UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

Commission file number 1-812

UNITED TECHNOLOGIES CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	**06 0570975**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
One Financial Plaza, Hartford, Connecticut	**06103**
(Address of principal executives offices)	(Zip Code)

Registrant's telephone number, including area code: **(860) 728-7000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($1 par value) (CUSIP 913017 10 9)	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X . No __.

At January 31, 2002, there were 472,617,013 shares of Common Stock outstanding. The aggregate market value of the voting Common Stock held by non-affiliates at January 31, 2002 was approximately $32,401,386,168, based on the New York Stock Exchange closing price for such shares on that date. For purposes of this calculation, the Registrant has assumed that its directors and executive officers are affiliates.

List hereunder documents incorporated by reference and the Part of the Form 10-K into which the document is incorporated: (1) Portions of the United Technologies Corporation 2001 Annual Report to Shareowners are incorporated by reference in Parts I, II and IV hereof; and (2) Portions of the United Technologies Corporation Proxy Statement for the 2002 Annual Meeting of Shareowners are incorporated by reference in Part III hereof.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and is not to be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. [ ]

UNITED TECHNOLOGIES CORPORATION

Index to Annual Report
on Form 10-K for
Year Ended December 31, 2001

UNITED TECHNOLOGIES CORPORATION

Annual Report on Form 10-K For Year Ended December 31, 2001

Whenever reference is made in this Form 10-K to specific sections or pages of the Corporation's 2001 Annual Report to Shareowners, such sections or pages, as applicable, are incorporated herein by reference. The "Corporation", unless the context requires otherwise, means United Technologies Corporation (or UTC) and its subsidiaries.

Item 1. Business

United Technologies Corporation was incorporated in Delaware in 1934. Growth is attributable to acquisitions and the internal development of existing businesses of the Corporation. The following description of the Corporation's business should be read in conjunction with Management's Discussion and Analysis of Results of Operations and Financial Position appearing on pages 1 through 9 of the Corporation's 2001 Annual Report to Shareowners, especially the information contained therein under the heading "Business Environment."

The Corporation conducts its business through four principal segments. The segments were generally determined based on the management of the businesses and on the basis of separate groups of operating companies, each with general operating autonomy over diversified products and services. The principal products of each segment are as follows:

Otis	-- Otis elevators, escalators, automated people movers and service.
Carrier	-- Carrier commercial and residential heating, ventilating and air conditioning ("HVAC") systems and equipment, commercial and transport refrigeration equipment, and aftermarket service and components.
Pratt & Whitney	-- Pratt & Whitney commercial, general aviation and military aircraft engines, parts, service, industrial gas turbines and space propulsion.
Flight Systems	-- Sikorsky commercial and military helicopters, parts and service. -- Hamilton Sundstrand aerospace products and aftermarket services include aircraft power generation and management systems, engine and flight controls, auxiliary power units, environmental control systems and propeller systems. Industrial products include air compressors, metering devices, fluid handling equipment and enclosed gear drives.

Segment financial data for the years 1999 through 2001, including financial information about foreign and domestic operations and export sales, is included in Note 15 of Notes to Consolidated Financial Statements on pages 24 through 26 of the Corporation's 2001 Annual Report to Shareowners.

Description of Business by Segment

Otis

Otis is the world's largest elevator and escalator manufacturing, installation and service company. Otis designs, manufactures, sells and installs a wide range of passenger and freight elevators, including hydraulic and traction elevators for low- and medium-speed applications and gearless elevators for high-speed passenger operations in high-rise buildings. Since the February 2000 introduction of Otis' new Gen2™ elevator system, installations have continued in Europe and the Asia/Pacific region. The first Gen2 installation in North America is expected to occur by the second half of 2002. Otis also produces a broad line of escalators and, for horizontal transportation, moving walks and automated people movers and shuttles. In addition to new equipment, Otis provides modernization products and services to upgrade elevators and escalators and maintenance services for a substantial portion of the elevators and escalators which it sells, as well as those of other manufacturers. Otis' products and services are sold principally to commercial building contractors and building owners.

Otis' operations can be affected by a variety of economic and other factors including those described in Management's Discussion and Analysis of Results of Operations and Financial Position included in the Corporation's 2001 Annual Report to Shareowners and those described in the Business section of this Form 10-K under the heading "Other Matters Relating to the Corporation's Business as a Whole", as well as competition from a large number of companies in the United States and other countries. Otis competes on the basis of price, delivery schedule, product performance and service.

Revenues generated by Otis' international operations were 76 and 77 percent of total Otis segment revenues in 2001 and 2000, respectively. At December 31, 2001, Otis' business backlog was $3,777 million, as compared to $3,770 million at December 31, 2000. Substantially all of the business backlog at December 31, 2001 is expected to be realized as sales in 2002.

Carrier

Carrier is the world's largest manufacturer of commercial and residential HVAC systems and equipment. Carrier is also a leading producer of commercial and transport refrigeration equipment, and provides aftermarket service and components for its products and those of other manufacturers in both the HVAC and refrigeration industries. The products manufactured by Carrier include chillers and airside equipment, commercial unitary systems, residential split systems (cooling only and heat pump), duct-free split systems, window and portable room air conditioners and furnaces, as well as transport refrigeration, commercial refrigeration and food service equipment. Carrier's products and services are sold under Carrier and other brand names to building contractors and building owners, homeowners, shipping and trucking companies, supermarkets and food service companies. Sales are made both directly to the customer and through manufacturers' representatives, distributors, dealers, individual wholesalers and retail outlets.

Carrier has grown significantly in recent years as a result of acquisitions. Major acquisitions have included the August 1999 acquisition of International Comfort Products Corporation, a North American residential and light commercial HVAC equipment company; the February 2000 acquisition of the Electrolux Group's commercial refrigeration business in Europe; and the November 2000 acquisition of Specialty Equipment Companies, a manufacturer of commercial refrigeration and food service equipment in the United States and Europe. Carrier participates in a joint venture with Toshiba Corporation in Japan. Carrier and the joint venture company, Toshiba Carrier Corporation, also participate in HVAC joint ventures in the U.K. and Thailand.

Carrier's operations can be affected by a variety of economic and other factors including those described in Management's Discussion and Analysis of Results of Operations and Financial Position included in the Corporation's 2001 Annual Report to Shareowners and those described in the Business section of this Form 10-K under the heading "Other Matters Relating to the Corporation's Business as a Whole", as well as competition from a large number of companies in the United States and other countries and the level of activity in industries using commercial refrigeration equipment. Carrier competes on the basis of price, delivery schedule, product performance and service.

Revenues generated by Carrier's international operations, including U.S. export sales, were 47 and 48 percent of total Carrier segment revenues in 2001 and 2000, respectively. At December 31, 2001, Carrier's business backlog was $1,042 million, as compared to $1,004 million at December 31, 2000. Substantially all of the business backlog at December 31, 2001 is expected to be realized as sales in 2002.

Pratt & Whitney

Pratt & Whitney is among the world's leading suppliers of commercial, general aviation and military aircraft engines. Pratt & Whitney provides overhaul and repair services, spare parts, and fleet management services for the engines it produces, as well as for many other models of commercial and military jet and gas turbine engines. Pratt & Whitney also produces industrial gas turbines for power generation, mechanical pump drive and marine propulsion applications; liquid rocket propulsion systems and solid rocket motors.

Pratt & Whitney products are sold principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies and the U.S. and foreign governments. Pratt & Whitney sales in the U.S. and Canada are also made directly to the customer and, to a limited extent, through independent distributors. Other export sales are made with the assistance of independent sales representatives. Sales to The Boeing Company ("Boeing") and Airbus Industrie ("Airbus") were each 14 percent of total Pratt & Whitney revenues in 2001, before taking into account discounts or financial incentives offered to customers.

Pratt & Whitney currently produces three families of large commercial jet engines. Pratt & Whitney JT8D-200 series engines power the Boeing MD-80 aircraft. Applications for the PW2000 series include the Boeing 757-200/PF aircraft and the Iluyshin IL-96 aircraft. The PW4000 engine family powers the Airbus A310-300, A300-600 and A330-200/300 series; the Boeing 747-400, 767-200/300 and 777-200/300 series of aircraft; and the Boeing MD-11 aircraft. (Boeing phased out production of new MD-80 and MD-11 aircraft.) Pratt & Whitney has entered into a Memorandum of Understanding with Airbus to develop, market and sell PW6000 series engines for installation on Airbus A318 aircraft. The PW6000 was certified by U.S. airworthiness authorities in January 2002.

In view of the risk and cost associated with developing new engines, Pratt & Whitney has entered into certain collaboration arrangements in which costs, revenues and risks are shared. At December 31, 2001, the interests of other participants in these items were approximately as follows: 24 percent of the JT8D-200 series engine program, 29 percent of the PW2000 series engine program, 14 percent of the 94 and 100 inch fan models of the PW4000, 26 percent of the PW4084 and PW4090 models and 24 percent of the PW4098 model. IAE International Aero Engines AG, a collaboration in which Pratt & Whitney has a 33 percent interest, markets and supports the V2500 engine. Applications for the V2500 engine include Airbus' A319, A320 and A321 aircraft and Boeing's MD-90. (Boeing phased out production of MD-90 aircraft in 2000.) Pratt & Whitney also has a 50 percent interest in GE-P&W Engine Alliance, LLC, an alliance formed in 1996 with GE Aircraft Engines to develop, market and manufacture a new jet engine known as the GP7000. The new engine is intended to power the Airbus A380 aircraft. In December 2000, Airbus announced the launch of the A380 aircraft, with first deliveries scheduled for 2006.

Pratt & Whitney currently produces three military aircraft engines: the F119 (powering the two-engine F-22 fighter aircraft), the F100 (powering two-engine F-15 and single-engine F-16 fighter aircraft) and the F117 (powering four-engine C-17 transport aircraft). With respect to the F119, Pratt & Whitney is under contract with the U.S. Air Force ("USAF") for both the completion of flight testing and an initial engine production program. The F119 is the only anticipated source of propulsion for the F-22 fighter aircraft. All of Pratt & Whitney's F100 sales contracts are with the USAF or with foreign governments. All of Pratt & Whitney's F117 sales contracts are with either the USAF or Boeing. Pratt & Whitney is also under contract with the USAF to develop the F135 engine, a derivative of Pratt & Whitney's F119 engine, to power the single-engine F35 Joint Strike Fighter aircraft. In 2001, the U.S. Government proceeded into the next phase of the development of the F35 by awarding an aircraft system development contract to Lockheed Martin Corporation. Management cannot predict with certainty whether, when, and in what quantities Pratt & Whitney will produce F135 engines.

Pratt & Whitney Canada ("PWC") is one of the world's leading manufacturers of turbofan, turboprop and turboshaft engines used in a variety of aircraft, including up to seventy passenger business and regional/commuter airline aircraft, general aviation aircraft and light and medium helicopters. PWC also provides auxiliary power units for large commercial aircraft, advanced gas turbine engines for industrial and power generation applications and worldwide engine maintenance services.

Pratt & Whitney Space Propulsion ("SP") produces hydrogen fueled rocket engines for commercial and U.S. Government space applications and advanced turbo pumps for NASA's Space Shuttle program. SP has a 50 percent interest in RD-Amross, LLC, a joint venture with NPO Energomash that currently provides the Lox-Kerosene RD-180 booster engine for two Lockheed Martin launch vehicles. Chemical Systems, a unit of SP, manufactures solid fuel propulsion systems and booster motors for commercial and civil applications and several U.S. military launch vehicles and missiles.

Pratt & Whitney Power Systems ("PWPS") supplies industrial power generation and mechanical drive equipment in the 300 kilowatts to 50 megawatts range. PWPS also provides gas turbines for marine propulsion applications.

Revenues from Pratt & Whitney's international operations, including U.S. export sales, were 50 percent of total Pratt & Whitney segment revenues in each of 2001 and 2000. At December 31, 2001, Pratt & Whitney's business backlog was $11,161 million, including $1,949 million of U.S. Government funded contracts and subcontracts, as compared to $9,866 million and $1,434 million, respectively, at December 31, 2000. Of the total Pratt & Whitney backlog at December 31, 2001, approximately $4,272 million is expected to be realized as sales in 2002.

Flight Systems

The Corporation's Flight Systems business is conducted through Sikorsky Aircraft and Hamilton Sundstrand. The Corporation acquired Sundstrand Corporation in 1999 and combined it with the operations of the former Hamilton Standard.

Sikorsky is one of the world's largest manufacturers of military and commercial helicopters and the primary supplier of transport helicopters to the U.S. Army and Navy. Sikorsky also supplies helicopters to foreign governments and the worldwide commercial market. Sikorsky produces helicopters for passenger, utility/transport, cargo, anti-submarine warfare, and search and rescue operations. Sikorsky's business base also includes remanufacturing of used aircraft, spare parts sales, overhaul and repair, and service contracts.

Current production programs at Sikorsky include the Black Hawk medium-transport helicopter for the U.S. and foreign governments; the MH-60 Fleet Combat Support helicopter for the U.S. Navy; the International Naval Hawk, a derivative of the U.S. Navy's Seahawk medium-sized helicopter for multiple naval missions; and the S-76 intermediate-sized helicopter for executive transport, offshore oil platform support, search and rescue, emergency medical service and other utility operations.

Under a multi-year contract with the U.S. Government as amended through December 31, 2001, Sikorsky has delivered 205 of 252 Black Hawk family helicopters as of December 31, 2001. In 2001, Sikorsky and the U.S. Government signed a three year $220 million research, development and test contract to evaluate the potential for upgrading the U.S. Army fleet of Black Hawks. In addition, Sikorsky has contracts with foreign government customers for the delivery of 21 helicopters from 2002 through 2004.

Sikorsky is engaged in development of the S-92 helicopter for the commercial market and an H-92 variant for the military market. A portion of the development is being carried out by companies in Brazil, the People's Republic of China, Japan, Spain and Taiwan under collaborative arrangements. Regulatory certification of the S-92 is expected in 2002. Marketing efforts for the S-92 and H-92 are in progress and several non-binding deposit agreements have been received for S-92 helicopters. Management cannot predict with certainty whether, when, and in what quantities the S-92 and H-92 will be produced.

Sikorsky has a 50 percent interest in a joint venture with Boeing for the development of the RAH-66 Comanche light attack and reconnaissance helicopter. The Sikorsky-Boeing joint venture is performing under a cost reimbursement contract awarded in 1991. The first two prototype helicopters are undergoing flight testing, and the Sikorsky-Boeing joint venture has entered into a $3.1 billion Engineering and Manufacturing Development program with the U.S. Army to deliver thirteen Comanche helicopters in 2004 and 2005 for test and evaluation purposes. Under this EMD program, the first U.S. Army Comanche unit is scheduled to be operationally equipped in 2006. Management cannot predict with certainty whether, when, and in what quantities any additional Comanche helicopters will be produced.

Hamilton Sundstrand provides aerospace and industrial products and aftermarket services for a diverse group of industries worldwide. Hamilton Sundstrand's principal aerospace products include aircraft power generation management and distribution systems; environmental, flight, fuel and engine control systems; fuel and special fluid pumps; auxiliary power units; propeller systems; electronic controls and components; and specialized instruments and chemical detection and monitoring equipment. Hamilton Sundstrand is also the prime contractor for NASA's space suit/life support system and produces environmental control, life support, mechanical systems and thermal control systems for international space programs. Hamilton Sundstrand's principal industrial products include air compressors, metering devices, fluid handling equipment and enclosed gear drives.

Hamilton Sundstrand's aerospace businesses serve commercial, military, regional, business and general aviation, as well as space and undersea applications. Aftermarket services include spare parts, overhaul and repair and engineering and technical support. Hamilton Sundstrand aerospace products are sold directly to airframe manufacturers, the U.S. Government, aircraft operators and independent distributors. Hamilton Sundstrand sales of aerospace products to Boeing, Pratt & Whitney and Airbus, collectively, including sales where the U.S. Government was the ultimate customer, were 14 percent of Flight Systems segment sales in 2001. In 2001, Hamilton Sundstrand acquired Claverham Group Ltd., a U.K.- based supplier of actuation systems for flight control systems.

Hamilton Sundstrand's industrial products serve industries involved with raw material processing, bulk material handling and construction (including mining; metal and other material processing; hydrocarbon and chemical processing; and water and waste water treatment). These industrial products are sold directly to end-users, through manufacturer representatives and distributors and through engineering contractors. Demand for Hamilton Sundstrand's industrial products is tied closely to the level of general economic activity.

Hamilton Sundstrand has competitors or potential competitors in both its aerospace (as described below) and industrial businesses. Hamilton Sundstrand believes that its research and development, proprietary technology, and product and service reputations have been significant in maintaining its competitive standing.

Revenues generated by the Flight Systems segment's international operations, including export sales, were 39 percent and 44 percent of total Flight Systems segment revenues in 2001 and 2000, respectively. At December 31, 2001, Flight Systems' business backlog was $4,276 million, including $2,333 million under funded contracts and subcontracts with the U.S. Government, as compared to $4,593 million and $2,532 million, respectively, at December 31, 2000. Of the total Flight Systems segment backlog at December 31, 2001, approximately $2,791 million is expected to be realized as sales in 2002.

Pratt & Whitney and Flight Systems Aerospace and Defense Products

The Corporation's aerospace and defense businesses are subject to substantial competition from domestic manufacturers, foreign manufacturers (whose governments sometimes provide research and development assistance, marketing subsidies and other assistance for their commercial products) and companies that obtain regulatory agency approval to manufacture spare parts. In particular, Pratt & Whitney experiences intense competition for new commercial airframe/engine combinations. Manufacturers of many aircraft offer their customers a choice of engines at the time of sale of aircraft. As a result, engine suppliers may offer substantial discounts and other financial incentives, performance and operating cost guarantees, participation in financing arrangements and maintenance agreements. Pratt & Whitney's major competitors in the sale of engines are General Electric Company and Rolls Royce plc. The initial selections of engines and other components by manufacturers and purchasers of new aircraft can also have a significant impact on later sales of spare parts and maintenance services. In addition to the terms and conditions of sale mentioned above, the principal methods of competition in the Pratt & Whitney and Flight Systems segments are price, product performance, service and delivery schedule. (For information regarding customer financing commitments, participation in guarantees of customer financing arrangements and performance and operating cost guarantees, see Notes 4 and 14 of Notes to Consolidated Financial Statements on pages 17 and 24 of the Corporation's 2001 Annual Report to Shareowners.)

Other factors that can affect the results of the Corporation's aerospace and defense businesses include lengthy and costly development cycles and heavy dependence on a small number of products and programs. Sales of military products are affected by defense budgets in the U.S. and other countries, U.S. foreign policy and the level of activity in military flight operations. Military spare parts sales are affected by policies of the U.S. and other governments of purchasing parts from suppliers other than the original equipment manufacturer. Pratt & Whitney's and Flight Systems' operations can also be affected by a variety of economic and other factors including those described in Management's Discussion and Analysis of Results of Operations and Financial Position included in the Corporation's 2001 Annual Report to Shareowners and those described in the Business section of this Form 10-K under the heading "Other Matters Relating to the Corporation's Business as a Whole".

Significant elements of Pratt & Whitney's and Flight Systems' business, such as spare parts sales for engines and aircraft in service, have short lead times. Therefore, backlog information may not be indicative of future demand. Also, since a substantial portion of the backlog for commercial customers is scheduled for delivery beyond 2002, changes in economic conditions may cause customers to request that firm orders be rescheduled or canceled.

Other

UTC Fuel Cells, LLC ("UTC Fuel Cells") is a world leader in fuel cell production and development for commercial, transportation, residential and space applications. UTC Fuel Cells is the sole supplier of fuel cells for U.S. space missions and also offers a commercially available fuel cell power plant, known as the PC25™. Over 245 PC25 units have been delivered around the world. Fuel cell power plants using proton exchange membrane technology ("PEM") are currently in development for transportation, commercial stationary, and residential applications. UTC Fuel Cells is working with automakers and bus manufacturers, as well as the U.S. Department of Energy, on development and demonstration programs for automobiles. In 2001, UTC Fuel Cells and Shell Hydrogen US formed a joint venture to develop, manufacture and sell fuel processors and hydrogen generation systems.

