect.
- In 2013, we were awarded a \$5.1 million Advanced Energy Project Credit, which we would have been eligible to claim in 2016. We have not received and will not claim this federal tax credit. We are evaluating other grants and credits that have been awarded and will not retain or claim any credits for obligations that have not been met.

Timing

- There will be no immediate impact on jobs related to this announcement. This is the beginning of a multi-year, phased project, during which we will slowly ramp down manufacturing as we transition operations.
- Work movement is not expected to begin until 2017, and we anticipate completing the process in 2019.

Rationale

- This plan is intended to address the challenges we continue to face in a rapidly changing HVAC industry, with the continued migration of the HVAC industry to Mexico, including our suppliers and competitors, and ongoing cost and pricing pressures driven, in part, by new regulatory requirements; as well as imports from Asia. It will allow us to remain competitive and protect the business for the long-term.
- Relocating our operations to a region where we have existing infrastructure will allow us to operate more cost effectively, so that we can continue to produce high-quality HVAC products that are competitively positioned and meet customer needs.
- This was a difficult decision and was reached following a thorough evaluation of our manufacturing operations. Because our segment is very competitive and continues to evolve, we are always looking for ways to operate more efficiently and at lower costs to help keep our channel partners competitive.
- Additionally, evolving regulatory requirements and standards continue to create pressure to provide a more advanced, more costly product, in an extremely price-sensitive marketplace. It will allow us, and our partners, to remain competitive and protect the business for the long-term.

Competitive Situation

Currently, the HVAC manufacturing landscape has a large footprint in Mexico which has been amplified in recent years.

	Ownership	Coils	Compressors	Applied	Air Conditioners	Furnaces	Heaters	Location
Trane	Ireland (IngersollRand)		•				•	Monterrey
Lennox	USA				•	•		Saltillo
Nortek	USA						•	Monterrey
		•			•	•		Saltillo
Rheem	Japan (Paloma)	•			•	•		Nuevo Laredo
York	USA (JCI)			•				Monterrey
Daiken	Japan			•				San Luis

Presence in Mexico

- Carrier has had a presence in Monterrey, Mexico since 1969, with a long history of high-quality products produced by a very proud and engaged workforce.
- Carrier has a rigorous quality process that is common across all North American HVAC facilities. Current metrics show that Carrier residential split system factories in Monterrey and Collierville have comparable warranty claiming metrics.

Continued Record of Quality

- Carrier has a long track record of producing high-quality gas furnaces and fan coils, and during the transition, will continue to follow the rigid quality processes for which the company has become known.
- All Carrier manufacturing facilities have robust checkpoints throughout the entire manufacturing process to ensure each unit meets high quality standards.
- Examples of processes to ensure quality standards:
 - End-of-line functional run test: Designed to evaluate all functional systems, it is completed on every unit immediately prior to packaging. System controls only allow units that pass this run test to be released for packaging.
 - Record retention: The company retains all quality functional and process test/audit results for 15 years. This ensures the ability to respond to any unit outside of tolerance.
- Quality is a core value and Carrier will continue to monitor the manufacturing checkpoints, as well as audits that have enabled the delivery of quality products to the field.

Customers

- We're committed to making this process as seamless as possible for our channel and our customers. We will maintain the same high quality and service levels.
- During this transition, we will remain focused on meeting customer commitments and ensuring a safe workplace.

Impact on Employees

- Carrier is committed to ensuring that employees are treated with respect throughout this three-year transition.
- This was a very difficult decision and the announcement to our employees was an emotional one. Carrier recognizes the impact of this decision on employees, their families and the community.
- We wanted to give our employees the benefit of time. The multi-year transition plan, announced more than a year before anticipated commencement, will give our employees as much time as possible to plan and the company is committed to making the transition as smooth as possible.
- Separation benefits, including continued access to the company's Employee Scholar Program, will be available to eligible employees. Under that program, employees may receive tuition, books and fees at a UTC-approved educational institution for up to four years to pursue coursework in degree programs of their choice. Carrier believes in today's competitive global market; therefore it is important to provide opportunities for employees to expand their skills in a meaningful way.

Summary

- Carrier's announced plan to relocate Indianapolis manufacturing is part of a three-year program with work movement expected to begin in 2017 with completion anticipated in 2019.
- The proposal is subject to discussions with local union representatives.
- The company is committed to providing the eligible impacted employees with separation benefits, which include continued access to the company's Employee Scholar Program. Under that program, employees will receive tuition, books and fees at UTC-approved educational institutions for up to four years.
- It is Carrier's absolute priority to meet all customers' expectations regarding quality, lead times and service levels.

Questions and Answers

1. Why are you relocating?

Answer: *Relocating these manufacturing operations to a region where we have existing infrastructure will allow us to operate more cost effectively, so that we can continue to produce high-quality HVAC products that are competitively positioned and meet your needs as we work to help keep you competitive in a rapidly changing market.*

2. When will the facility close? How long will the relocation take to complete?

Answer: *Subject to discussions with local union representatives, which began this week, this is the beginning of a multi-year, phased project, during which we will slowly ramp down manufacturing as we transition operations. The work movement is not expected to begin until 2017, and we anticipate completing the process in 2019.*

3. Will any of your operations in Indianapolis remain in Indianapolis?

Answer: *Yes. Carrier's HVAC residential headquarters and engineering organization will remain in Indianapolis.*

4. How will this move affect me? Can I rely on you to get me my products without delays?

Answer: *We're committed to making this process as seamless as possible for our customers, and we expect to maintain high quality and service levels.*

5. What is your track record with products made in Mexico?

Answer: *Our global manufacturing facilities are held to the same high standards regardless of location. In Mexico specifically, Carrier has an existing, proven manufacturing footprint in Monterrey with a skilled and experienced workforce.*

6. Will you continue to have the same products available?

Answer: *We will continue delivering the same high-quality products and service to meet your needs, introducing new products with the latest in technology and innovation.*