Although fuel cells are believed to be superior to conventional power generators in terms of efficiency and environmental characteristics, current production rates remain low across the industry. Continued technology advancement and wider market acceptance are required to reduce the production cost of fuel cell components and power plants. There is still significant uncertainty as to whether and when commercially viable PEM fuel cells will be produced. UTC Fuel Cells continues to seek strategic partners to develop sources of supply, as well as marketing and distribution channels. Toshiba Corporation owns a 10 percent equity interest in UTC Fuel Cells.

The results of UTC Fuel Cells are included in the “Eliminations and other” category in the segment financial data in Note 15 of Notes to Consolidated Financial Statements on pages 24 to 25 of the Corporation’s 2001 Annual Report to Shareowners.

Other Matters Relating to the Corporation's Business as a Whole

Research and Development

Since changes in technology can have a significant impact on the Corporation’s operations and competitive position, the Corporation spends substantial amounts of its own funds on research and development. Such expenditures, which are charged to expense as incurred, were $1,254 million or 4.6 percent of total sales in 2001, as compared with $1,302 million or 5.0 percent of total sales in 2000 and $1,292 million or 5.4 percent of total sales in 1999. The Corporation also performs research and development work under contracts funded by the U.S. Government and other customers. Such contract research and development, which is performed principally in the Pratt & Whitney segment and to a lesser extent in the Flight Systems segment, amounted to $845 million in 2001, as compared with $866 million in 2000 and $963 million in 1999.

Contracts, Other Risk Factors, Environmental and Other Matters

U.S. Government contracts are subject to termination at the convenience of the U.S. Government, in which event the Corporation normally would be entitled to reimbursement for its allowable costs incurred plus a reasonable profit. Most of the Corporation's sales are made under fixed-price type contracts; approximately $1.1 billion of the Corporation's total sales for 2001 were made under cost-reimbursement type contracts.

Like many defense contractors, the Corporation has received allegations from the U.S. Government that some contract prices should be reduced because cost or pricing data submitted in negotiation of the contract prices may not have been in conformance with government regulations. The Corporation has made voluntary refunds in those cases it believes appropriate, has settled some allegations, and does not believe that any further price reductions that may be required will have a material effect upon its financial position, results of operations or cash flows.

The Corporation is now, and believes that in light of the current government contracting environment it will be, the subject of one or more government investigations. See Item 3 - Legal Proceedings on page 8 of this Form 10-K and Note 14 of Notes to Consolidated Financial Statements on page 24 of the Corporation’s 2001 Annual Report to Shareowners for further discussion. If the Corporation or one of its business units were charged with wrongdoing as a result of any of these investigations, it could be suspended from bidding on or receiving awards of new government contracts pending the completion of legal proceedings. If convicted or found liable, the Corporation could be fined and debarred from new government contracting for a period generally not to exceed three years. Any contracts found to be tainted by fraud could be voided by the Government.

The Corporation conducts its businesses through subsidiaries and affiliates worldwide, some of which have significant minority interests. Changes in legislation or government policies can have an impact on the Corporation’s worldwide operations. For example, governmental regulation of refrigerants is important to Carrier’s businesses, while government safety regulations, restrictions on aircraft engine noise and emissions and government procurement practices can impact the Corporation’s aerospace and defense businesses. The Corporation’s international operations are also subject to changes in local government regulations and policies, including those related to investments, exchange controls and repatriation of earnings. Some foreign customers in the Corporation’s aerospace and defense businesses may require counter-purchase or offset arrangements as a condition to a sale, such as requiring the Corporation to purchase supplies in the customer’s country or to participate in manufacturing and financial support projects.

The Corporation's operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over its foreign operations. The Corporation has incurred and will likely continue to incur liabilities under various state and federal statutes for the cleanup of pollutants previously released into the environment. The Corporation does not anticipate that compliance with current provisions relating to the protection of the environment or that any payments it may be required to make for these cleanup liabilities will have a material adverse effect upon its cash flows, competitive position, financial position or results of operations. (Environmental matters are further addressed in Management's Discussion and Analysis of Results of Operations and Financial Position on page 8 and Notes 1 and 14 of Notes to Consolidated Financial Statements on pages 16 and 24 of the Corporation's 2001 Annual Report to Shareowners.)

Most of the laws governing environmental matters include criminal provisions. If the Corporation were convicted of a violation of the federal Clean Air Act or the Clean Water Act, the facility or facilities involved in the violation would be ineligible to be used in performing any U.S. Government contract awarded to the Corporation until the Environmental Protection Agency certifies that the condition giving rise to the violation has been corrected.

While the Corporation's patents, trademarks, licenses and franchises are cumulatively important to its business, the Corporation does not believe that the loss of any one or group of related patents, trademarks, licenses or franchises would have a material adverse effect on the overall business of the Corporation or on any of its operating segments.

Like other users in the U.S., the Corporation is largely dependent upon foreign sources for certain of its raw materials requirements such as cobalt (Africa), tantalum (Australia and Chile) and chromium (Africa, Eastern and Central Europe and the countries of the former Soviet Union). To alleviate this dependence and accompanying risk, the Corporation has a number of on-going programs which include the development of new suppliers; the increased use of more readily available materials through material substitutions and the development of new alloys; and the conservation of materials through scrap reclamation and new manufacturing processes such as net shape forging.

The Corporation has sought cost reductions in its purchases of certain other materials, components, and supplies by consolidating its purchases, reducing the number of suppliers and using online bidding competitions among potential suppliers. In some instances, the Corporation is reliant upon a single source of supply. A disruption in deliveries from its suppliers, therefore, could have an adverse effect on the Corporation's ability to meet its commitments to customers. The Corporation believes that it has appropriately balanced the risks against the costs of sustaining a greater number of suppliers. The Corporation does not foresee any unavailability of materials, components, or supplies which will have any material adverse effect on its overall business, or on any of its business segments, in the near term.

For a discussion of other risks to which the Corporation’s financial position, results of operations or cash flows may be subject, including the risks of the Corporation’s international operations, see the Business Section of this Form 10-K under the heading Description of Business by Segment and Management’s Discussion and Analysis of Results of Operations and Financial Position appearing on pages 1 through 9 of the Corporation’s 2001 Annual Report to Shareowners.

Cautionary Note Concerning Factors That May Affect Future Results

This Form 10-K 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 materials released to the public. These forward-looking statements are intended to provide Management's current expectations or plans for the future operating and financial performance of the Corporation, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as “believe,” “expect,” “plans,” “strategy,” “prospects,” “estimate,” “project,” “anticipate” and other words of similar meaning in connection with a discussion of future operating or financial performance. These include, among others, statements relating to:

- Future earnings and other measurements of financial performance
- Future cash flow and uses of cash
- The effect of economic downturns or growth in particular regions
- The effect of changes in the level of activity in particular industries or markets
- The scope, nature or impact of acquisition activity and integration into the Corporation’s businesses
- Product developments and new business opportunities
- Restructuring costs and savings
- The outcome of contingencies
- The transition to the use of the euro as a currency.

All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. This Annual Report on Form 10-K for 2001 includes important information as to risk factors in the “Business” section under the headings “Description of Business by Segment” and “Other Matters Relating to the Corporation's Business as a Whole” and in the “Legal Proceedings” section. Additional important information as to risk factors is included in the Corporation's 2001 Annual Report to Shareowners in the section titled “Management's Discussion and Analysis of Results of Operations and Financial Position”, which is incorporated by reference in this Form 10-K. For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, see the Corporation's reports on Forms 10-Q and 8-K filed with the Securities and Exchange Commission from time to time.

Employees

At December 31, 2001, the Corporation's total employment was approximately 152,000. For discussion of the effects of the Corporation's restructuring actions on employment, see Management's Discussion and Analysis of Results of Operations and Financial Position on page 4 and Note 11 of Notes to Consolidated Financial Statements on pages 22 to 23 of the Corporation's 2001 Annual Report to Shareowners.

Item 2. Properties

The Corporation's fixed assets as of December 31, 2001 include the plants and warehouses described below and a substantial quantity of machinery and equipment, most of which is general purpose machinery and equipment using special jigs, tools and fixtures and in many instances having automatic control features and special adaptations. The plants, warehouses, machinery and equipment in use as of December 31, 2001 are in good operating condition, are well maintained, and substantially all are in regular use.

The following square footage numbers are approximations. At December 31, 2001, the Corporation operated (a) plants in the U.S. which had 29.2 million square feet, of which 3.5 million square feet were leased; (b) plants outside the U.S. which had 20.0 million square feet, of which 2.3 million square feet were leased; (c) warehouses in the U.S. which had 10.6 million square feet, of which 6.9 million square feet were leased; and (d) warehouses outside the U.S. which had 5.9 million square feet, of which 3.7 million square feet were leased.

For discussion of the effect of the Corporation's restructuring actions on production facilities, see Management's Discussion and Analysis of Results of Operations and Financial Position on page 4 and Note 11 of Notes to the Consolidated Financial Statements on pages 22 to 23 of the Corporation's 2001 Annual Report to Shareowners.

Management believes that the fixed assets capitalized and the facilities in operation at December 31, 2001 for the production of the Corporation's products are suitable and adequate for the business conducted therein in the current business environment, are being appropriately utilized consistent with experience and have sufficient production capacity for their present intended purposes. Utilization of the facilities varies based on demand for the products. The Corporation continuously reviews its anticipated requirements for facilities and, based on that review, may from time to time acquire additional facilities or dispose of existing facilities.

Item 3. Legal Proceedings

As previously reported, the Department of Defense and the Corporation are litigating whether Pratt & Whitney's accounting practices for certain engine parts are acceptable. The litigation, filed with the Armed Services Board of Contract Appeals (“ASBCA”), No. 47416 et al., relates to the accounting for engine parts produced by foreign companies under commercial engine collaboration programs from 1984 through 1995. In December 1996 the Government claimed damages of $157.6 million, plus $102.7 million in interest through 1996. Pratt & Whitney believes its accounting practices are proper and has not modified them. On July 31, 2001, the ASBCA issued a decision in favor of the Corporation. The Department of Defense appealed this decision to the Court of Appeals for the Federal Circuit on November 29, 2001. Should the Government ultimately prevail on liability, damages could be larger than initially claimed because the Government may amend its claim to include the period after 1995 and interest continues to accrue on the claim asserted in 1996.

As previously reported, the Corporation has been served with two qui tam complaints under the civil False Claims Act in United States District Court for the District of Connecticut: U.S. ex rel. Drake v. Norden Systems, Inc. and UTC, No. 394CV00963 (filed July 1997, and involving allegations of improper accounting for fixed assets) and U.S. ex rel. Capella v. UTC and Norden Systems Inc., No. 394CV02063 (filed December 1994, and involving allegations of improper accounting for insurance costs). The civil False Claims Act provides for penalties in a civil case of up to $10,000 per false claim submitted. The number of false claims implicated by the foregoing qui tam complaints cannot currently be ascertained; however, if determined adversely to the Corporation, the number could result in significant penalties. The qui tam relator in each case has claimed unspecified damages (trebled) and penalties, and the Department of Justice in each case has declined to take over the litigation. In August 2000, the court dismissed portions of the complaints. In August 2001, the court dismissed additional claims in the Drake case.

In March 1999, the Department of Justice filed a civil False Claims Act complaint against the Corporation in United States District Court for the Southern District of Ohio (Western Division), No. C-3-99-093. This lawsuit is related to the “Fighter Engine Competition” between Pratt & Whitney's F100 engine and GE's F110 engine, for contracts awarded by the U.S. Air Force between fiscal years 1985 and 1990, inclusive. The Government alleges that Pratt & Whitney inflated its estimated costs for purchased parts and withheld data that would have revealed the overstatements. The Government seeks damages of at least $95 million (some portion of which would be trebled plus penalties of up to $10,000 per claim submitted).

The Corporation does not believe that resolution of any of the foregoing or any other legal matters will have a material adverse effect upon the Corporation's competitive position, results of operations, cash flows, or financial position. A further discussion of government contracts and related investigations, as well as a discussion of the Corporation's environmental liabilities, can be found under the heading "Other Matters Relating to the Corporation's Business as a Whole – Contracts, Other Risk Factors, Environmental and Other Matters" in Item 1 – Business on page 6 of this Form 10-K.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to security holders for a vote during the fourth quarter ended December 31, 2001.

----- Executive Officers of the Registrant

The following persons are executive officers of United Technologies Corporation:

Name	Title	Other Business Experience Since 1/1/97	Age 2/1/02
Dean C. Borgman	President, Sikorsky Aircraft (since 1998)	Senior Vice President, The Boeing Company; President, McDonnell Douglas Helicopter Company	60
Ari Bousbib	Executive Vice President and Chief Operating Officer, Otis (since January 2001)	Vice President, Corporate Strategy and Development; Vice President, Strategic Planning, United Technologies Corporation; Managing Director, The Strategic Partners Group	40
Kent L. Brittan	Vice President, Supply Management (since 1997)	Vice President-Finance, Otis Elevator	59
William L. Bucknall, Jr.	Senior Vice President, Human Resources and Organization (since 1992)	-------	59
John F. Cassidy, Jr.	Senior Vice President – Science and Technology (since 1998) and Vice President, United Technologies Research Center	Vice President, United Technologies Research Center	58
Louis Chenevert	President, Pratt & Whitney (since 1999)	Executive Vice President-Operations, Pratt & Whitney	44
Geraud Darnis	President, Carrier Corporation (since October 2001)	President, UT Power Solutions; President, Carrier Asia Pacific Operations; President, Carrier Europe-Middle East-Africa	42
George David	Chairman (since 1997) and Chief Executive Officer (since 1994)	President (1992-1999)	59
John J. Doucette	Vice President, E-Business and Chief Information Officer (since 2000)	Vice President & Chief Information Officer, Otis; Vice President & Chief Information Officer, GE Lighting; Chief Information Officer, GE Silicones	42

Name	Title	Other Business Experience Since 1/1/97	Age 2/1/02
John E. Evard, Jr.	Vice President, Taxes (since August 2000)	Senior Vice President, Corporate Development & General Tax Counsel, Senior Vice President & General Tax Counsel, CNH Global N.V.; Vice President & General Tax Counsel, Case Corporation	55
David J. FitzPatrick	Senior Vice President and Chief Financial Officer	Senior Vice President, Chief Financial Officer and Treasurer,	47

	(since 1998)	United Technologies Corporation (2000-2001); Vice President and Controller, Eastman Kodak Co.	
Ruth R. Harkin	Senior Vice President, International Affairs and Government Relations, United Technologies Corporation and Chair, United Technologies International (since 1997)	President and Chief Executive Officer, Overseas Private Investment Corporation	57
Karl J. Krapek	President and Chief Operating Officer (from 1999 until his retirement effective January 30, 2002)	Executive Vice President, United Technologies Corporation (1997-1999) and President, Pratt & Whitney (1992-1999)	53
Robert F. Leduc	Executive Vice President and Chief Operating Officer, Pratt & Whitney (since 2000) and President, Large Commercial Engines (since 2001)	Executive Vice President, Pratt & Whitney	45
Ronald F. McKenna	President, Hamilton Sundstrand Corporation (since 1999)	Executive Vice President, Sundstrand Corporation and Chief Operating Officer, Sundstrand Aerospace	61
David G. Nord	Vice President, Controller (since 2000)	Acting Controller; Assistant Controller, Financial Reporting and Accounting, United Technologies Corporation	44
Stephen F. Page	Executive Vice President, United Technologies Corporation and President and Chief Executive Officer, Otis (since 1997)	Executive Vice President and Chief Financial Officer, United Technologies Corporation	62
Thomas I. Rogan	Vice President, Treasurer (since October 2001)	Vice President-Finance, Hamilton Sundstrand	49
William H. Trachsel	Senior Vice President, General Counsel and Secretary (since 1998)	Vice President, Secretary and Deputy General Counsel	58

All of the officers serve at the pleasure of the Board of Directors of United Technologies Corporation or the subsidiary designated.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

See Comparative Stock Data appearing on page 26 of the Corporation's 2001 Annual Report to Shareowners containing the following data relating to the Corporation's Common Stock: principal market, quarterly high and low sales prices, approximate number of shareowners and frequency and amount of dividends.

Item 6. Selected Financial Data

See the Five Year Summary appearing inside the front cover of the Corporation's 2001 Annual Report to Shareowners containing the following data: revenues, net income, basic and diluted earnings per share, cash dividends per common share, total assets and long-term debt. See Notes to Consolidated Financial Statements appearing on pages 15 to 26 of the Corporation's 2001 Annual Report to Shareowners for a description of any accounting changes and acquisitions or dispositions of businesses materially affecting the comparability of the information reflected in such Five Year Summary.

Item 7. Management's Discussion and Analysis of Results of Operations and Financial Position

See Management's Discussion and Analysis of Results of Operations and Financial Position appearing on pages 1 through 9 of the Corporation's 2001 Annual Report to Shareowners.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

For information concerning market risk sensitive instruments, see discussion under the headings “Market Risk and Risk Management” in Management’s Discussion and Analysis of Results of Operations and Financial Position on page 7 of the Corporation’s Annual Report to Shareowners and “Hedging Activity” in Note 1, “Summary of Accounting Principles”, Note 12, “Foreign Exchange” and Note 13, “Financial Instruments” of Notes to Consolidated Financial Statements on pages 16 and 23 to 24 of the Corporation's 2001 Annual Report to Shareowners.

Item 8. Financial Statements and Supplementary Data

The 2001 and 2000 Consolidated Balance Sheet, and other financial statements for the years 2001, 2000, and 1999, together with the report thereon of PricewaterhouseCoopers LLP dated January 17, 2002, appearing on pages 10 through 26 in the Corporation's 2001 Annual Report to Shareowners are incorporated by reference in this Form 10-K. The 2001 and 2000 Selected Quarterly Financial Data appearing on page 26 in the Corporation's 2001 Annual Report to Shareowners are incorporated by reference in this Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 10. Directors and Executive Officers of the Registrant

The information required by Item 10 with respect to directors is incorporated herein by reference to the section of the Corporation's Proxy Statement for the 2002 Annual Meeting of Shareowners entitled "General Information Concerning the Board of Directors—Nominees." Information regarding executive officers is contained in Part I of this Form 10-K under the heading "--Executive Officers of the Registrant." Information concerning Section 16(a) compliance is contained in the section of the Corporation's Proxy Statement for the 2002 Annual Meeting of Shareowners entitled "Section 16(a) Beneficial Ownership Reporting Compliance."

Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference to the sections of the Corporation's Proxy Statement for the 2002 Annual Meeting of Shareowners entitled "Report of the Committee on Compensation and Executive Development" and "Compensation of Named Executive Officers." Such incorporation by reference shall not be deemed to specifically incorporate by reference the information referred to in Item 402(a)(8) of Regulation S-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by Item 12 is incorporated herein by reference to the section of the Corporation's Proxy Statement for the 2002 Annual Meeting of Shareowners entitled "Security Ownership of Directors and Executive Officers."

Item 13. Certain Relationships and Related Transactions

The information required by Item 13 is incorporated herein by reference to the section of the Corporation's Proxy Statement for the 2002 Annual Meeting of Shareowners entitled "Certain Business Relationships."

Item 14. Exhibits, Financial Statement Schedules, and reports of Form 8-K Transactions

(a) Financial Statements, Financial Statement Schedules and Exhibits

		Page Number in Annual Report
(1)	Financial Statements (incorporated by reference from the 2001 Annual Report to Shareowners):	
	Report of Independent Accountants	10
	Consolidated Statement of Operations for the three years ended December 31, 2001	11
	Consolidated Balance Sheet—December 31, 2001 and 2000	12
	Consolidated Statement of Cash Flows for the three years ended December 31, 2001	13
	Notes to Consolidated Financial Statements	15-26
	Selected Quarterly Financial Data (Unaudited)	26

		Page Number in Form 10-K
(2)	Financial Statement Schedule for the three years ended December 31, 2001:	
	Report of Independent Accountants on Financial Statement Schedule	S-I
	Schedule II Valuation and Qualifying Accounts	S-II
	Consent of Independent Accountants	F-I
	All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.	

(3) Exhibits:

The following list of exhibits includes exhibits submitted with this Form 10-K as filed with the SEC and those incorporated by reference to other filings.

<u>Exhibit Number</u>

3(i) Restated Certificate of Incorporation, incorporated by reference to Exhibit 3(i) to the Corporation's Quarterly Report on Form 10-Q (Commission File number 1-812) for quarterly period ended June 30, 2000.

3(ii) Bylaws as amended and restated effective March 21, 2001, incorporated by reference to Exhibit 3(ii) to the Corporation's Quarterly Report on Form 10-Q (Commission file number 1-812) for quarterly period ended March 31, 2001.

4(a) Amended and Restated Indenture, dated as of May 1, 2001, between the Corporation and The Bank of New York, as trustee (incorporated by reference to Exhibit 4(a) to the Corporation's Registration Statement on Form S-3, File No. 333-60276, filed with the SEC on May 4, 2001). The Corporation hereby agrees to furnish to the Commission upon request a copy of each other instrument defining the rights of holders of long-term debt of the Corporation and its consolidated subsidiaries and any unconsolidated subsidiaries.

10.1 United Technologies Corporation 1979 Long Term Incentive Plan, incorporated by reference to Exhibit 10(i) to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.2 United Technologies Corporation Annual Executive Incentive Compensation Plan, as amended.*

10.3 United Technologies Corporation Disability Insurance Benefits for Executive Control Group, incorporated by reference to Exhibit 10 (iii) to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.4 United Technologies Corporation Executive Estate Preservation Program, incorporated by reference to Exhibit 10(iv) to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.5 United Technologies Corporation Pension Preservation Plan, incorporated by reference to Exhibit 10(v) to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.6 United Technologies Corporation Senior Executive Severance Plan, incorporated by reference to Exhibit 10(vi) to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.7 United Technologies Corporation Deferred Compensation Plan, as amended.*

10.8 Otis Elevator Company Incentive Compensation Plan, incorporated by reference to Exhibit 10(viii) to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.9 United Technologies Corporation Directors Retirement Plan, as amended.*

10.10 United Technologies Corporation Deferred Compensation Plan for Non-Employee Directors, incorporated by reference to Exhibit 10(x) to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.11 United Technologies Corporation Long Term Incentive Plan, as amended.*

10.12 United Technologies Corporation Executive Disability, Income Protection and Standard Separation Agreement Plan, incorporated by reference to Exhibit 10(xii) to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.13 United Technologies Corporation Directors' Restricted Stock/Unit Program, incorporated by reference to Exhibit 10(xiii) to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.

10.14 United Technologies Corporation Board of Directors Deferred Stock Unit Plan*, and Amendment 1 thereto (incorporated by reference to Exhibit (10)(iii)(A)(1) to the Corporation's Report on Form 10-Q (Commission file number 1-812) for quarterly period ended June 30, 2000).

10.15 United Technologies Corporation Pension Replacement Plan, incorporated by reference to Exhibit 10(xv) to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1993.

10.16 United Technologies Corporation Special Retention and Stock Appreciation Program, incorporated by reference to Exhibit 10(xvi) to the Corporation's Report on Form 10-Q (Commission file number 1-812) for quarterly period ended September 30, 1995.

10.17 United Technologies Corporation Nonemployee Director Stock Option Plan*, Amendment 1 thereto (incorporated by reference to Exhibit (10)(iii)(A)(2) to the Corporation's Report on Form 10-Q (Commission file number 1-812) for quarterly period ended June 30, 2000), Amendment 2 thereto (incorporated by reference to Exhibit 10(iii)(A)(1) to the Corporation's Report on Form 10-Q (Commission File number 1-812) for quarterly period ended June 30, 2001) and Amendment 3 thereto**.

11 Statement Re: Computation of Per Share Earnings.**

12 Statements Re: Computation of Ratios.**

13 Annual Report to Shareowners for year ended December 31, 2001 (except for the pages and information thereof expressly incorporated by reference in this Form 10-K, the Annual Report to Shareowners is provided solely for the information of the Securities and Exchange Commission and is not to be deemed "filed" as part of this Form 10-K).**

21 Subsidiaries of the Registrant.**

23 Consent of PricewaterhouseCoopers LLP, included as page F-I of this Form 10-K.

24 Powers of Attorney of Antonia Handler Chayes, Jean-Pierre Garnier, Jamie S. Gorelick, Charles R. Lee, Richard D. McCormick, Frank P. Popoff, H. Patrick Swygert, Andre Villeneuve, H. A. Wagner and Sanford I. Weill.**

Notes to Exhibits List:

* Incorporated by reference to Exhibit of the same number to the Corporation's Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1995.

** Submitted electronically herewith.

Exhibits 10.1 through 10.17 are contracts or compensatory plans required to be filed as exhibits pursuant to Item 14(c) of the requirements for Form 10-K reports.

(b) No reports on Form 8-K were filed by the Corporation during the quarter ended December 31, 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED TECHNOLOGIES CORPORATION
(Registrant)

By /s/ David J. FitzPatrick
David J. FitzPatrick
Senior Vice President and Chief Financial Officer

Date: February 11, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, on the date set forth below.

Signature	Title	Date
/s/ George David George David	Chairman, Director and Chief Executive Officer	February 11, 2002
/s/ David J. FitzPatrick David J. FitzPatrick	Senior Vice President and Chief Financial Officer	February 11, 2002
/s/ David G. Nord David G. Nord	Vice President, Controller	February 11, 2002
ANTONIA HANDLER CHAYES* (Antonia Handler Chayes)	Director)	
JEAN-PIERRE GARNIER* (Jean-Pierre Garnier)	Director)	
JAMIE S. GORELICK* (Jamie S. Gorelick)	Director)	*By: /s/ William H. Trachsel William H. Trachsel Attorney-in-Fact Date: February 11, 2002
CHARLES R. LEE* (Charles R. Lee)	Director)	
RICHARD D. MCCORMICK* (Richard D. McCormick)	Director)	
FRANK P. POPOFF* (Frank P. Popoff)	Director)	
H. PATRICK SWYGERT* (H. Patrick Swygert)	Director)	
ANDRE VILLENEUVE* Andre Villeneuve	Director)	
H. A. WAGNER* H. A. Wagner	Director)	
SANFORD I. WEILL* (Sanford I. Weill)	Director)	

REPORT OF INDEPENDENT ACCOUNTANTS ON

FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of United Technologies Corporation

Our audits of the consolidated financial statements referred to in our report dated January 17, 2002, appearing in the 2001 Annual Report to Shareowners of United Technologies Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Hartford, Connecticut
January 17, 2002

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Schedule II - Valuation and Qualifying Accounts

Three Years Ended December 31, 2001
(Millions of Dollars)

Allowances for Doubtful Accounts and Other Customer Financing Activity:

Balance December 31, 1998	$	395
Provision charged to income		46
Doubtful accounts written off (net)		(14)
Other adjustments		56
Balance December 31, 1999		483
Provision charged to income		41
Doubtful accounts written off (net)		(27)
Other adjustments		(6)
Balance December 31, 2000		491
Provision charged to income		93
Doubtful accounts written off (net)		(59)
Other adjustments		(33)
Balance December 31, 2001	$	492
		=====

Future Income Tax Benefits - Valuation allowance:

Balance December 31, 1998	$	219
Additions charged to income tax expense		70
Reductions credited to income tax expense		(56)
Balance December 31, 1999		233
Additions charged to income tax expense		24
Reductions credited to income tax expense		(49)
Balance December 31, 2000		208
Additions charged to income tax expense		66
Reductions credited to income tax expense		(94)
Balance December 31, 2001	$	180
		=====

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-60276 and 333-51830), in the Registration Statement on Form S-4 (No. 333-77991) as amended by Post-Effective Amendment No. 1 on Form S-8 (No. 333-77991-01), and in the Registration Statements on Form S-8 (Nos. 333-21853, 333-18743, 333-21851, 33-57769, 33-45440, 33-11255, 33-26580, 33-26627, 33-28974, 33-51385, 33-58937, 2-87322, 333-77817 and 333-82911) of United Technologies Corporation of our report dated January 17, 2002 relating to the financial statements, which appears in the 2001 Annual Report to Shareowners, which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 17, 2002 on the Financial Statement Schedule, which appears on page S-I of this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Hartford, Connecticut
February 11, 2002

EXHIBIT 10.17

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES

Nonemployee Director Stock Option Plan

Amendment 3

Whereas, the United Technologies Corporation Nonemployee Director Stock Option Plan (the "Plan") prohibits the transfer or assignment of stock option awards other than by operation of the laws of descent and distribution; and

Whereas, the Board of Directors wishes to permit the transfer and assignment of stock option awards for the benefit of the immediate family members of Stock Option Award recipients;

Now therefore, the following provisions of the Plan are hereby amended, effective December 4, 2001:

1. Section 6 (d) is amended and restated as follows:

   (d) *Restrictions on Transfer.* An Option shall not be transferable by the recipient and shall be exercisable during the lifetime of the recipient only by the recipient or the recipient's legal representative subject to the following exceptions: (i) Options may be transferred by operation of the recipient's will or by the laws of descent and distribution; and (ii) options may be transferred by gift to an immediate family member of the recipient and subsequently exercised by such immediate family member. Immediate family member means: the spouse, parent, sibling, child, stepchild, niece, nephew or grandchild of the recipient; a trust in which these persons have more than 50% of the beneficial interest; a foundation controlled by these persons; or other entity in which these persons own more than 50% of the beneficial or voting interests. Transfers of options to immediate family members will not be effective until the Corporate Secretary receives and approves the transfer agreement. In the event that an Option is exercised by an executor or administrator of the estate of a deceased recipient, or by a transferee of the Options, the Corporation shall be under no obligation to issue the shares of Common Stock unless and until the Corporation is satisfied that the person exercising the Option is the duly appointed representative of the recipient's estate or the proper transferee of the Options, as the case may be.

2. Section 10 (b) of the Plan is amended and restated as follows:

   (b) *Restrictions on Assignment.* Except as permitted under Section 6 (d): (i) the rights and benefits of a Nonemployee Director under the Plan may not be assigned or transferred, in whole or in part, whether directly or by operation of law or otherwise, including by execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner; and (ii) any such attempt to assign a recipient's interest in any Options awarded hereunder (whether voluntary or involuntary) shall be void and without force or effect.

UNITED TECHNOLOGIES CORPORATION

By: /s/ William H. Trachsel
William H. Trachsel
Sr. Vice President, General Counsel
and Secretary

ATTEST:

By: /s/ Richard M. Kaplan
Richard M. Kaplan

Date: January 16, 2002

EXHIBIT 11

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Statement Re: Computation of Per Share Earnings

For the Five Years Ended December 31, 2001
(Millions of Dollars, except per share amounts)

	2001	2000	1999	1998	1997
Net Income	$ 1,938	$ 1,808	$ 1,531	$ 1,255	$ 1,072
ESOP Convertible Preferred Stock dividend	(31)	(32)	(33)	(33)	(32)
Basic earnings per period	$ 1,907	$ 1,776	$ 1,498	$ 1,222	$ 1,040
	======	======	======	======	======
ESOP Convertible Preferred Stock adjusment	28	28	28	28	27
Diluted earnings for period	$ 1,935	$ 1,804	$ 1,526	$ 1,250	$ 1,067
	======	======	======	=====	======
Basic average number of shares outstanding during the period (thousands)	470,252	470,124	465,611	455,534	468,886
	======	======	======	=====	======
Stock awards (thousands)	9,156	11,256	13,806	11,944	11,756
ESOP Convertible Preferred Stock (thousands)	25,978	26,630	27,287	27,282	26,468
Diluted average number of shares outstanding during the period (thousands)	505,386	508,010	506,704	494,760	507,110
	======	======	======	======	======
Basic earnings per common share	$ 4.06	$ 3.78	$ 3.22	$ 2.68	$ 2.22
Diluted earnings per common share	$ 3.83	$ 3.55	$ 3.01	$ 2.53	$ 2.10

EXHIBIT 12

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Statement Re: Computation of Ratios

(Millions of Dollars)

	2001	2000	1999	1998	1997
Fixed Charges:					
Interest expense	$ 426	$ 382	$ 260	$ 197	$ 188
Interest capitalized	22	18	15	12	10
One-third rents*	68	65	65	77	80
	$ 516	$ 465	$ 340	$ 286	$ 278
	====	=====	=====	=====	=====
Earnings:					
Income from continuing operations before minority interests	$ 2,807	$ 2,758	$ 1,257	$ 1,810	$ 1,574
Fixed charges per above	516	465	340	286	278
Less: interest capitalized	(22)	(18)	(15)	(12)	(10)
	494	447	325	274	268
Amortization of interest capitalized	18	21	25	31	34
Total Earnings	$ 3,319	$ 3,226	$ 1,607	$ 2,115	$ 1,876
	=====	=====	=====	=====	=====
Ratio of Earnings to Fixed Charges	6.43	6.94	4.73	7.40	6.75
	=====	=====	=====	=====	=====

* Reasonable approximation of the interest factor.

FIVE YEAR SUMMARY

IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS	2001	2000	1999	1998	1997
For the year					
Revenues	**$ 27,897**	$ 26,583	$ 24,127	$ 22,809	$ 21,288
Research and development	**1,254**	1,302	1,292	1,168	1,069
Income from continuing operations	**1,938**	1,808	841	1,157	962
Net income	**1,938**	1,808	1,531	1,255	1,072
Earnings per share:					
Basic:					
Continuing operations	**4.06**	3.78	1.74	2.47	1.98
Net earnings	**4.06**	3.78	3.22	2.68	2.22
Diluted:					
Continuing operations	**3.83**	3.55	1.65	2.33	1.89
Net earnings	**3.83**	3.55	3.01	2.53	2.10
Cash dividends per common share	**.90**	.825	.76	.695	.62
Average number of shares of Common Stock outstanding:					
Basic	**470.2**	470.1	465.6	455.5	468.9
Diluted	**505.4**	508.0	506.7	494.8	507.1
Return on average common shareowners' equity, after tax	**23.6%**	24.4%	24.6%	28.6%	24.5%
Operating cash flows	**2,885**	2,503	2,310	2,314	1,903
Acquisitions, including debt assumed	**525**	1,340	6,268	1,237	605
Share repurchase	**599**	800	822	650	849
At year end					
Working capital, continuing operations	**$ 2,892**	$ 1,318	$ 1,412	$ 1,359	$ 1,712
Total assets	**26,969**	25,364	24,366	17,768	15,697
Long-term debt, including current portion	**4,371**	3,772	3,419	1,669	1,389
Total debt	**4,959**	4,811	4,321	2,173	1,567
Debt to total capitalization	**37%**	39%	38%	33%	28%
ESOP Preferred Stock, net	**429**	432	449	456	450
Shareowners' equity	**8,369**	7,662	7,117	4,378	4,073
Number of employees - continuing operations	**152,000**	153,800	148,300	134,400	130,400

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Results of Operations and Financial Position   The Corporation's operations are classified into four principal segments: Otis, Carrier, Pratt & Whitney and Flight Systems. Otis and Carrier serve customers in the commercial and residential property industries. Carrier also serves commercial and transport refrigeration customers. Pratt & Whitney and the Flight Systems segment, which includes Sikorsky Aircraft ("Sikorsky") and Hamilton Sundstrand, primarily serve commercial and government customers in the aerospace industry. The Corporation's segment operating results are discussed in the Segment Review and Note 15 of the Notes to Consolidated Financial Statements.

Business Environment   As worldwide businesses, the Corporation's operations are affected by global, regional and industry economic and political factors. However, the Corporation's geographic and industry diversity has helped limit the impact of any one industry or the economy of any single country on the consolidated results. The downturn in the North American economy in 2001, including conditions in the commercial airline industry, global refrigeration industry, and commercial heating, ventilating and air conditioning markets, had a negative impact on the Corporation's consolidated results and will continue to present challenges to its businesses.

The Corporation's growth strategy contemplates acquisitions in its core businesses. The rate and extent to which acquired businesses are integrated and anticipated synergies or cost savings are achieved can affect the Corporation's operations and results.

Revenues from outside the U.S., including U.S. export sales, in dollars and as a percentage of total segment revenues, are as follows:

IN MILLIONS OF DOLLARS	2001	2000	1999	2001	2000	1999
Europe	**$ 4,716**	$ 4,413	$ 4,433	**17%**	17%	18%
Asia Pacific	**3,420**	3,319	2,615	**12%**	12%	11%
Other Foreign	**2,785**	2,820	2,472	**10%**	11%	10%
U.S. Exports	**3,947**	4,134	3,642	**14%**	15%	15%
International Segment Revenues	**$14,868**	$14,686	$13,162	**53%**	55%	54%

As part of its globalization strategy, the Corporation has invested in businesses in certain countries, including Brazil, the People's Republic of China, Russia, Argentina, India and South Korea, which carry higher levels of currency, political and economic risk. At December 31, 2001, the Corporation's net investment in any one of these countries was less than 5% of consolidated equity.

During 2001, the strength of the U.S. dollar in relation to Asian and European currencies had a negative impact on the translation of foreign-denominated operating results into U.S. dollars. In the fourth quarter of 2001, the euro began to recover in relation to the U.S. dollar, which continued to strengthen in relation to Asian currencies.

OTIS is the world's largest elevator and escalator manufacturing, installation and service company. It serves an international customer base, principally in commercial real estate. In 2001, 76% of its revenues were generated outside the U.S. Otis' results can be impacted by various economic factors, including fluctuations in commercial construction (which can affect new equipment installations and service contract revenues), labor costs (which can impact service margins on installed elevators and escalators), interest rates, foreign currency exchange rates and raw material costs.

During 2001, U.S. office building construction starts continued to decline from their 1998 peak, but remained at historically high levels. Construction order activity slowed and national office vacancy rates increased slightly, as market conditions softened.

CARRIER is the world's largest manufacturer of commercial and residential heating, ventilating and air conditioning ("HVAC") systems and equipment. Carrier is also a leading producer of commercial and transport refrigeration equipment and provides aftermarket services and components for its products and those of other manufacturers in both the HVAC and refrigeration industries. During 2001, 47% of Carrier's revenues were generated outside the U.S.

and by U.S. exports. Carrier's results can be impacted by a number of external factors, including commercial and residential construction activity, production and utilization of transport equipment, weather conditions, fuel prices, interest rates and foreign currency exchange rates.

During 2001, U.S. commercial construction starts decreased and investment in replacement refrigeration and HVAC equipment declined compared to 2000. The weakness in the North American transport refrigeration market continued in 2001, despite stabilizing fuel prices and favorable trends in interest rates. A warmer summer selling season in many regions of the U.S. and strength in housing starts favorably impacted North American residential operations during a portion of the year and international construction markets remained strong. Declines in economic activity following the September 2001 attacks are expected to continue this year's trend of declining North American HVAC sales into 2002.

PRATT & WHITNEY and the FLIGHT SYSTEMS segments comprise the Corporation's aerospace businesses and produce commercial and government aerospace and defense products. The financial performance of these segments is directly tied to the aerospace and defense industries. Traffic growth, load factors, worldwide airline profits, influenced in part by fuel prices and labor issues, and general economic activity have been reliable indicators for new aircraft and aftermarket orders. Spare part sales and aftermarket service trends can be impacted by many factors, including usage, pricing, regulatory changes and retirement of older aircraft. Performance in the general aviation sector has been closely tied to the overall health of the economy and is positively correlated to corporate profits.

During 2001, airline operations were negatively impacted by the disruption caused by the September 2001 attacks and the downturn in the North American economy. These conditions have resulted in reduced flight schedules worldwide, an increased number of idle aircraft, workforce reductions and declining financial performance within the airline industry, as well as an industry-wide request for government financial assistance. The airlines and aircraft manufacturers have continued to reduce their supplier bases and seek lower cost packages. These conditions have resulted in decreased commercial aerospace volume and orders in the Corporation's aerospace businesses in 2001, which is expected to continue into 2002.

The Corporation's total sales to the U.S. Government increased in 2001 to $3,798 million or 14% of total sales, compared with $2,875 million or 11% of total sales in 2000 and $3,342 million or 14% of total sales in 1999. The defense portion of the Corporation's aerospace businesses is affected by changes in market demand and the global political environment. The U.S. and European defense industries continue to reduce costs and consolidate in response to continued evaluation of global defense spending. Customers have continued their efforts to review and reprioritize research and procurement initiatives and foreign military programs have been delayed.

PRATT & WHITNEY is among the world's leading suppliers of commercial, general aviation and military aircraft engines. Pratt & Whitney provides spare parts and a full range of aftermarket and fleet management services for the engines it produces, along with power generation and rocket propulsion systems. These products and services are regulated by strict safety and performance standards, particularly in the commercial engine business. These standards can create uncertainty regarding the profitability of commercial engine programs. Pratt & Whitney is responding to market pressures by diversifying its product base for large commercial engines from the wide-bodied aircraft market to include engines designed specifically for the narrow-bodied aircraft market. In addition, the aftermarket business is being impacted by technological improvements to newer generation engines that increase reliability and by increased competition. In response to these market factors, Pratt & Whitney continues to pursue ventures to share in new engine program development and aftermarket growth opportunities. Pratt & Whitney continues to enhance its aftermarket business through acquisitions and repositioning actions aimed at improving efficiency.

Pratt & Whitney provides engines and aftermarket products and services to both U.S. and foreign governments. Pratt & Whitney's engines have been selected to power the Air Force's F22 and Joint Strike Fighter aircraft. The Joint Strike Fighter program is intended to lead to the development of a single aircraft, with configurations for conventional and short take off and landing, for the U.S. Navy, Air Force and Marine Corps and the United Kingdom Royal Navy.

FLIGHT SYSTEMS SEGMENT provides global products and service through Hamilton Sundstrand and Sikorsky. Hamilton Sundstrand provides aerospace and industrial products and aftermarket services for diversified industries worldwide. Aerospace products include aircraft power generation management and distribution systems, and environmental, flight and fuel control systems. Hamilton Sundstrand has been responding to industry pressures by focusing on development of new product and service offerings, acquisitions and actions aimed at improving efficiency and aftermarket growth opportunities.

Sikorsky is one of the world's largest manufacturers of commercial and military helicopters, and provides aftermarket products and services. It has responded to continued overcapacity among helicopter manufacturers by improving its cost structure, expanding the capabilities of its existing products and developing new product and service offerings. Sikorsky is leading an international team in developing the S/H-92, a large cabin derivative of the Black Hawk. In its government business, Sikorsky will continue to supply Black Hawk helicopters and derivatives thereof to the U.S. and foreign governments under contracts extending into 2004. A Sikorsky-Boeing joint venture is also under contract with the U.S. Army to develop the RAH-66 Comanche, thirteen of which are contracted for delivery in 2004-2005 under the current phase of the program.

Results of Continuing Operations

IN MILLIONS OF DOLLARS	2001	2000	1999
Sales	**$27,486**	$26,206	$23,844
Financing revenues and other income, net	**411**	377	283
Revenues	**$27,897**	$26,583	$24,127

Consolidated revenues increased 5% in 2001 and 10% in 2000. Excluding the unfavorable impact of foreign currency translation, consolidated revenues increased 7% in 2001 and 13% in 2000. Sales growth in 2001 reflects growth in the base businesses of Pratt & Whitney, Flight Systems and Otis and acquisitions at Carrier. The sales growth in 2000 reflects the impact of acquisitions as well as growth at Otis and Carrier, which more than offset a decrease at Pratt & Whitney.

Financing revenues and other income, net, increased $34 million and $94 million in 2001 and 2000, respectively. The 2001 increase reflects interest income associated with the favorable settlement of certain prior year tax audits. In 2000, interest income on prior period income tax credits resulting from an industry related court decision and modification of a product support agreement contributed to the increase.

IN MILLIONS OF DOLLARS	2001	2000	1999
Cost of sales	**$20,087**	$18,970	$18,185
Gross margin percent	**26.9%**	27.6%	23.7%

Gross margin decreased in 2001 to 26.9% from 27.6% in 2000. The 2001 decrease is due primarily to restructuring and related charges of $224 million recorded in cost of sales in 2001. Gross margin increased 3.9 percentage points in 2000 due primarily to restructuring and other charges of $865 million recorded in cost of sales in 1999. Excluding restructuring, gross margin increased one-tenth and two-tenths of a percentage point in 2001 and 2000, respectively, reflecting savings from prior restructuring actions that were partially offset by associated costs not originally accruable.

IN MILLIONS OF DOLLARS	2001	2000	1999
Research and development	**$1,254**	$1,302	$1,292
Percent of sales	**4.6%**	5.0%	5.4%

Research and development spending decreased $48 million (4%) in 2001 and increased $10 million (1%) in 2000. The 2001 decrease is due primarily to decreased spending at Pratt & Whitney due to timing of development schedules. The increase in 2000 is primarily due to the inclusion of the operations of Sundstrand in the Flight Systems segment since its acquisition in the second quarter of 1999. The above years include the Corporation's continued funding of research and development at its fuel cell unit. Total research and development expenses in 2002 are expected to approximate 2001 levels.

IN MILLIONS OF DOLLARS	2001	2000	1999
Selling, general and administrative	**$3,323**	$3,171	$3,133
Percent of sales	**12.1%**	12.1%	13.1%

Selling, general and administrative expenses as a percentage of sales remained flat in 2001 and decreased 1 percentage point in 2000. The 2001 amount reflects $124 million of charges associated with 2001 restructuring actions. Excluding 2001 restructuring charges, selling, general and administrative expenses as a percent of sales decreased five-tenths of a percentage point in 2001. The decreases in 2001 and 2000 reflect savings resulting from prior cost reduction actions, partially offset by the impact of acquisitions, primarily at Carrier.

IN MILLIONS OF DOLLARS	2001	2000	1999
Interest expense	**$426**	$382	$260

Interest expense increased 12% in 2001 and 47% in 2000. The 2001 increase is primarily related to the October 2001 issuance of $400 million of 4.875% notes, the February 2001 issuance of $500 million of 6.35% notes, and the November 2000 issuance of $500 million of 7.125% notes. The 2000 increase reflects the 1999 issuances of an aggregate of $1.725 billion notes at interest rates ranging from 6.4% to 7.5%, and an increased level of foreign borrowings. These increases were partially offset by debt repayments of $354 million in 2001 and $435 million in 2000. Interest expense in 2002 is expected to remain comparable to 2001.

	2001	2000	1999
Average interest rate during the year:			
Short-term borrowings	**7.0%**	9.9%	8.7%
Total debt	**7.3%**	8.1%	7.7%

The average interest rate during the year on total debt exceeded that of short-term borrowings due to lower interest rates on commercial paper. The weighted-average interest rate applicable to debt outstanding at December 31, 2001 was 5.6% for short-term borrowings and 6.8% for total debt.

	2001	2000	1999
Effective income tax rate	**26.9%**	30.9%	25.9%

The 2001 effective tax rate reflects the impact of the favorable settlement of certain prior year tax audits. The 2000 effective tax rate includes the impact of two discrete items: the revaluation of the Corporation's state deferred tax asset resulting from the enactment of Connecticut tax law changes and the benefits from income tax credits for prior periods associated with an industry related court decision. Excluding the favorable settlement in 2001 of certain prior year tax audits and the discrete tax items in 2000 discussed above, the effective tax rate for 2001 decreased to 30.0% from 30.5% in 2000. The Corporation has continued to lower its effective tax rate by implementing tax reduction strategies.

The Internal Revenue Service is reviewing the Corporation's claims for prior periods' benefits as part of its routine examinations of the Corporation's income tax returns and any additional impact on the Corporation's liability for income taxes cannot presently be determined.

The future tax benefit arising from net deductible temporary differences and tax carryforwards is $2,583 million. The net deductible temporary differences relate to expenses recognized for financial reporting purposes, which will result in tax deductions over varying future periods. Management believes that the Corporation's earnings during the periods when the temporary differences become deductible will be sufficient to realize the related future income tax benefits. While some tax credit and loss carryforwards have no expiration date, certain foreign and state tax loss carryforwards arise in a number of different tax jurisdictions with expiration dates beginning in 2002. For those jurisdictions where the expiration date or the projected operating results indicate that realization is not likely, a valuation allowance has been provided.

For additional discussion of income taxes, see Note 9 of the Notes to Consolidated Financial Statements.

Business Acquisitions During 2001, the Corporation invested $525 million, including debt assumed, in the acquisition of more than 30 businesses. Those investments included Pratt & Whitney and Hamilton Sundstrand's acquisitions of aerospace aftermarket businesses and a number of small acquisitions in the commercial businesses. During 2000, the Corporation invested $1,340 million, including debt assumed, in business acquisitions. That amount includes Carrier's purchase of Specialty Equipment Companies for $708 million in the fourth quarter of 2000. For additional discussion of 2001 acquisitions, see Liquidity and Financing Commitments and Note 2 of the Notes to Consolidated Financial Statements.

Effective July 1, 2001, the Corporation adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 141 "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets" applicable to business combinations completed after June 30, 2001. Effective January 1, 2002, additional provisions of SFAS Nos. 141 and 142, relating to business combinations completed prior to June 30, 2001, are effective for the Corporation. These standards require the use of the purchase method of accounting for business combinations, set forth the accounting for the initial recognition of acquired intangible assets and goodwill, and describe the accounting for intangible assets and goodwill subsequent to initial recognition. Under the provisions of these standards, intangible assets deemed to have indefinite lives and goodwill are no longer subject to amortization. All other intangible assets are to be amortized over their estimated useful lives. Intangible assets and goodwill are subject to annual impairment testing using the specific guidance and criteria described in the standards.

The impact of goodwill amortization recorded in the Corporation's segments, and the effect that discontinuing amortization would have on certain income statement amounts is as follows:

IN MILLIONS OF DOLLARS	2001	2000
Otis	**$ 30**	$ 29
Carrier	**74**	57
Pratt & Whitney	**23**	21
Flight Systems	**103**	99
Total segment goodwill amortization	**230**	206
Income taxes	**(16)**	(14)
Minority interest in subsidiaries' earnings	**(2)**	(2)
Net Income Impact	**$212**	$190

For additional discussion, see Notes 1 and 2 of the Notes to Consolidated Financial Statements.

Dispositions of Businesses In May 1999, the Corporation sold its UT Automotive unit to Lear Corporation for $2.3 billion, which resulted in an after-tax gain of $650 million. UT Automotive results, through the date of disposition, appear as income from operations of the discontinued UT Automotive unit in the Consolidated Statement of Operations.

Restructuring and Other Costs

2001 Actions As described in Note 11 of the Notes to Consolidated Financial Statements, during the second half of 2001, the Corporation recorded pre-tax restructuring and related charges of $348 million associated with ongoing efforts to reduce costs in its segments in a continually challenging business environment and to address current conditions in the commercial airline industry. The restructuring actions focus principally on improving the overall level of organizational efficiency and consolidation of manufacturing, sales and service facilities. These charges were recorded in the Corporation's segments as follows: Otis $83 million, Carrier $172 million, Pratt & Whitney $63 million and Flight Systems $30 million. The charges include accruals of $256 million for severance and related employment termination costs, $53 million for asset write-downs and $19 million for facility exit and lease termination costs.

The amounts include $224 million recorded in cost of sales and $124 million in selling, general and administrative expenses, and relate to net workforce reductions of approximately 8,700 salaried and hourly employees, the elimination of approximately 2.3 million square feet of facilities and the disposal of assets associated with exited facilities. Savings are expected to build over a two-year period resulting in recurring pre-tax savings of approximately $300 million and are expected to mitigate the effects of lower commercial aerospace volume.

Approximately 70% of the total pre-tax charge will require cash payments, which will be funded by cash generated from operations. During the year, the Corporation incurred pre-tax cash outflows of approximately $86 million associated with this program. As of December 31, 2001, approximately 4,600 positions were eliminated. The balance of the workforce and facility related cost reduction actions are targeted to be completed in 2002. As of December 31, 2001 approximately $180 million of severance and related costs and $17 million of facility exit and lease termination accruals remain.

1999 Actions As described in Note 11 of the Notes to Consolidated Financial Statements, the Corporation's segments initiated a variety of actions in 1999 aimed at further strengthening their future profitability and competitive position. The 1999 actions totaled $1,120 million, before income taxes and minority interests, and included accrued restructuring charges of $842 million, related charges of $141 million that were not accruable when initiated, and charges associated with product development and aircraft systems integration and non-product purchasing. Those amounts were recorded at each of the Corporation's segments as follows: Otis $186 million, Carrier $196 million, Pratt & Whitney $534 million, Flight Systems $161 million and other $43 million.

Under the terms of a new, three-year collective bargaining agreement signed in December 2001, Pratt & Whitney agreed to retain certain part repair work within the bargaining unit, absent unanticipated changes in business conditions. This resolved a disagreement concerning a restructuring related relocation of work that was the subject of a February 2001 injunction. Resolution of this matter did not materially impact the Corporation's restructuring program.

In addition to the actions discussed above, during 2001, the Corporation incurred and recognized $134 million of additional costs associated with the 1999 actions, that were not accruable or contemplated when the 1999 actions were initiated. In the current year, the Corporation has incurred pre-tax cash outflows of approximately $217 million associated with the 1999 program accruals and additional costs. Those additional costs have been more than offset by savings relating to this program and adjustments to the 1999 restructuring liability. Recurring savings, associated primarily with a net reduction in workforce and facility closures, are expected to increase through 2002 to approximately $750 million pre-tax annually, primarily benefiting cost of sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Segment Review

	Revenues			Operating Profits			Operating Profit Margin		
IN MILLIONS OF DOLLARS	**2001**	2000	1999	**2001**	2000	1999	**2001**	2000	1999
Otis	**$6,338**	$6,153	$5,654	**$ 847**	$ 798	$493	**13.4%**	13.0%	8.7%
Carrier	**8,895**	8,430	7,353	**590**	795	459	**6.6%**	9.4%	6.2%
Pratt & Whitney	**7,679**	7,366	7,674	**1,308**	1,200	634	**17.0%**	16.3%	8.3%
Flight Systems	**5,292**	4,992	3,810	**670**	614	247	**12.7%**	12.3%	6.5%

Revenues, operating profits and operating profit margins of the Corporation's principal segments include the results of all majority-owned subsidiaries, consistent with the management reporting of these businesses. For certain of these subsidiaries, minority shareholders have rights which overcome the presumption of consolidation. In the Corporation's consolidated results, these subsidiaries are accounted for using the equity method of accounting.

2001 Compared to 2000

OTIS revenues increased $185 million (3%) in 2001. Excluding the unfavorable impact of foreign currency translation, 2001 revenues increased 7%, reflecting increases in all regions and growth in both new equipment and service sales. The negative foreign currency impact was primarily due to the strengthening of the U.S. dollar in relation to European and Asian currencies.

Otis operating profits increased $49 million (6%) in 2001. Excluding 2001 restructuring charges and the unfavorable impact of foreign currency translation, operating profits increased 20%, reflecting profit improvements in all regions resulting from volume increases and cost reduction actions.

CARRIER revenues increased $465 million (6%) in 2001. Excluding the unfavorable impact of foreign currency translation, 2001 revenues increased 8% almost entirely due to acquisitions, including the acquisition of Specialty Equipment Companies during the fourth quarter of 2000, and growth in the European and Asian HVAC markets. The improvements were largely offset by continued weakness in several of the global refrigeration businesses. The negative foreign currency impact was primarily due to the strength of the U.S. dollar in relation to Asian and European currencies.

Carrier operating profits decreased $205 million (26%) compared to 2000 in part due to 2001 restructuring charges of $172 million. Excluding 2001 restructuring charges and the unfavorable impact of foreign currency translation, operating profits decreased 1%. The decrease is primarily due to poor market conditions in refrigeration, North American commercial HVAC and Latin America, as well as performance issues in some of the acquired entities, particularly global refrigeration businesses. The 2001 operating profit decrease was partially offset by the acquisition of Specialty Equipment Companies in the fourth quarter of 2000 and the performance in Carrier's European and Asian HVAC businesses.

PRATT & WHITNEY revenues increased $313 million (4%) in 2001. The increase was due primarily to increased shipments of industrial gas turbines at Pratt & Whitney Power Systems and higher volume in the small engine business at Pratt & Whitney Canada, partially offset by lower commercial aerospace aftermarket volume in the fourth quarter of 2001.

Pratt & Whitney operating profits increased $108 million (9%) in 2001. Excluding 2001 restructuring charges, operating profit increased 14%, reflecting favorable volume at Pratt & Whitney Canada and Pratt & Whitney Power Systems and cost reduction actions throughout the segment. These increases are partially offset by lower commercial aerospace aftermarket volume in the fourth quarter.

FLIGHT SYSTEMS revenues increased $300 million (6%) in 2001. The increase was due primarily to increased original equipment sales and aftermarket revenues at Hamilton Sundstrand's aerospace business and increased helicopter shipments at Sikorsky. Flight Systems operating profits increased $56 million (9%) in 2001. Excluding 2001 restructuring charges, operating profits increased 14% in 2001, reflecting growth in Hamilton Sundstrand's aerospace business and increased helicopter shipments at Sikorsky.

2000 Compared to 1999

OTIS revenues increased $499 million (9%) in 2000. Excluding the unfavorable impact of foreign currency translation, 2000 revenues increased 14%, reflecting the impact of the acquisition of LG Industrial Systems' Building Facilities Group in the fourth quarter of 1999 and increased sales in all regions, led by North America where construction activity remained strong.

Otis operating profits increased $305 million (62%) in 2000 largely due to restructuring charges of $186 million recorded during 1999. Excluding restructuring charges and the unfavorable impact of foreign currency translation, operating profits increased 27%, reflecting profit improvements in all regions resulting from cost reduction actions as well as the impact of the acquisition of LG Industrial Systems' Building Facilities Group.

CARRIER revenues increased $1,077 million (15%) in 2000. Excluding the unfavorable impact of foreign currency translation, 2000 revenues increased 17%, reflecting the impact of the acquisitions of International Comfort Products ("ICP") during the third quarter of 1999 and the commercial refrigeration business of Electrolux AB early in 2000, as well as growth in the North American commercial businesses. A decline in the North American truck/trailer transport refrigeration operation associated with higher fuel prices and interest rates partially offset the increase.

Carrier operating profits increased $336 million (73%) compared to 1999 in part due to 1999 restructuring charges of $196 million. Excluding restructuring charges and the unfavorable impact of foreign currency translation, operating profits increased 24%. That increase is primarily due to the impact of the acquisition of ICP and improved operating performance in the North American commercial and residential HVAC businesses. The increase was partially offset by a decrease in the North American truck/trailer transport refrigeration operation associated with higher fuel prices and interest rates and by the transaction impact of a weaker euro.

PRATT & WHITNEY revenues decreased $308 million (4%) in 2000. The decrease was due primarily to fewer commercial and large military engine shipments and lower revenues in government funded development programs, partially offset by higher sales in the small engine business at Pratt & Whitney Canada.

Pratt & Whitney operating profits increased $566 million (89%) in 2000, primarily due to 1999 restructuring and other charges of $534 million. Excluding restructuring and other charges, operating profit increased 3%, reflecting improved performance and lower costs in the commercial engine business, favorable volume at Pratt & Whitney Canada and a slight increase in the aftermarket businesses, due primarily to military spares. Those increases were partially offset by lower military engine volume.

FLIGHT SYSTEMS revenues increased $1,182 million (31%) and operating profits increased $367 million in 2000. Both increases are largely the result of including the full year results of Sundstrand, acquired in the second quarter of 1999. Revenues also include growth at Sikorsky associated with increased helicopter shipments. Operating profit also increased due to 1999 restructuring and other charges of $161 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Financing Commitments

IN MILLIONS OF DOLLARS	2001	2000
Cash and cash equivalents	**$1,558**	$ 748
Total debt	**4,959**	4,811
Net debt (total debt less cash)	**3,401**	4,063
Shareowners' equity	**8,369**	7,662
Debt to total capitalization	**37%**	39%
Net debt to total capitalization	**29%**	35%

Management assesses the Corporation's liquidity in terms of its ability to generate cash to fund its operating and investing activities. Significant factors affecting the management of liquidity are: cash flows generated from operating activities, capital expenditures, customer financing requirements, investments in businesses, dividends, Common Stock repurchases, adequacy of available bank lines of credit and the ability to attract long-term capital with satisfactory terms.

Net cash provided by operating activities in 2001 was $2,885 million compared to $2,503 million in 2000. The increase resulted primarily from improved operating performance, partially offset by higher levels of working capital, due in part to investment in power generation assets. Pre-tax cash outflows associated with restructuring and other actions, including costs not accruable or contemplated when the actions were initiated, were $303 million in 2001 and $537 million in 2000.

Cash used in investing activities was $1,277 million in 2001 compared to $2,101 million in 2000. The most significant components of investing cash flows are capital expenditures and business acquisitions. Capital expenditures decreased $144 million to $793 million in 2001 and are expected to decline in 2002, reflecting a reprioritization of capital projects. In 2001, the Corporation invested $525 million in the acquisition of businesses, consisting of $439 million of cash and $86 million of assumed debt, while in 2000 acquisitions totaled $1,340 million, consisting of $1,168 million of cash and $172 million of assumed debt.

Customer financing activities used cash of $123 million in 2001, compared to $40 million in 2000, reflecting increased customer requirements for financing. While the Corporation expects that customer financing will be a net use of cash in 2002, actual funding is subject to usage under existing customer financing requirements. At December 31, 2001, the Corporation had financing and rental commitments of $1.6 billion related to commercial aircraft, of which as much as $272 million may be required to be disbursed in 2002. The Corporation may also arrange for third-party investors to assume a portion of its commitments. Refer to Note 4 of the Notes to Consolidated Financial Statements for additional discussion of the Corporation's commercial aerospace industry assets and commitments.

Financing cash outflows for 2001 and 2000 include the Corporation's repurchase of 8.5 million and 13.6 million shares of Common Stock for $599 million and $800 million, respectively. Share repurchase continues to be a use of the Corporation's cash flows and has more than offset the dilutive effect resulting from the issuance of stock under stock-based employee benefit programs in each of the last three years. In June 2001, the Corporation announced that the Board of Directors authorized the repurchase of up to 20 million shares. The new authorization replaces previous share repurchase authority. At December 31, 2001, 15.8 million shares remained available for repurchase under the authorized program.

At December 31, 2001, the Corporation had credit commitments from banks totaling $1.5 billion under a Revolving Credit Agreement, which serves as a back-up facility for issuance of commercial paper. At December 31, 2001, there were no borrowings under the Revolving Credit Agreement. In addition, at December 31, 2001, approximately $1.1 billion was available under short-term lines of credit with local banks at the Corporation's various international subsidiaries.

As described in Note 8 of the Notes to Consolidated Financial Statements, the Corporation issued $900 million and $500 million of long-term notes payable in 2001 and 2000, respectively. The proceeds of those issuances were used for the repayment of commercial paper during 2001, to finance acquisitions, including Specialty Equipment Companies in 2000, and for general corporate purposes, including repurchases of the Corporation's Common Stock. At December 31, 2001, up to $1.6 billion of additional medium-term and long-term debt could be issued under shelf registration statements on file with the Securities and Exchange Commission.

The Corporation contributed $247 million of Treasury Stock to its defined benefit pension plans in December 2001. An independent manager will be appointed with authority to hold and dispose of the shares from time to time in public markets or otherwise. An additional contribution may be made in 2002, reflecting a total authorization by the Board of Directors of $500 million. As of December 31, 2001, the total investment by the defined benefit pension plans in the Corporation's securities, including the Treasury Stock transaction described above, is less than 3% of total plan assets.

The Corporation's shareowners' equity is impacted by a variety of factors, including those items that are not reported in earnings but are reported directly in equity, such as foreign currency translation, minimum pension liability adjustments, unrealized holding gains and losses on available-for-sale securities and cash flow hedging transactions. The Corporation recorded an additional minimum pension liability of $1,070 million, including a net of tax charge to equity of $519 million, in its December 31, 2001 balance sheet, representing the Corporation's unfunded accumulated benefit obligation. See the Consolidated Statement of Changes in Shareowners' Equity for information on such non-shareowners' changes.

The Corporation believes that existing sources of liquidity are adequate to meet anticipated borrowing needs at comparable risk-based interest rates for the foreseeable future. Although uncertainties in acquisition spending could cause modest variations at times, management anticipates that the level of debt to capital will remain generally consistent with recent levels. The anticipated level of debt to capital is expected to be sufficient to satisfy the Corporation's various cash flow requirements, including acquisition spending and continued share repurchases.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Market Risk and Risk Management   The Corporation is exposed to fluctuations in foreign currency exchange rates, interest rates and commodity prices. To manage certain of those exposures, the Corporation uses derivative instruments, including swaps, forward contracts and options. Derivative instruments utilized by the Corporation in its hedging activities are viewed as risk management tools, involve little complexity and are not used for trading or speculative purposes. The Corporation diversifies the counterparties used and monitors the concentration of risk to limit its counterparty exposure.

The Corporation has evaluated its exposure to changes in foreign currency exchange, interest rates and commodity prices in its market risk sensitive instruments, which are primarily cash, debt and derivative instruments, using a value at risk analysis. Based on a 95% confidence level and a one-day holding period, at December 31, 2001, the potential loss in fair value of the Corporation's market risk sensitive instruments was not material in relation to the Corporation's financial position, results of operations or cash flows. The Corporation's calculated value at risk exposure represents an estimate of reasonably possible net losses based on historical market rates, volatilities and correlations and is not necessarily indicative of actual results. Refer to Notes 1, 8, 12 and 13 of the Notes to Consolidated Financial Statements for additional discussion of foreign exchange, interest rates and financial instruments.

FOREIGN CURRENCY EXPOSURES. The Corporation has a large volume of foreign currency exposures that result from its international sales, purchases, investments, borrowings and other international transactions. International segment revenues from continuing operations, including U.S. export sales, averaged approximately $14 billion over the last three years. The Corporation actively manages foreign currency exposures that are associated with committed foreign currency purchases and sales and other assets and liabilities created in the normal course of business at the operating unit level. Exposures that cannot be naturally offset within an operating unit to an insignificant amount are hedged with foreign currency derivatives. The Corporation also has a significant amount of foreign currency net asset exposures. Currently, the Corporation does not hold any derivative contracts that hedge its foreign currency net asset exposures but may consider such strategies in the future.

The Corporation's cash position includes amounts denominated in foreign currencies. The Corporation manages its worldwide cash requirements considering available funds among its many subsidiaries and the cost effectiveness with which these funds can be accessed. The repatriation of cash balances from certain of the Corporation's subsidiaries could have adverse tax consequences. However, those balances are generally available without legal restrictions to fund ordinary business operations. The Corporation has and will continue to transfer cash from those subsidiaries to the parent and to other international subsidiaries when it is cost effective to do so.

INTEREST RATE EXPOSURES. The Corporation's long-term debt portfolio consists mostly of fixed-rate instruments. Due to recent declines in market interest rates, a portion of that portfolio is hedged with interest rate swaps. The hedges are designated as fair value hedges and the gains and losses on the swaps are reported in interest expense, reflecting that portion of interest expense at a variable rate. From time to time the Corporation issues commercial paper, which exposes the Corporation to changes in interest rates.

COMMODITY PRICE EXPOSURES. The Corporation is exposed to volatility in the prices of raw materials used in some of its products and uses forward contracts in limited circumstances to manage some of those exposures. The forward contracts are designated as hedges of the cash flow variability that results from the forecasted purchases. Gains and losses on those derivatives are deferred in shareowners' equity to the extent they are effective as hedges and reclassified into cost of products sold in the period in which the hedged transaction impacts earnings.

Environmental Matters   The Corporation's operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over its foreign operations. As a result, the Corporation has established, and continually updates, policies relating to environmental standards of performance for its operations worldwide. The Corporation believes that expenditures necessary to comply with the present regulations governing environmental protection will not have a material effect upon its competitive position, financial position, results of operations or cash flows.

The Corporation has identified approximately 465 locations, mostly in the United States, at which it may have some liability for remediating contamination. The Corporation does not believe that any individual location's exposure will have a material effect on the results of operations of the Corporation. Sites in the investigation or remediation stage represent approximately 96% of the Corporation's accrued environmental liability. The remaining 4% of the recorded liability consists of sites where the Corporation may have some liability but investigation is in the initial stages or has not begun.

The Corporation has been identified as a potentially responsible party under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA" or Superfund) at approximately 100 sites. The number of Superfund sites, in and of itself, does not represent a relevant measure of liability because the nature and extent of environmental concerns vary from site to site and the Corporation's share of responsibility varies from sole responsibility to very little responsibility. In estimating its liability for remediation, the Corporation considers its likely proportionate share of the anticipated remediation expense and the ability of other potentially responsible parties to fulfill their obligations.

At December 31, 2001, the Corporation had $456 million reserved for environmental remediation. Cash outflows for environmental remediation were $61 million in 2001, $54 million in 2000 and $36 million in 1999. The Corporation estimates that ongoing environmental remediation expenditures in each of the next two years will not exceed $60 million.

The Corporation has had insurance in force over its history with a number of insurance companies and has pursued litigation seeking indemnity and defense under these insurance policies in relation to its environmental liabilities. In January 2002, the Corporation settled the last of these lawsuits under an agreement providing for the Corporation to receive payments totaling approximately $100 million.

U.S. Government   The Corporation's contracts with the U.S. Government are subject to audits. Like many defense contractors, the Corporation has received audit reports which recommend that certain contract prices should be reduced to comply with various government regulations. Some of these audit reports involve substantial amounts. The Corporation has made voluntary refunds in those cases it believes appropriate. In addition, the Corporation accrues for liabilities associated with those matters that are probable and can be reasonably estimated.

Additional discussion of the Corporation's environmental and U.S. Government contract matters is included in Notes 1 and 14 of the Notes to Consolidated Financial Statements.

Other   The Corporation extends performance and operating cost guarantees beyond its normal warranty and service policies for extended periods on some of its products, particularly commercial aircraft engines. Liability under such guarantees is contingent upon future product performance and durability. In addition, the Corporation incurs discretionary costs to service its products in connection with product performance issues. The Corporation has accrued its estimated liability that may result under these guarantees and for service costs which are probable and can be reasonably estimated.

New Accounting Pronouncements   Effective January 1, 2001, the Corporation adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Additional discussion of the Corporation's derivative and hedging activity is included in Notes 1 and 13 of the Notes to Consolidated Financial Statements.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." Description of these standards is included in the "Business Acquisitions" discussion.

In June 2001, SFAS No. 143, "Accounting for Asset Retirement Obligations" was issued. The standard requires that legal obligations associated with the retirement of tangible long-lived assets be recorded at fair value when incurred and will be effective for the Corporation on January 1, 2003. The Corporation is currently reviewing the provisions of SFAS No. 143 to determine the standard's impact upon adoption.

In August 2001, SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" was issued. This statement provides guidance on the accounting for the impairment or disposal of long-lived assets and was effective for the Corporation on January 1, 2002. Management believes that the adoption of SFAS No. 144 will not have a material impact on its consolidated financial position, results of operations or cash flows.

Euro Conversion   On January 1, 1999, the European Economic and Monetary Union entered a three-year transition phase during which the euro was introduced as a common currency in participating countries. The euro is currently used for wholesale financial transactions and will replace the legacy currencies that will be withdrawn between January 1, 2002 and July 1, 2002. The Corporation began preparing for transition to the euro in December 1996 and was substantially completed at the end of 2001.

Management believes that the introduction of the euro, including the total costs for the conversion, will not have a material adverse impact on the Corporation's financial position, results of operations or cash flows. However, uncertainty exists as to the effects the euro will have on the marketplace and there is no guarantee that all issues will be foreseen and corrected or that third parties will address the conversion successfully.

Cautionary Note Concerning Factors That May Affect Future Results This Annual Report 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 materials released to the public. These forward-looking statements are intended to provide management's current expectations or plans for the future operating and financial performance of the Corporation, based on assumptions currently believed to be valid. Forward-looking statements can be identified by the use of words such as: "believe," "expect," "plans," "strategy," "prospects," "estimate," "project," "anticipate" and other words of similar meaning in connection with a discussion of future operating or financial performance. These include, among others, statements relating to:

- Future earnings and other measurements of financial performance
- Future cash flow and uses of cash
- The effect of economic downturns or growth in particular regions
- The effect of changes in the level of activity in particular industries or markets
- The scope, nature or impact of acquisition activity and integration into the Corporation's businesses
- Product developments and new business opportunities
- Restructuring costs and savings
- The outcome of contingencies
- The transition to the use of the euro as a currency.

All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. For additional information identifying factors that may cause actual results to vary materially from those stated in the forward-looking statements, see the Corporation's reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission from time to time. The Corporation's Annual Report on Form 10-K for 2001 includes important information as to risk factors in the "Business" section under the headings "Description of Business by Segment" and "Other Matters Relating to the Corporation's Business as a Whole," and in the "Legal Proceedings" section.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of United Technologies Corporation and its subsidiaries are the responsibility of the Corporation's management and have been prepared in accordance with generally accepted accounting principles in the United States of America.

Management is responsible for the integrity and objectivity of the financial statements, including estimates and judgments reflected in them and fulfills this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. These controls are designed to provide reasonable assurance that the Corporation's assets are safeguarded, that transactions are executed in accordance with management's authorizations and that the financial records are reliable for the purpose of preparing financial statements. Self-monitoring mechanisms are also a part of the control environment whereby, as deficiencies are identified, corrective actions are taken. Even an effective internal control system, no matter how well designed, has inherent limitations including the possibility of the circumvention or overriding of controls and, therefore, can provide only reasonable assurance with respect to financial statement preparation and such safeguarding of assets. Further, because of changes in conditions, internal control system effectiveness may vary over time.

The Corporation assessed its internal control system as of December 31, 2001. Based on this assessment, management believes the internal accounting controls in use provide reasonable assurance that the Corporation's assets are safeguarded, that transactions are executed in accordance with management's authorizations, and that the financial records are reliable for the purpose of preparing financial statements.

Independent accountants are appointed annually by the Corporation's shareowners to audit the financial statements in accordance with generally accepted auditing standards. Their report appears below. Their audits, as well as those of the Corporation's internal audit department, include a review of internal accounting controls and selective tests of transactions.

The Audit Committee of the Board of Directors, consisting of directors who are not officers or employees of the Corporation, meets regularly with management, the independent accountants and the internal auditors, to review matters relating to financial reporting, internal accounting controls and auditing.

/s/ George David	/s/ David J. FitzPatrick
George David Chairman and Chief Executive Officer	David J. FitzPatrick Senior Vice President, Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareowners of United Technologies Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of changes in shareowners' equity and of cash flows present fairly, in all material respects, the financial position of United Technologies Corporation and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Hartford, Connecticut
January 17, 2002

CONSOLIDATED STATEMENT OF OPERATIONS

IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS	**2001**	2000	1999
Revenues			
Product sales	**$ 20,988**	$ 20,174	$ 18,021
Service sales	**6,498**	6,032	5,823
Financing revenues and other income, net	**411**	377	283
	27,897	26,583	24,127

Costs and Expenses			
Cost of products sold	**15,878**	15,146	14,500
Cost of services sold	**4,209**	3,824	3,685
Research and development	**1,254**	1,302	1,292
Selling, general and administrative	**3,323**	3,171	3,133
Interest	**426**	382	260
	25,090	23,825	22,870
Income from continuing operations before income taxes and minority interests	**2,807**	2,758	1,257
Income taxes	**755**	853	325
Minority interests in subsidiaries' earnings	**114**	97	91
Income from continuing operations	**1,938**	1,808	841
Discontinued operation:			
Income from operations of discontinued UT Automotive unit (net of income tax provision of $28)	**—**	—	40
Gain on sale of UT Automotive unit (net of income tax provision of $112)	**—**	—	650
Net Income	**$ 1,938**	$ 1,808	$ 1,531
Earnings per Share of Common Stock			
Basic:			
Continuing operations	**$ 4.06**	$ 3.78	$ 1.74
Discontinued operation	**—**	—	.08
Gain on sale of discontinued operation	**—**	—	1.40
Net Earnings	**$ 4.06**	$ 3.78	$ 3.22
Diluted:			
Continuing operations	**$ 3.83**	$ 3.55	$ 1.65
Discontinued operation	**—**	—	.08
Gain on sale of discontinued operation	**—**	—	1.28
Net Earnings	**$ 3.83**	$ 3.55	$ 3.01

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

IN MILLIONS OF DOLLARS, EXCEPT PER SHARE (SHARES IN THOUSANDS)	2001	2000
Assets		
Cash and cash equivalents	**$ 1,558**	$ 748
Accounts receivable (net of allowance for doubtful accounts of $452 and $412)	**4,093**	4,445
Inventories and contracts in progress	**3,973**	3,756
Future income tax benefits	**1,378**	1,439
Other current assets	**261**	274
Total Current Assets	**11,263**	10,662
Customer financing assets	**665**	550
Future income tax benefits	**1,205**	1,065
Fixed assets	**4,549**	4,487
Goodwill (net of accumulated amortization of $910 and $681)	**6,802**	6,771
Other assets	**2,485**	1,829
Total Assets	**$ 26,969**	$ 25,364
Liabilities and Shareowners' Equity		
Short-term borrowings	**$ 588**	$ 1,039
Accounts payable	**2,156**	2,261
Accrued liabilities	**5,493**	5,748
Long-term debt currently due	**134**	296
Total Current Liabilities	**8,371**	9,344
Long-term debt	**4,237**	3,476
Future pension and postretirement benefit obligations	**2,703**	1,636
Other long-term liabilities	**2,310**	2,317
Commitments and contingent liabilities (Notes 4 and 14)		
Minority interests in subsidiary companies	**550**	497
Series A ESOP Convertible Preferred Stock, $1 par value		
Authorized-20,000 shares		
Outstanding-11,307 and 11,642 shares	**743**	767
ESOP deferred compensation	**(314)**	(335)
	429	432

Shareowners' Equity:		
Capital Stock:		
Preferred Stock, $1 par value; Authorized-250,000 shares; None issued or outstanding	**—**	—
Common Stock, $1 par value; Authorized-2,000,000 shares; Issued 603,076 and 597,213 shares	**5,090**	4,665
Treasury Stock-130,917 and 126,907 common shares at cost	**(4,404)**	(3,955)
Retained earnings	**9,149**	7,743
Accumulated other non-shareowners' changes in equity:		
Foreign currency translation	**(889)**	(747)
Minimum pension liability	**(563)**	(44)
Other	**(14)**	—
	(1,466)	(791)
Total Shareowners' Equity	**8,369**	7,662
Total Liabilities and Shareowners' Equity	**$26,969**	$25,364

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

IN MILLIONS OF DOLLARS	2001	2000	1999
Operating Activities			
Income from continuing operations	**$ 1,938**	$ 1,808	$ 841
Adjustments to reconcile income from continuing operations to net cash flows provided by operating activities:			
Depreciation and amortization	**905**	859	819
Deferred income tax (benefit) provision	**(5)**	108	4
Minority interests in subsidiaries' earnings	**114**	97	91
Change in:			
Accounts receivable	**337**	(69)	(256)
Inventories and contracts in progress	**(154)**	(184)	331
Other current assets	**46**	19	(66)
Accounts payable and accrued liabilities	**(447)**	(184)	595
Other, net	**151**	49	(49)
Net Cash Provided by Operating Activities	**2,885**	2,503	2,310
Investing Activities			
Capital expenditures	**(793)**	(937)	(762)
Increase in customer financing assets	**(360)**	(339)	(383)
Decrease in customer financing assets	**237**	299	195
Business acquisitions	**(439)**	(1,168)	(3,547)
Dispositions of businesses	**17**	—	43
Other, net	**61**	44	43
Net Cash Used in Investing Activities	**(1,277)**	(2,101)	(4,411)
Financing Activities			
Issuance of long-term debt	**904**	712	1,727
Repayment of long-term debt	**(354)**	(435)	(557)
(Decrease) increase in short-term borrowings	**(465)**	83	185
Common Stock issued under employee stock plans	**315**	438	354
Dividends paid on Common Stock	**(423)**	(387)	(353)
Repurchase of Common Stock	**(599)**	(800)	(822)
Dividends to minority interests and other	**(147)**	(193)	(159)
Net Cash (Used in) Provided by Financing Activities	**(769)**	(582)	375
Net Cash Provided by Discontinued Operation	**—**	—	2,159
Effect of foreign exchange rate changes on Cash and cash equivalents	**(29)**	(29)	(26)
Net increase (decrease) in Cash and cash equivalents	**810**	(209)	407
Cash and cash equivalents, beginning of year	**748**	957	550
Cash and cash equivalents, end of year	**$ 1,558**	$ 748	$ 957
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	**$ 420**	$ 381	$ 217
Income taxes paid, net of refunds	**497**	496	368
Non-cash investing and financing activities include:			
The 2001 Treasury Stock contribution of $247 million to defined benefit pension plans and the 1999 issuance of $1.9			

billion of Treasury Stock in connection with the Sundstrand acquisition.

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREOWNERS' EQUITY

IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Non-Shareowners' Changes In Equity	Non-Shareowners' Changes in Equity for the Period
December 31, 1998	$2,708	$(3,117)	$5,411	$(624)	
Common Stock issued under employee plans (7.2 mil. shares)	354	16	(93)		
Common Stock issued in conjunction with a business combination (30.4 million shares)	1,165	741			
Common Stock repurchased (13.2 million shares)		(822)			
Dividends on Common Stock ($.76 per share)			(353)		
Dividends on ESOP Preferred Stock ($4.80 per share)			(33)		
Non-Shareowners' Changes in Equity:					
Net income			1,531		$1,531
Foreign currency translation adjustments, net of income tax benefits of $16				(76)	(76)
Minimum pension liability adjustments, net of income taxes of $54				96	96
Unrealized holding gain on marketable equity securities, net of income taxes of $115				213	213
December 31, 1999	4,227	(3,182)	6,463	(391)	$1,764
Common Stock issued under employee plans (9.4 mil. shares)	438	27	(109)		
Common Stock repurchased (13.6 million shares)		(800)			
Dividends on Common Stock ($.825 per share)			(387)		
Dividends on ESOP Preferred Stock ($4.80 per share)			(32)		
Non-Shareowners' Changes in Equity:					
Net income			1,808		$1,808
Foreign currency translation adjustments, net of income tax benefits of $18				(184)	(184)
Minimum pension liability adjustments, net of income tax benefits of $5				(3)	(3)
Unrealized holding loss on marketable equity securities, net of income tax benefits of $115				(213)	(213)
December 31, 2000	4,665	(3,955)	7,743	(791)	$1,408
Common Stock issued under employee plans (6.2 mil. shares)	**315**	**13**	**(78)**		
Common Stock contributed to defined benefit pension plans (4.1 million shares)	**110**	**137**			
Common Stock repurchased (8.5 million shares)		**(599)**			
Dividends on Common Stock ($.90 per share)			**(423)**		
Dividends on ESOP Preferred Stock ($4.80 per share)			**(31)**		
Non-Shareowners' Changes in Equity:					
Net income			**1,938**		**$1,938**
Foreign currency translation adjustments, net of income tax benefits of $1				**(142)**	**(142)**
Minimum pension liability adjustments, net of income tax benefits of $303				**(519)**	**(519)**
Unrealized holding gain on marketable equity securities, net of income taxes of $5				**9**	**9**
Unrealized cash flow hedging loss, net of income benefits of $12				**(23)**	**(23)**
December 31, 2001	**$5,090**	**$(4,404)**	**$9,149**	**$(1,466)**	**$1,263**

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Summary of Accounting Principles

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

CONSOLIDATION. The consolidated financial statements include the accounts of the Corporation and its controlled subsidiaries. Intercompany transactions have been eliminated.

CASH AND CASH EQUIVALENTS. Cash and cash equivalents includes cash on hand, demand deposits and short-term cash investments which are highly liquid in nature and have original maturities of three months or less.

ACCOUNTS RECEIVABLE. Current and long-term accounts receivable include retainage and unbilled costs of approximately $153 million and $169 million at December 31, 2001 and 2000, respectively. Retainage represents amounts which, pursuant to the contract, are not due until project completion and acceptance by the customer. Unbilled costs represent revenues that are not currently billable to the customer under the terms of the contract. These items are expected to be collected in the normal course of business. Long-term accounts receivable are included in Other assets in the Consolidated Balance Sheet.

MARKETABLE EQUITY SECURITIES. Equity securities that have a readily determinable fair value and management does not intend to hold are classified as available for sale and carried at fair value. Unrealized holding gains and losses are recorded as a separate component of shareowners' equity, net of deferred income taxes.

INVENTORIES AND CONTRACTS IN PROGRESS. Inventories and contracts in progress are stated at the lower of cost or estimated realizable value and are primarily based on first-in, first-out ("FIFO") or average cost methods; however, certain subsidiaries use the last-in, first-out ("LIFO") method. Costs accumulated against specific contracts or orders are at actual cost. Materials in excess of requirements for contracts and current or anticipated orders have been reserved and written-off as appropriate.

Manufacturing costs are allocated to current production and firm contracts. General and administrative expenses are charged to expense as incurred.

FIXED ASSETS. Fixed assets are stated at cost. Depreciation is computed over the assets' useful lives generally using the straight-line method, except for aerospace assets acquired prior to January 1, 1999, which are depreciated using accelerated methods. The change to straight-line depreciation for aerospace assets did not have a material impact on the Corporation's financial position, results of operations or cash flows.

GOODWILL AND OTHER INTANGIBLE ASSETS. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired companies and has generally been amortized using the straight-line method of amortization over periods ranging from 10 to 40 years. Effective July 1, 2001, the Corporation adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets," applicable to business combinations completed after June 30, 2001. In accordance with these standards, goodwill acquired after June 30, 2001 was not amortized.

During 2001, the Corporation evaluated potential impairment of goodwill on an ongoing basis and of other long-lived assets when appropriate. This evaluation compared the carrying value of an asset to the sum of its undiscounted expected future cash flows. If an asset's carrying value exceeded the cash flows, the asset was written down to fair value.

As of January 1, 2002, the remaining provisions of SFAS No. 141 and No. 142, are effective for the Corporation. These standards require the use of the purchase method of accounting for business combinations, set forth the accounting for the initial recognition of acquired intangible assets and goodwill, and describe the accounting for intangible assets and goodwill subsequent to initial recognition. Under the provisions of these standards intangible assets deemed to have indefinite lives and goodwill are no longer subject to amortization. All other intangible assets are to be amortized over their estimated useful lives. Intangible assets and goodwill are subject to annual impairment testing using the specific guidance and criteria described in the standards. This testing compares carrying values to fair values and when appropriate, the carrying value of these assets will be reduced to fair value.

REVENUE RECOGNITION. Sales under government and commercial fixed-price contracts and government fixed-price-incentive contracts are recorded at the time deliveries are made or, in some cases, on a percentage-of-completion basis. Sales under cost-reimbursement contracts are recorded as work is performed and billed. Sales of commercial aircraft engines sometimes require participation by the Corporation in aircraft financing arrangements; when appropriate, such sales are accounted for as operating leases. Sales under elevator and escalator installation and modernization contracts are accounted for under the percentage-of-completion method.

Losses, if any, on contracts are provided for when anticipated. Loss provisions are based upon excess inventoriable manufacturing, engineering, estimated warranty and product guarantee costs over the net revenue from the products contemplated by the specific order. Contract accounting requires estimates of future costs over the performance period of the contract. These estimates are subject to change and result in adjustments to margins on contracts in progress.

Service sales, representing aftermarket repair and maintenance activities, are recognized over the contractual period or as services are performed.

RESEARCH AND DEVELOPMENT. Research and development costs not specifically covered by contracts and those related to the Corporation-sponsored share of research and development activity in connection with cost-sharing arrangements are charged to expense as incurred.

HEDGING ACTIVITY. The Corporation uses derivative instruments, including swaps, forward contracts and options, to manage certain foreign currency, interest rate and commodity price exposures. Derivative instruments are viewed as risk management tools by the Corporation and are not used for trading or speculative purposes. Derivatives used for hedging purposes must be designated and effective as a hedge of the identified risk exposure at the inception of the contract. Accordingly, changes in fair value of the derivative contract must be highly correlated with changes in the fair value of the underlying hedged item at inception of the hedge and over the life of the hedge contract.

Effective January 1, 2001, the Corporation adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The standard requires that all derivative instruments be recorded on the balance sheet at fair value. Derivatives used to hedge foreign-currency-denominated balance sheet items are reported directly in earnings along with offsetting transaction gains and losses on the items being hedged. Derivatives used to hedge forecasted cash flows associated with foreign currency commitments or forecasted commodity purchases are accounted for as cash flow hedges. Gains and losses on derivatives designated as cash flow hedges are recorded in other comprehensive income and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. The ineffective portion of all hedges, if any, is recognized currently in earnings.

ENVIRONMENTAL. Environmental investigatory, remediation, operating and maintenance costs are accrued when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to each individual site, including existing technology, current laws and regulations and prior remediation experience. Where no amount within a range of estimates is more likely, the minimum is accrued. For sites with multiple responsible parties, the Corporation considers its likely proportionate share of the anticipated remediation costs and the ability of the other parties to fulfill their obligations in establishing a provision for those costs. Liabilities with fixed or reliably determinable future cash payments are discounted. Accrued environmental liabilities are not reduced by potential insurance reimbursements.

Note 2 Business Acquisitions and Dispositions

ACQUISITIONS. The Corporation completed acquisitions in 2001, 2000, and 1999 for $525 million, $1,340 million, and $6,268 million, including debt assumed of $86 million, $172 million, and $900 million, respectively. The 2001 amount includes Hamilton Sundstrand's acquisition of Claverham Group LTD, Hamilton Sundstrand's and Pratt & Whitney's acquisitions of aerospace aftermarket businesses and a number of small acquisitions in the commercial businesses. The 2000 amount includes the acquisition of Specialty Equipment Companies for $708 million, including debt assumed. The 1999 amount includes the acquisition of Sundstrand Corporation for approximately $4.3 billion, including debt assumed.

The Corporation's 1999 unaudited consolidated results of operations on a pro forma basis for the Sundstrand transaction, assuming it had occurred at the beginning of 1999 are: revenues of $24,996 million, net income of $1,558 million, net income per basic common share of $3.18 and net income per diluted common share of $2.99. The pro forma results are for information purposes only and are not necessarily indicative of the operating results that would have occurred had the Sundstrand acquisition been consummated at the beginning of the year or of future operating results. The 2001, 2000 and 1999 pro forma results for acquisitions other than Sundstrand, assuming those acquisitions had been made at the beginning of the year, would not be materially different from reported results.

The assets and liabilities of the acquired businesses accounted for under the purchase method are recorded at their fair values at the dates of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired was recorded as an increase in goodwill of $307 million in 2001, $1,412 million in 2000, and $4,396 million in 1999. Goodwill resulting from business combinations completed prior to June 30, 2001 is being amortized over estimated useful lives that range from 10 to 40 years, and in accordance with the provisions of SFAS No. 142, goodwill resulting from business combinations completed after June 30, 2001 is not amortized. The results of operations of acquired businesses have been included in the Consolidated Statement of Operations beginning on the effective date of acquisition.

The cost of acquisitions, including finalization of restructuring plans, and allocations of cost may require adjustment based upon information that may come to the attention of the Corporation which is not currently available.

DISPOSITIONS. In May 1999, the Corporation sold its UT Automotive unit to Lear Corporation for $2.3 billion, resulting in a $2.2 billion source of cash and a $650 million after tax gain. Related results, through the date of disposition, appear as income from operations of the discontinued UT Automotive unit in the Consolidated Statement of Operations for 1999. UT Automotive revenues prior to the disposition were $1,115 million in 1999.

Note 3 Earnings Per Share

IN MILLIONS, EXCEPT PER SHARE AMOUNTS	Income	Average Shares	Per Share Amount
December 31, 2001			
Income from continuing operations and net income	**$1,938**		
Less: ESOP Stock dividends	**(31)**		
Basic earnings from continuing operations and net earnings	**1,907**	**470.2**	**$4.06**
Stock awards	**—**	**9.2**	
ESOP Stock adjustment	**28**	**26.0**	
Diluted earnings from continuing operations and net earnings	**$1,935**	**505.4**	**$3.83**
December 31, 2000			
Income from continuing operations and net income	$1,808		
Less: ESOP Stock dividends	(32)		
Basic earnings from continuing operations and net earnings	1,776	470.1	$3.78
Stock awards	—	11.3	
ESOP Stock adjustment	28	26.6	
Diluted earnings from continuing operations and net earnings	$1,804	508.0	$3.55
December 31, 1999			
Income from continuing operations	$ 841		
Less: ESOP Stock dividends	(33)		
Basic earnings from continuing operations	808	465.6	$1.74
Stock awards	—	13.8	
ESOP Stock adjustment	28	27.3	
Diluted earnings from continuing operations	$ 836	506.7	$1.65
Net income	$1,531		
Less: ESOP Stock dividends	(33)		
Basic earnings	1,498	465.6	$3.22
Stock awards	—	13.8	
ESOP Stock adjustment	28	27.3	
Diluted earnings	$1,526	506.7	$3.01

Note 4 Commercial Aerospace Industry Assets and Commitments

The Corporation has receivables and other financing assets with commercial aerospace industry customers totaling $1,438 million and $1,614 million at December 31, 2001 and 2000, net of allowances of $192 million and $226 million.

Customer financing assets related to commercial aerospace industry customers consist of products under lease of $346 million and notes and leases receivable of $355 million. The notes and leases receivable are scheduled to mature as follows: $114 million in 2002, $109 million in 2003, $62 million in 2004, $20 million in 2005, $11 million in 2006 and $39 million thereafter.

Financing commitments, in the form of secured debt, guarantees or lease financing, are provided to commercial aerospace customers. The extent to which the financing commitments will be utilized cannot currently be predicted, since customers may be able to obtain more favorable terms from other financing sources. The Corporation may also arrange for third-party investors to assume a portion of its commitments. If financing commitments are exercised, debt financing is generally secured by assets with fair market values equal to or exceeding the financed amounts with interest rates established at the time of funding. The Corporation also may lease aircraft and subsequently sublease the aircraft to customers under long-term noncancelable operating leases. In some instances, customers may have minimum lease terms, which result in sublease periods shorter than the Corporation's lease obligation. Lastly, the Corporation has residual value and other guarantees related to various commercial aircraft engine customer financing arrangements. The estimated fair market values of the guaranteed assets equal or exceed the value of the related guarantees, net of existing reserves.

The Corporation's commercial aerospace financing and rental commitments as of December 31, 2001 were $1,264 million and are exercisable as follows: $197 million in 2002, $115 million in 2003, $80 million in 2004, $60 million in 2005, $60 million in 2006 and $752 million thereafter. The Corporation's financing obligations with customers are contingent upon maintenance of certain levels of financial condition by the customers.

In addition, the Corporation had net residual value and other guarantees of $161 million as of December 31, 2001.

The Corporation has a 33% interest in International Aero Engines AG ("IAE"), an international consortium of four shareholders organized to support the V2500 commercial aircraft engine program. IAE may offer customer financing in the form of guarantees, secured debt or lease financing in connection with V2500 engine sales. At December 31, 2001, IAE had financing commitments of $897 million. The Corporation's share of IAE's financing commitments was approximately $291 million at December 31, 2001. In addition, IAE had lease obligations under long-term noncancelable leases of approximately $347 million through 2021 related to aircraft, which are subleased to customers under long-term leases. These aircraft have fair market values which approximate the financed amounts. The shareholders of IAE have guaranteed IAE's financing arrangements to the extent of their respective ownership interests. In the event of default by a shareholder on certain of these financing arrangements, the other shareholders would be proportionately responsible.

Note 5 Inventories and Contracts in Progress

IN MILLIONS OF DOLLARS	2001	2000
Inventories consist of the following:		
Raw material	**$ 728**	$ 738
Work-in-process	**1,208**	1,179
Finished goods	**2,176**	2,099
Contracts in progress	**2,106**	1,849
	6,218	5,865
Less:		
Progress payments, secured by lien, on U.S. Government contracts	**(146)**	(137)
Billings on contracts in progress	**(2,099)**	(1,972)
	$ 3,973	$ 3,756

Contracts in progress principally relate to elevator and escalator contracts and include costs of manufactured components, accumulated installation costs and estimated earnings on incomplete contracts.

The Corporation's sales contracts in many cases are long-term contracts expected to be performed over periods exceeding twelve months. Approximately 58% and 54% of total inventories and contracts in progress have been acquired or manufactured under such long-term contracts at December 31, 2001 and 2000, a portion of which is not scheduled for delivery under long-term contracts within the next twelve months.

If inventories which were valued using the LIFO method had been valued under the FIFO method, they would have been higher by $103 million and $106 million at December 31, 2001 and 2000.

Note 6 Fixed Assets

IN MILLIONS OF DOLLARS	Estimated Useful Lives	2001	2000
Land	–	**$ 188**	$ 193
Buildings and improvements	20-40 years	**3,373**	3,403
Machinery, tools and equipment	3-12 years	**6,524**	6,292
Other, including under construction	–	**320**	467
		10,405	10,355
Accumulated depreciation		**(5,856)**	(5,868)
		$ 4,549	$ 4,487

Depreciation expense was $616 million in 2001, $608 million in 2000 and $633 million in 1999.

Note 7 Accrued Liabilities

IN MILLIONS OF DOLLARS	2001	2000
Accrued salaries, wages and employee benefits	**$ 984**	$ 923
Accrued restructuring costs	**197**	145
Service and warranty accruals	**555**	529
Advances on sales contracts	**994**	959
Income taxes payable	**508**	659
Other	**2,255**	2,533
	$ 5,493	$ 5,748

Note 8 Borrowings and Lines of Credit

Short-term borrowings consist of the following:

IN MILLIONS OF DOLLARS	2001	2000
Domestic borrowings	**$ 2**	$ 65
Foreign bank borrowings	**273**	361
Commercial paper	**313**	613
	$588	$1,039

The weighted-average interest rates applicable to short-term borrowings outstanding at December 31, 2001 and 2000 were 5.6% and 7.7%. At December 31, 2001, approximately $1.1 billion was available under short-term lines of credit with local banks at the Corporation's various international subsidiaries.

At December 31, 2001, the Corporation had credit commitments from banks totaling $1.5 billion under a Revolving Credit Agreement, which serves as a back-up facility for issuance of commercial paper. There were no borrowings under the Revolving Credit Agreement at December 31, 2001.

Long-term debt consists of the following:

IN MILLIONS OF DOLLARS	Weighted Average Interest Rate	Maturity	2001	2000
Notes and other debt denominated in:				
U.S. dollars	6.8%	2002-2029	**$3,890**	$3,195
Foreign currency	10.7%	2002-2018	**199**	212
Capital lease obligations	8.2%	2002-2015	**16**	64
ESOP debt	7.7%	2002-2009	**266**	301
			4,371	3,772
Less: Long-term debt currently due			**134**	296
			$4,237	$3,476

Principal payments required on long-term debt for the next five years are: $134 million in 2002, $138 million in 2003, $366 million in 2004, $35 million in 2005, and $695 million in 2006.

In 2001, the Corporation entered into $325 million of interest rate contracts which swap fixed interest rates for floating rates. The expiration dates of the various contracts are tied to scheduled debt payment dates and extend to 2004.

The Corporation issued a total of $900 million and $500 million of notes in 2001 and 2000, respectively, under shelf registration statements previously filed with the Securities and Exchange Commission. The weighted-average interest rate on the 2001 notes is 5.694%. The 2000 notes carry an interest rate of 7.125%. Proceeds from the debt issuances were used for general corporate purposes, including repayment of commercial paper in 2001, financing a portion of the 2000 acquisition of Specialty Equipment Companies, funding other acquisitions and repurchasing the Corporation's Common Stock.

At December 31, 2001, up to $1.6 billion of additional medium-term and long-term debt could be issued under shelf registration statements on file with the Securities and Exchange Commission.

The percentage of total debt at floating interest rates was 18% and 22% at December 31, 2001 and 2000.

Note 9 Taxes on Income

Significant components of income tax provision (benefit) for each year are as follows:

IN MILLIONS OF DOLLARS	2001	2000	1999
Current:			
United States:			
Federal	**$(65)**	$ 55	$ 32
State	**21**	37	26
Foreign	**403**	387	323
	359	479	381
Future:			
United States:			
Federal	**23**	8	67
State	**(18)**	73	(61)
Foreign	**(10)**	27	(2)
	(5)	108	4
	354	587	385
Attributable to items credited (charged) to equity and goodwill	**401**	266	(60)
	$755	$853	$325

Future income taxes represent the tax effects of transactions which are reported in different periods for tax and financial reporting purposes. These amounts consist of the tax effects of temporary differences between the tax and financial reporting balance sheets and tax carryforwards. The tax effects of temporary differences and tax carryforwards which gave rise to future income tax benefits and payables at December 31, 2001 and 2000 are as follows:

IN MILLIONS OF DOLLARS	2001	2000
Future income tax benefits:		
Insurance and employee benefits	**$ 840**	$ 685
Other asset basis differences	**300**	313
Other liability basis differences	**1,219**	1,332
Tax loss carryforwards	**176**	165

Tax credit carryforwards	**228**	217
Valuation allowance	**(180)**	(208)
	$2,583	$ 2,504
Future income taxes payable:		
Fixed assets	**$ 64**	$ 67
Other items, net	**130**	81
	$ 194	$ 148

Current and non-current future income tax benefits and payables within the same tax jurisdiction are generally offset for presentation in the Consolidated Balance Sheet. Valuation allowances have been established primarily for tax credit and tax loss carryforwards to reduce the future income tax benefits to amounts expected to be realized.

The sources of income from continuing operations before income taxes and minority interests are:

IN MILLIONS OF DOLLARS	2001	2000	1999
United States	**$1,619**	$1,511	$ 352
Foreign	**1,188**	1,247	905
	$2,807	$2,758	$1,257

United States income taxes have not been provided on undistributed earnings of international subsidiaries. The Corporation's intention is to reinvest these earnings permanently or to repatriate the earnings only when it is tax effective to do so. Accordingly, the Corporation believes that any U.S. tax on repatriated earnings would be substantially offset by U.S. foreign tax credits.

Differences between effective income tax rates and the statutory U.S. federal income tax rates are as follows:

	2001	2000	1999
Statutory U.S. federal income tax rate	**35.0%**	35.0%	35.0%
Varying tax rates of consolidated subsidiaries (including Foreign Sales Corporation)	**(6.2)**	(6.0)	(7.5)
Goodwill	**1.8**	1.7	2.5
Enacted tax law changes	**—**	1.9	(0.3)
Tax audit settlement	**(3.1)**	—	—
Other	**(0.6)**	(1.7)	(3.8)
Effective income tax rate	**26.9%**	30.9%	25.9%

The 2001 effective tax rate includes the impact of the favorable settlement of certain prior year tax audits. Excluding this settlement, the 2001 effective tax rate was 30.0%.

The 2000 effective tax rate includes the impact of two discrete items: the revaluation of the Corporation's state deferred tax asset resulting from the enactment of the Connecticut tax law changes and the benefits of income tax credits for prior periods associated with an industry related court decision. Excluding the discrete items, the 2000 effective tax rate was 30.5%.

The 1999 effective tax rate includes the impact of the Corporation's 1999 restructuring actions. Excluding restructuring, the 1999 effective tax rate was 30.9%.

Tax credit carryforwards at December 31, 2001 were $228 million of which $16 million expires from 2002-2005.

Tax loss carryforwards, principally state and foreign, at December 31, 2001 were $722 million of which $420 million expire as follows: $156 million from 2002-2006, $158 million from 2007-2011, $106 million from 2012-2021.

Note 10 Employee Benefit Plans

The Corporation and its subsidiaries sponsor numerous domestic and foreign employee benefit plans. Those plans are discussed below.

EMPLOYEE SAVINGS PLANS. The Corporation and certain subsidiaries sponsor various employee savings plans. Total contribution expenses were $123 million, $107 million and $98 million for 2001, 2000 and 1999.

The Corporation's nonunion domestic employee savings plan uses an Employee Stock Ownership Plan ("ESOP") for employer contributions. External borrowings, guaranteed by the Corporation and reported as debt in the Consolidated Balance Sheet, were used by the ESOP to fund a portion of its purchase of ESOP Stock from the Corporation. Each share of ESOP Stock is convertible into four shares of Common Stock, has a guaranteed value of $65, a $4.80 annual dividend and is redeemable at any time for $65 per share. Upon notice of redemption by the Corporation, the Trustee has the right to convert the ESOP Stock into Common Stock. Because of its guaranteed value, the ESOP Stock is classified outside of permanent equity.

Shares of ESOP Stock are committed to employees at fair value on the date earned. The ESOP Stock's cash dividends are used for debt service payments. Participants receive shares in lieu of the cash dividends. As debt service payments are made, ESOP Stock is released from an unreleased shares account. If share releases do not meet share commitments, the Corporation will contribute additional ESOP Stock, Common Stock or cash. At December 31, 2001, 6.5 million shares had been committed to employees, leaving 4.8 million shares in the ESOP Trust, with an approximate fair value of $1,235 million based on equivalent common shares.

Upon withdrawal, shares of the ESOP Stock must be converted into the Corporation's Common Stock or, if the value of the Common Stock is less than the guaranteed value of the ESOP Stock, the Corporation must repurchase the shares at their guaranteed value.

PENSION AND POSTRETIREMENT PLANS. The Corporation and its subsidiaries sponsor many domestic and foreign defined benefit pension and other postretirement plans with balances as follows:

	Pension Benefits		Other Postretirement Benefits	
IN MILLIONS OF DOLLARS	2001	2000	2001	2000
Change in Benefit Obligation:				
Beginning balance	**$ 12,232**	$ 11,830	**$ 1,175**	$ 1,118
Service cost	**250**	238	**15**	13
Interest cost	**869**	839	**85**	82
Actuarial (gain) loss	**(239)**	133	**(152)**	8
Total benefits paid	**(796)**	(830)	**(106)**	(100)

Net settlement and curtailment loss (gain)	13	(6)	8	—
Acquisitions	3	84	—	39
Other	22	(56)	15	15
Ending balance	$ 12,354	$ 12,232	$ 1,040	$ 1,175
Change in Plan Assets:				
Beginning balance	$ 13,119	$ 12,196	$ 76	$ 78
Actual return on plan assets	(2,338)	1,669	(7)	4
Employer contributions	51	47	1	1
Benefits paid from plan assets	(755)	(798)	(11)	(11)
Acquisitions	1	52	—	—
Other	(53)	(47)	3	4
Ending balance	$ 10,025	$ 13,119	$ 62	$ 76
Funded status	$ (2,329)	$ 887	$ (978)	$(1,099)
Unrecognized net actuarial loss (gain)	2,173	(1,035)	(138)	(9)
Unrecognized prior service cost	287	284	(105)	(111)
Unrecognized net liability at transition	7	6	18	—
Net amount recognized	$ 138	$ 142	$(1,203)	$(1,219)
Amounts Recognized in the Consolidated Balance Sheet Consist of:				
Prepaid benefit cost	$ 492	$ 482	$ —	$ —
Accrued benefit liability	(1,534)	(449)	(1,203)	(1,219)
Intangible asset	286	37	—	—
Accumulated other non-shareowners' changes in equity	894	72	—	—
Net amount recognized	$ 138	$ 142	$(1,203)	$(1,219)

The pension funds are valued at September 30 of the respective years in the preceding table. The Corporation contributed $247 million of Treasury Stock to its pension plans in December 2001. Major assumptions used in the accounting for the employee benefit plans are shown in the following table as weighted-averages:

	2001	2000	1999
Pension Benefits:			
Discount rate	7.4%	7.4%	7.3%
Expected return on plan assets	9.6%	9.7%	9.6%
Salary scale	4.7%	4.9%	4.8%
Other Postretirement Benefits:			
Discount rate	7.5%	7.5%	7.5%
Expected return on plan assets	9.6%	9.6%	9.6%

For measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001. The rate is assumed to remain at that level thereafter.

IN MILLIONS OF DOLLARS	2001	2000	1999
Components of Net Periodic Benefit Cost:			
Pension Benefits:			
Service cost	$ 250	$ 238	$ 264
Interest cost	869	839	727
Expected return on plan assets	(1,135)	(1,060)	(926)
Amortization of prior service cost	36	34	33
Amortization of unrecognized net transition asset	(2)	(20)	(23)
Recognized actuarial net loss	14	11	16
Net settlement and curtailment loss (gain)	46	(2)	82
Discontinued operation benefit	—	—	16
Net periodic pension benefit cost – continuing operations	$ 78	$ 40	$ 189
Net periodic pension benefit cost of multiemployer plans	$ 45	$ 30	$ 33
Other Postretirement Benefits:			
Service cost	$ 15	$ 13	$ 13
Interest cost	85	82	56
Expected return on plan assets	(7)	(7)	(7)
Amortization of prior service cost	(13)	(16)	(18)
Net settlement and curtailment gain	(3)	—	(13)
Discontinued operation benefit	—	—	5

	2001	2000	1999
Net periodic other postretirement benefit cost – continuing operations	**$ 77**	$ 72	$ 36

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $11,551 million, $10,596 million and $9,560 million, as of December 31, 2001 and $810 million, $653 million and $236 million, as of December 31, 2000.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would change the accumulated postretirement benefit obligation as of December 31, 2001 by approximately $50 million. The effects of this change on the service expense and the interest expense components of the net postretirement benefit expense for 2001 would be $5 million.

LONG-TERM INCENTIVE PLANS. The Corporation has long-term incentive plans authorizing various types of market and performance based incentive awards, which may be granted to officers and employees. The 1989 Long-Term Incentive Plan provides for the annual grant of awards in an amount not to exceed 2% of the aggregate shares of Common Stock, treasury shares and potentially dilutive common shares for the preceding year. In addition, up to 4 million options on Common Stock may be granted annually under the Corporation's Employee Stock Option Plan. The exercise price of stock options, set at the time of the grant, is not less than the fair market value per share at the date of grant. Options have a term of ten years and generally vest after three years.

A summary of the transactions under all plans for the three years ended December 31, 2001 follows:

SHARES AND UNITS IN THOUSANDS	Stock Options Shares	Stock Options Average Price	Other Incentive Shares/Units
Outstanding at:			
December 31, 1998	41,222	$26.20	2,020
Granted	12,259	52.49	139
Exercised/earned	(7,385)	21.59	(880)
Canceled	(1,428)	47.51	(29)
December 31, 1999	44,668	33.49	1,250
Granted	8,167	64.55	86
Exercised/earned	(9,412)	24.99	(840)
Canceled	(1,031)	51.55	(13)
December 31, 2000	42,392	40.93	483
Granted	**8,255**	**75.60**	**78**
Exercised/earned	**(6,206)**	**26.83**	**(127)**
Canceled	**(1,292)**	**66.33**	**(40)**
December 31, 2001	**43,149**	**$48.85**	**394**

Granted options in the above table include options issued in connection with business combinations. The 1999 grant amount includes the issuance of 2.6 million options associated with the purchase of Sundstrand in exchange for vested Sundstrand options.

The Corporation applies APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its long-term incentive plans. Accordingly, no compensation cost has been recognized for its fixed stock options. The compensation (benefit) cost that has been recorded for stock-based performance awards was $(2) million, $10 million and $26 million for 2001, 2000 and 1999.

The following table summarizes information about stock options outstanding (in thousands) at December 31, 2001:

	Options Outstanding			Options Exercisable	
Exercise Price	Shares	Average Price	Remaining Term	Shares	Average Price
$10.01-$25.00	8,236	$18.81	2.98	8,236	$18.81
$25.01-$40.00	9,847	35.22	5.36	9,787	35.20
$40.01-$55.00	7,534	51.76	6.86	2,887	48.20
$55.01-$70.00	6,853	61.45	7.96	797	61.27
$70.01-$85.00	10,679	74.46	8.95	2,250	71.11

Had compensation cost for the Corporation's stock-based compensation plans been determined based on the fair value at the grant date for awards under those plans consistent with the requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," the Corporation's net income and earnings per share would have been reduced as follows:

IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS	2001	2000	1999
Net income:			
As reported	**$1,938**	$1,808	$1,531
Pro forma	**1,836**	1,734	1,470
Basic earnings per share:			
As reported	**$ 4.06**	$ 3.78	$ 3.22
Pro forma	**3.84**	3.62	3.09
Diluted earnings per share:			
As reported	**$ 3.83**	$ 3.55	$ 3.01
Pro forma	**3.64**	3.41	2.89

The fair value of each stock option grant has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2001	2000	1999
Risk-free interest rate	**4.8%**	6.1%	4.8%
Expected life	**5 years**	5 years	6 years
Expected volatility	**36%**	30%	25%
Expected dividend yield	**1.3%**	1.0%	1.2%

The weighted-average grant date fair values of options granted during 2001, 2000 and 1999 were $24.83, $21.33 and $17.20.

Note 11 Restructuring

2001 ACTIONS. During the second half of 2001, the Corporation recorded pre-tax charges totaling $348 million associated with ongoing efforts to reduce costs in its segments in a continually challenging business environment and to address current conditions in the commercial aerospace industry. The actions focus principally on improving the level of organizational efficiency and consolidation of manufacturing, sales and service facilities. The charges were recorded in the Corporation's segments as follows: Otis $83 million, Carrier $172 million, Pratt & Whitney $63 million and Flight Systems $30 million. The charges include accruals of $256 million for severance and related employment termination costs, $53 million for asset write-downs and $19 million for facility exit and lease termination costs.

The amounts include $224 million recorded in cost of sales and $124 million in selling, general and administrative expenses, and relate to net workforce reductions of approximately 8,700 salaried and hourly employees, the elimination of approximately 2.3 million square feet of facilities and the disposal of assets associated with exited facilities.

During 2001, approximately 4,600 positions were eliminated. The balance of the workforce and facility related cost reduction actions are targeted to be completed in 2002. As of December 31, 2001 approximately $180 million of severance and related costs and $17 million of facility exit and lease termination accruals remain.

1999 ACTIONS. During 1999, the Corporation's segments initiated a variety of actions aimed at further strengthening their future profitability and competitive position. These actions were focused principally on rationalizing manufacturing processes and improving the level of organizational efficiency, including the removal of management layers, and facility closures and consolidation. Restructuring charges accrued in 1999 were $842 million before income taxes and minority interests and were planned to result in net reductions of approximately 15,000 salaried and hourly employees and approximately 8 million square feet of facilities.

The 1999 accrued costs were recorded in the Corporation's segments as follows: Otis $178 million, Carrier $182 million, Pratt & Whitney $345 million, Flight Systems $131 million and other $6 million. The 1999 accrued costs were recorded in cost of sales (87%) and selling, general and administrative expenses (13%).

The following table summarizes the accrued costs associated with the 1999 restructuring actions by type and related activity through December 31, 2001:

IN MILLIONS OF DOLLARS	Accrued Severance and Related Costs	Asset Write-downs	Accrued Exit & Lease Termination Costs	Accrued Site Restoration & Other Costs	Total
1999 Charges:					
Staff reductions	$ 433	$ –	$ –	$ –	$ 433
Facility closures	149	160	44	56	409
Total accrued charges	582	160	44	56	842
Adjustments	(84)	–	(14)	1	(97)
Utilized to date:					
Cash	(377)	–	(22)	(27)	(426)
Non-cash	(121)	(160)	(8)	(30)	(319)
Balance at December 31, 2001	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**

The adjustments to the 1999 restructuring liability result from completion of actions for amounts lower than originally estimated and revision of several of the original programs. These adjustments were more than offset by additional restructuring charges associated with the 1999 actions that were not accruable or contemplated when the actions were initiated, which totaled $134 million, $317 million and $141 million in 2001, 2000 and 1999.

As of December 31, 2001, these actions have been completed, substantially as planned.

Note 12 Foreign Exchange

The Corporation conducts business in many different currencies and, accordingly, is subject to the inherent risks associated with foreign exchange rate movements. The financial position and results of operations of substantially all of the Corporation's foreign subsidiaries are measured using the local currency as the functional currency. The aggregate effects of translating the balance sheets of these subsidiaries are deferred as a separate component of shareowners' equity. The Corporation had foreign currency net assets in more than forty currencies, aggregating $3.7 billion and $3.2 billion at December 31, 2001 and 2000.

At December 31, the Corporation had the following amounts related to foreign exchange contracts hedging foreign currency transactions:

IN MILLIONS OF DOLLARS	2001	2000
Notional amount	**$ 3,033**	$ 2,709
Gains and losses explicitly deferred as a result of hedging firm commitments:		
Gains deferred	**$ 13**	$ 32
Losses deferred	**(50)**	(55)
	$ (37)	$ (23)

Note 13 Financial Instruments

The Corporation operates internationally and, in the normal course of business, is exposed to fluctuations in interest rates, foreign exchange rates and commodity prices. These fluctuations can increase the costs of financing, investing and operating the business. The Corporation manages its foreign currency transaction risks and some commodity exposures to acceptable limits through the use of derivatives designated as hedges.

By nature, all financial instruments involve market and credit risks. The Corporation enters into derivative and other financial instruments with major investment grade financial institutions and has policies to monitor the credit risk of those counterparties. The Corporation limits counterparty exposure and concentration of risk by diversifying counterparties. The Corporation does not anticipate nonperformance by any of these counterparties.

The adoption of SFAS No. 133 effective January 1, 2001 resulted in a $3 million pre-tax transition gain, recorded in "Financing revenues and other income, net" and reduced shareowners' equity by $7 million, net of tax. The income statement gain recorded at transition was largely offset by a net loss in the first quarter of 2001 associated primarily with derivatives and embedded derivatives that are not designated as hedges and do not cover balance sheet exposures.

During the year ended December 31, 2001, $55 million of net derivative losses were deferred in shareowners' equity related to cash flow hedges and $32 million of accumulated derivative losses were reclassified out of shareowners' equity into sales or cost of products sold. At December 31, 2001, the net accumulated derivative losses in shareowners' equity were $23 million.

Of the amount recorded in shareowners' equity, a $28 million pre-tax loss is expected to be reclassified into sales or cost of products sold to reflect the fixed prices obtained from hedging within the next twelve months. Gains and losses recognized in earnings related to the discontinuance of cash flow hedges and ineffectiveness of cash flow hedges for the year ended December 31, 2001 were immaterial. All open derivative contracts mature by December 2005.

The carrying amounts and fair values of financial instruments are as follows:

	DECEMBER 31, 2001		DECEMBER 31, 2000	
IN MILLIONS OF DOLLARS	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial assets and liabilities				
Marketable equity securities	**$ 53**	**$ 53**	$ 48	$ 48
Long-term receivables	**56**	**57**	58	54
Customer financing note receivables	**377**	**374**	343	340
Short-term borrowings	**(588)**	**(588)**	(1,039)	(1,039)
Long-term debt	**(4,355)**	**(4,586)**	(3,708)	(3,879)
Derivative Instruments				
Foreign Exchange Contracts:				
Receivables	**24**	**24**	40	40
Payables	**(63)**	**(63)**	(77)	(70)
Commodity Forward Contracts:				
Receivables	**—**	**—**	2	2
Payables	**(11)**	**(11)**	(3)	(3)
Interest Rate Swaps:				
Receivables	**4**	**4**	—	—
Payables	**(2)**	**(2)**	—	—

The above fair values were computed based on comparable transactions, quoted market prices, discounted future cash flows or an estimate of the amount to be received or paid to terminate or settle the agreement, as applicable.

The values of marketable equity securities represent the Corporation's investment in common stock that is classified as available for sale and is accounted for at fair value.

The Corporation had outstanding financing and rental commitments totaling $1,555 million at December 31, 2001. Risks associated with changes in interest rates on these commitments are negated by the fact that interest rates are variable during the commitment term and are set at the date of funding based on current market conditions, the fair value of the underlying collateral and the credit worthiness of the customers. As a result, the fair value of these financings is expected to equal the amounts funded. The fair value of the commitment itself is not readily determinable and is not considered significant. Additional information pertaining to these commitments is included in Note 4.

Note 14 Commitments and Contingent Liabilities

LEASES. The Corporation occupies space and uses certain equipment under lease arrangements. Rental commitments of $661 million at December 31, 2001 under long-term noncancelable operating leases are payable as follows: $179 million in 2002, $135 million in 2003, $98 million in 2004, $73 million in 2005, $50 million in 2006 and $126 million thereafter.

Rent expense was $204 million in 2001, $194 million in 2000 and $194 million in 1999.

Additional information pertaining to commercial aerospace rental commitments is included in Note 4.

ENVIRONMENTAL. The Corporation's operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over its foreign operations. As described in Note 1, the Corporation has accrued for the costs of environmental remediation activities and periodically reassesses these amounts. Management believes that the likelihood of incurring losses materially in excess of amounts accrued is remote.

The Corporation has had insurance in force over its history with a number of insurance companies and has pursued litigation seeking indemnity and defense under these insurance policies in relation to its environmental liabilities. In January 2002, the Corporation settled the last of these lawsuits under an agreement providing for the Corporation to receive payments totaling approximately $100 million. Accrued environmental liabilities are not reduced by potential insurance reimbursements.

U.S. GOVERNMENT. The Corporation is now, and believes that in light of the current government contracting environment it will be, the subject of one or more government investigations. If the Corporation or one of its business units were charged with wrongdoing as a result of any of these investigations, they could be suspended from bidding on or receiving awards of new government contracts pending the completion of legal proceedings. If convicted or found liable, the Corporation could be fined and debarred from new government contracting for a period generally not to exceed three years. Any contracts found to be tainted by fraud could be voided by the Government.

The Corporation's contracts with the U.S. Government are also subject to audits. Like many defense contractors, the Corporation has received audit reports which recommend that certain contract prices should be reduced to comply with various government regulations. Some of these audit reports involve substantial amounts. The Corporation has made voluntary refunds in those cases it believes appropriate. In addition, the Corporation accrues for liabilities associated with those matters that are probable and can be reasonably estimated.

OTHER. The Corporation extends performance and operating cost guarantees beyond its normal warranty and service policies for extended periods on some of its products, particularly commercial aircraft engines. Liability under such guarantees is contingent upon future product performance and durability. In addition, the Corporation incurs discretionary costs to service its products in connection with product performance issues. The Corporation has accrued its estimated liability that may result under these guarantees and for service costs which are probable and can be reasonably estimated.

The Corporation also has other commitments and contingent liabilities related to legal proceedings and matters arising out of the normal course of business.

The Corporation has accrued for environmental investigatory, remediation, operating and maintenance costs, performance guarantees and other litigation and claims based on management's estimate of the probable outcome of these matters. While it is possible that the outcome of these matters may differ from the recorded liability, management believes that resolution of these matters will not have a material impact on the Corporation's financial position, results of operations or cash flows.

Note 15 Segment Financial Data

The Corporation's operations are classified in four principal segments. Those segments were generally determined based on the management of the businesses and on the basis of separate groups of operating companies, each with general operating autonomy over diversified products and services.

OTIS products include elevators, escalators, service, automated people movers and spare parts sold to a diversified international customer base principally in commercial real estate development.

CARRIER products include heating, ventilating and air conditioning systems and equipment, commercial and transport refrigeration equipment and service for a diversified international customer base principally in commercial and residential real estate development.

PRATT & WHITNEY products include aircraft engines and spare parts sold to a diversified customer base, including international and domestic commercial airlines and aircraft leasing companies, aircraft manufacturers, and U.S. and non-U.S. governments. Pratt & Whitney also provides product support and a full range of overhaul, repair and fleet management services and produces land-based power generation equipment and rocket propulsion systems.

FLIGHT SYSTEMS SEGMENT provides global aerospace and industrial products and services through Hamilton Sundstrand and Sikorsky Aircraft. Hamilton Sundstrand provides aerospace and industrial products for diversified industries. Aerospace products include aircraft power generation management and distribution systems, and environmental, flight and fuel control systems. Sikorsky Aircraft products include commercial and military helicopters, aftermarket products and service.

Segment and geographic data include the results of all majority-owned businesses, consistent with the management reporting of these businesses. For certain of these subsidiaries, minority shareholders have rights which, under the provisions of EITF 96-16, overcome the presumption of control. In the Corporation's consolidated results, these subsidiaries are accounted for using the equity method of accounting. Adjustments to reconcile segment reporting to consolidated results are included in "Eliminations and other," which also includes certain small subsidiaries.

Segment information for the years ended December 31 follows:

Segment Information

	Total Revenues			Operating Profits		
IN MILLIONS OF DOLLARS	**2001**	2000	1999	**2001**	2000	1999
Otis	**$ 6,338**	$ 6,153	$ 5,654	**$ 847**	$ 798	$ 493
Carrier	**8,895**	8,430	7,353	**590**	795	459
Pratt & Whitney	**7,679**	7,366	7,674	**1,308**	1,200	634
Flight Systems	**5,292**	4,992	3,810	**670**	614	247
Total segment	**$28,204**	$26,941	$24,491	**$3,415**	$3,407	$1,833
Eliminations and other	**(307)**	(358)	(364)	**25**	(39)	(85)
General corporate expenses	**—**	—	—	**(207)**	(228)	(231)
Consolidated	**$27,897**	$26,583	$24,127	**$3,233**	$3,140	$1,517
Interest expense				**(426)**	(382)	(260)
Income from continuing operations before income taxes and minority interests				**$2,807**	$2,758	$1,257

	Total Assets			Capital Expenditures			Depreciation & Amortization		
IN MILLIONS OF DOLLARS	**2001**	2000	1999	**2001**	2000	1999	**2001**	2000	1999
Otis	**$ 3,777**	$ 3,753	$ 4,036	**$ 80**	$108	$ 84	**$159**	$165	$145
Carrier	**7,202**	6,907	5,592	**226**	231	237	**248**	206	195
Pratt & Whitney	**6,049**	5,951	5,660	**343**	369	243	**223**	217	250
Flight Systems	**7,724**	7,750	7,677	**125**	195	166	**259**	261	216
Total segment	**$24,752**	$24,361	$22,965	**$774**	$903	$730	**$889**	$849	$806
Eliminations and other	**2,217**	1,003	1,401	**19**	34	32	**16**	10	13
Consolidated	**$26,969**	$25,364	$24,366	**$793**	$937	$762	**$905**	$859	$819

SEGMENT REVENUES AND OPERATING PROFIT. Total revenues by segment include intersegment sales, which are generally made at prices approximating those that the selling entity is able to obtain on external sales. Operating profits by segment include income before interest expense, income taxes and minority interest.

Geographic Areas

	External Revenues			Operating Profits			Long-Lived Assets		
IN MILLIONS OF DOLLARS	**2001**	2000	1999	**2001**	2000	1999	**2001**	2000	1999
United States operations	**$17,109**	$16,231	$14,814	**$1,987**	$1,950	$ 757	**$ 8,489**	$ 8,535	$ 7,465
International operations:									
Europe	**4,716**	4,413	4,433	**570**	606	473	**1,188**	1,030	1,028
Asia Pacific	**3,420**	3,319	2,615	**416**	368	206	**1,404**	1,418	1,464
Other	**2,785**	2,820	2,472	**442**	483	396	**574**	534	514
Eliminations and other	**(133)**	(200)	(207)	**(182)**	(267)	(315)	**72**	71	28
Consolidated	**$27,897**	$26,583	$24,127	**$3,233**	$3,140	$1,517	**$11,727**	$11,588	$10,499

GEOGRAPHIC EXTERNAL REVENUES AND OPERATING PROFIT. Geographic external revenues and operating profits are attributed to the geographic regions based on their location of origin. United States external revenues include export sales to commercial customers outside the U.S. and sales to the U.S. Government, commercial and affiliated customers, which are known to be for resale to customers outside the U.S.

Revenues from United States operations include export sales as follows:

IN MILLIONS OF DOLLARS	2001	2000	1999
Europe	**$1,314**	$1,606	$1,303
Asia Pacific	**1,484**	1,632	1,389
Other	**1,149**	896	950
	$3,947	$4,134	$3,642

GEOGRAPHIC LONG-LIVED ASSETS. Long-lived assets include net fixed assets and intangibles which can be attributed to the specific geographic regions.

MAJOR CUSTOMERS. Revenues include sales under prime contracts and subcontracts to the U.S. Government, primarily related to Pratt & Whitney and Flight Systems products, as follows:

IN MILLIONS OF DOLLARS	2001	2000	1999
Pratt & Whitney	**$1,708**	$1,616	$2,116
Flight Systems	**2,037**	1,207	1,174

Selected Quarterly Financial Data (Unaudited)

	2001 Quarters				2000 Quarters			
IN MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS	First	Second	Third	Fourth	First	Second	Third	Fourth
Sales	**$6,597**	**$7,260**	**$6,734**	**$6,895**	$6,307	$6,871	$6,339	$6,689
Gross margin	**1,785**	**2,076**	**1,811**	**1,727**	1,679	1,884	1,814	1,859
Income from continuing operations	**440**	**588**	**565**	**345**	377	509	496	426
Net income	**440**	**588**	**565**	**345**	377	509	496	426
Earnings per share of Common Stock:								
Basic:								
Continuing operations	**$ .92**	**$ 1.23**	**$ 1.19**	**$ .72**	$ .78	$ 1.07	$ 1.04	$ .89
Net earnings	**$ .92**	**$ 1.23**	**$ 1.19**	**$ .72**	$ .78	$ 1.07	$ 1.04	$ .89
Diluted:								
Continuing operations	**$ .86**	**$ 1.16**	**$ 1.12**	**$ .69**	$ .74	$ 1.00	$ .98	$ .84
Net earnings	**$ .86**	**$ 1.16**	**$ 1.12**	**$ .69**	$ .74	$ 1.00	$ .98	$ .84

Comparative Stock Data

	2001			2000		
Common Stock	High	Low	Dividend	High	Low	Dividend
First quarter	**82.08**	**67.00**	**$.225**	65.25	48.06	$ .20
Second quarter	**87.21**	**70.83**	**$.225**	66.19	54.50	$ .20
Third quarter	**76.56**	**41.64**	**$.225**	71.50	56.69	$ .20
Fourth quarter	**65.56**	**47.25**	**$.225**	79.75	63.50	$.225

The Corporation's Common Stock is listed on the New York Stock Exchange. The high and low prices are based on the Composite Tape of the New York Stock Exchange. There were approximately 24,000 common shareowners of record at December 31, 2001.

UNITED TECHNOLOGIES CORPORATION

Subsidiaries of the Registrant
December 31, 2001

Entity Name	State/County of Incorporation
Aerocay Holding Ltd.	Cayman Islands
Ardco, Inc.	Illinois
Asian Compressor Technologies Services Company Limited	Taiwan
Cade Industries, Inc.	Wisconsin
Caricor Ltd.	Delaware
Carlyle Scroll Holdings	Delaware
Carmel Forge Limited (The)	Israel
Carrier Air Conditioning Philippines, Inc.	Philippines
Carrier Air Conditioning Pty Ltd (CPL)	Australia
Carrier China Limited	Hongkong
Carrier Corporation	Delaware
Carrier Enterprises LLC	Delaware
Carrier Espana, SL	Spain
Carrier LG Limited	South Korea
Carrier Limited Korea	South Korea
Carrier Mexico S.A. de C.V.	Mexico
Carrier Refrigeration AB	Sweden
Carrier S.A.	Argentina
Carrier S.A.	France
Carrier S.P.A.	Italy
Carrier Singapore PTE Limited	Singapore
Carrier Transicold Europe S.A.	France
CEAM Srl	Italy
China Tianjin Otis Elevator Company, Ltd.	China
Eagle Services Asia Private Limited	Singapore
Elevadores Otis Ltda.	Brazil
Empresas Carrier S.A. De C.V.	Mexico
Energy Services, Inc.	Delaware
Foray 414 Limited	United Kingdom
Generale Frigorifique S.A.S.U (GFF)	France
Guangzhou Otis Elevator Company, Ltd.	China
Hamilton Sundstrand Corporation	Delaware
Hamilton Sundstrand de Puerto Rico, Inc.	Delaware
Hamilton Sundstrand Holdings, Inc	Delaware
Hamilton Sundstrand Pacific Aerospace PTE Ltd.	Singapore
Hamilton Sundstrand Power Systems, Inc.	Delaware
Helicopter Support, Inc.	Connecticut
Homogeneous Metals, Inc.	New York
HWH of Delaware, Inc.	Delaware
International Comfort Products Corporation (USA)	Delaware
Johns Perry Lifts Holdings	Cayman Islands
Keystone Engineering Company	California
Latin American Holding, Inc.	Delaware
LG Otis Elevator Company	South Korea
Microtecnica Srl	Italy
Milton Roy Company	Pennsylvania
Miraco Development Services & Trading Company, S.A.E.	Egypt
NAES Acquisition Corporation	Delaware
Nevada Bond Investment Corp. II	Nevada
Nippon Otis Elevator Company	Japan
Otis	France
Otis Canada, Inc.	Canada
Otis Elevator (China) Investment Company Limited	China
Otis Elevator Company	Delaware
Otis Elevator Company (H.K.) Limited	Hong Kong
Otis Elevator Company (India) Ltd.	India
Otis Elevator Company (New Jersey)	New Jersey
Otis Elevator Company Pty. Ltd	Australia
Otis Far East Holdings Limited	Hongkong
Otis GmbH & Co. OHG	Germany
Otis Holdings GmbH & Co. OHG	Germany
Otis Holdings Limited	United Kingdom
Otis Investments Plc	United Kingdom

Otis Limited	United Kingdom
Otis Pacific Holdings B.V.	Netherlands
Otis S.p.A	Italy
Pratt & Whitney Air New Zealand Services	New Zealand
Pratt & Whitney Auto Air, Inc.	Michigan
Pratt & Whitney Canada (SEA) Pte Ltd	Singapore
Pratt & Whitney Canada Corp.	Canada
Pratt & Whitney Canada Leasing Inc.	Canada
Pratt & Whitney Cenco, Inc.	Minnesota
Pratt & Whitney Component Solutions, Inc.	Michigan
Pratt & Whitney Composites, Inc.	California
Pratt & Whitney Compressor Airfoils Holding, Inc.	Delaware
Pratt & Whitney Engine Services, Inc.	Delaware
Pratt & Whitney Export, Inc	Delaware
Pratt & Whitney H.A.C., Inc.	Delaware
Pratt & Whitney Holdings LLC	Cayman Islands
Pratt & Whitney Holdings SAS	France
Pratt & Whitney Norway Engine Center AS	Delaware
Pratt & Whitney Power Systems, Inc.	Delaware
Pratt & Whitney San Antonio, Inc.	Delaware
Pratt & Whitney Services Pte Ltd	Singapore
Pratt & Whitney Services, Inc.	Delaware
Profroid Industries S.A.S.U.	France
Ratier-Figeac S.A.	France
Sikorsky Aircraft Corporation	Delaware
Sikorsky Export Corporation	Delaware
Sikorsky International Operations, Inc.	Delaware
Sirius (Korea) Ltd.	United Kingdom
Specialty Equipment Manufacturing Corporation	Delaware
Springer Carrier Ltda.	Brazil
Sullair Europe	France
Sundyne Corporation	Delaware
Tadiran Ampa Ltd.	Israel
The Falk Corporation	Delaware
Toshiba Carrier (Thailand) Corporation	Thailand
Toshiba Carrier UK Limited	United Kingdom
Turbine Overhaul Services Pte Ltd	Singapore
Tyler Holdings Corporation	Delaware
United Technologies Canada, Ltd.	Canada
United Technologies Electronic Controls, Inc.	Delaware
United Technologies Far East Limited	Hong Kong
United Technologies Finance Corporation	Delaware
United Technologies Holdings Limited	United Kingdom
United Technologies Holdings S.A.	France
United Technologies International Corporation (UTIC)	Delaware
United Technologies International Corporation-Asia Private Limited	Singapore
United Technologies International Operations, Inc.	Delaware
United Technologies International SAS	France
UT Insurance (Vermont), Inc.	Vermont
UTC Canada Corporation	Canada
UTC Fuel Cells, LLC	Delaware
UTCL Investments BV	Netherlands
UTSTA Pte Ltd	Singapore
Xizi Otis Elevator Company (Hangzhou) Limited	China
Zardoya Otis, S.A.	Spain

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints WILLIAM H. TRACHSEL, DAVID J. FITZPATRICK and DAVID G. NORD, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2001, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 4th day of February, 2002.

/s/ Antonia Handler Chayes
Antonia Handler Chayes

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints WILLIAM H. TRACHSEL, DAVID J. FITZPATRICK and DAVID G. NORD, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2001, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 4th day of February, 2002.

/s/ Jean-Pierre Garnier
Jean-Pierre Garnier

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints WILLIAM H. TRACHSEL, DAVID J. FITZPATRICK and DAVID G. NORD, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2001, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 4th day of February, 2002.

/s/ Jamie S. Gorelick
Jamie S. Gorelick

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints WILLIAM H. TRACHSEL, DAVID J. FITZPATRICK and DAVID G. NORD, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2001, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 4th day of February, 2002.

/s/ Charles R. Lee
Charles R. Lee

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints WILLIAM H. TRACHSEL, DAVID J. FITZPATRICK and DAVID G. NORD, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2001, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 4th day of February, 2002.

/s/ Richard D. McCormick
Richard D. McCormick

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints WILLIAM H. TRACHSEL, DAVID J. FITZPATRICK and DAVID G. NORD, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2001, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 4th day of February, 2002.

/s/ Frank P. Popoff
Frank P. Popoff

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints WILLIAM H. TRACHSEL, DAVID J. FITZPATRICK and DAVID G. NORD, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2001, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 4th day of February, 2002.

/s/ H. Patrick Swygert
H. Patrick Swygert

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints WILLIAM H. TRACHSEL, DAVID J. FITZPATRICK and DAVID G. NORD, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2001, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 4th day of February, 2002.

/s/ Andre Villeneuve
Andre Villeneuve

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints WILLIAM H. TRACHSEL, DAVID J. FITZPATRICK and DAVID G. NORD, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2001, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 4th day of February, 2002.

/s/ Harold A. Wagner
Harold A. Wagner

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints WILLIAM H. TRACHSEL, DAVID J. FITZPATRICK and DAVID G. NORD, or any one of them, his or her true and lawful attorneys and agents to do any and all acts and things and execute any and all instruments which the said attorneys and agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934 and any rules and regulations and requirements of the Securities and Exchange Commission in respect thereof in connection with the filing of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2001, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 4th day of February, 2002.

/s/ Sanford I. Weill
Sanford I. Weill
