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

FORM 10-K

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

For the fiscal year ended December 31, 1994

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.)

United Technologies Building, Hartford, Connecticut	06101
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (203) 728-7000

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

Title of each class	Name of each exchange on which registered
Medium-Term Notes, Series B, PEN Notes due September 8, 1997	New York Stock Exchange
Common Stock ($5 par value)	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 .

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. [ ]

At February 1, 1995, there were 123,160,678 shares of Common Stock outstanding; the aggregate market value of the voting Common Stock held by non affiliates at February 1, 1995 was approximately $7,851,493,222.

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K into which the document is incorporated: (1) United Technologies Corporation 1994 Annual Report to Shareowners, Parts I, II and IV; and (2) United Technologies Corporation Proxy Statement for the 1995 Annual Meeting of Shareowners, Part III.

UNITED TECHNOLOGIES CORPORATION

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on Form 10-K
Year Ended December 31, 1994

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Item 1. Business

History of Business

United Technologies Corporation was incorporated in Delaware in 1934. Since 1973, growth has been enhanced by the acquisition of several companies and by internal growth of existing businesses of the Corporation*.

During 1990, the Corporation sold its interests in several of the Automotive segment's non-core businesses. The Corporation's planned underwritten public offering of a minority interest in UT Automotive in early 1994 was withdrawn due to financial market conditions. During the second quarter of 1994, the Corporation sold the net operating assets (excluding real property) of its Norden subsidiary. Also in 1994, the Corporation sold its equity holdings in Westland Group plc.

Management's Discussion and Analysis of the Corporation's Results of Operations for 1994 compared to 1993, and for 1993 compared to 1992, and its Financial Position at December 31, 1994 and 1993, and Selected Financial Data for each year in the five year period ended December 31, 1994 are set forth on pages 15 through 25 of the Corporation's 1994 Annual Report to Shareowners. Whenever reference is made in this report to specific pages in the 1994 Annual Report to Shareowners, such pages are incorporated herein by reference.

Operating Units and Industry Segments

The Corporation conducts its business principally through its Otis, Carrier, UT Automotive, Pratt & Whitney, Sikorsky, and Hamilton Standard units and also the United Technologies Research Center.

The operating units of the Corporation conduct their business within five principal industry segments or lines of business--Otis, Carrier, Automotive, Pratt & Whitney, and Flight Systems. The principal products of the operating units reported within each of these industry segments are as follows:

Industry Segment	Principal Products
Otis	--Otis elevators, escalators and service
Carrier	--Carrier heating, ventilating, air conditioning, and refrigeration equipment and service
Automotive	--Automotive components and systems
Pratt & Whitney	--Pratt & Whitney engines, service and space propulsion
Flight Systems	--Sikorsky helicopters and parts --Hamilton Standard engine controls, environmental systems, propellers and other flight systems

The Consolidated Summary of Business Segment Financial Data for the years 1992 through 1994 appears on pages 42 through 45 of the Corporation's 1994 Annual Report to Shareowners.

*"Corporation", unless the context otherwise requires, means United Technologies Corporation and its consolidated subsidiaries.

Description of Business by Industry Segment

The following description of the Corporation's business by industry segment should be read in conjunction with Management's Discussion and Analysis of Results of Operations and Financial Position appearing in the Corporation's 1994 Annual Report to Shareowners, especially the information contained therein under the headings "Business Environment" and "Cost Reduction Actions."

Otis

Otis is the world's leader in the production, installation and service of elevators. During the years 1992 through 1994, the Corporation's total revenues* from elevators, escalators and services were as follows:

Year	Total Revenues-- Elevators, Escalators & Services
1992	$4,512 million
1993	$4,418 million
1994	$4,644 million

Included in the above amounts are service revenues of $2,666 million, $2,636 million and $2,733 million, in 1992, 1993 and 1994, respectively.

Otis designs, manufactures, sells and installs a wide range of passenger and freight elevators, including hydraulic and geared elevators for low and medium speed applications and gearless elevators for high-speed passenger operations in high-rise buildings. Otis also produces a broad line of escalators, moving sidewalks and shuttle systems for horizontal transportation. In addition to new equipment, Otis provides modernization products and services to upgrade elevators and escalators.

Otis provides maintenance services for a substantial portion of the elevators and escalators which it sells and also services elevators and escalators of other manufacturers. At December 31, 1994, Otis provided contractual maintenance to more than 790,000 units worldwide.

Otis conducts its business principally through various affiliated companies worldwide. In some cases, consolidated affiliates have significant minority interests.

In addition, Otis continues to invest in emerging markets in Central and Eastern Europe (such as Russia and Ukraine) and Asia (the People's Republic of China). These investments carry a higher level of currency, political and economic risks.

Other Otis Segment Information

Otis' business is subject to changes in economic, industrial and international conditions, including possible changes in interest rates, which could affect the demand for elevators, escalators and services; changes in legislation and in government regulations; changes in technology; changes in construction starts; and substantial competition from a large number of companies including other major domestic and foreign manufacturers. The principal methods of competition are price, delivery schedule, product performance, service and other terms and conditions of sale. Otis' products and services are sold principally to builders and building contractors and owners.

* For the definition of "revenues" as used in this report, see Notes to Consolidated Summary of Business Segment Financial Data at page 45 of the Corporation's 1994 Annual Report to Shareowners.

In 1993 and 1994, revenues associated with operations outside of the U.S. amounted to $3,723 million, or approximately 84 percent, and $3,966 million, or approximately 85 percent, respectively, of total Otis segment revenues. International operations are subject to local government regulations (including regulations relating to capital contributions, currency conversion and repatriation of earnings), as well as to varying political and economic risks.

At December 31, 1994, the Otis business backlog amounted to $3,325 million as compared to $2,812 million at December 31, 1993. Of the total business backlog at December 31, 1994, approximately $3,006 million is expected to be realized as sales in 1995.

Carrier

Carrier is the world's largest manufacturer of heating, ventilating and air conditioning (HVAC) systems and equipment. Carrier also participates in the commercial, industrial and transport refrigeration businesses. During the years 1992 through 1994, the Corporation's total revenues from these businesses were:

Year	Total Revenues--HVAC and Refrigeration Systems, Equipment and Service
1992	$4,328 million
1993	$4,480 million
1994	$4,919 million

Carrier manufactures and sells 15 major global product lines, with over 10,000 different products manufactured. The products manufactured 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.

In addition, Carrier continues to invest in emerging markets primarily in Asia (such as the People's Republic of China). These investments carry a higher level of currency, political and economic risks.

Other Carrier Segment Information

Carrier's business is subject to changes in economic, industrial, international and climate conditions, including possible changes in interest rates, which could affect the demand for HVAC systems and equipment; changes in legislation and in government regulations; changes in technology; changes in construction starts; and competition from a large number of companies, including other major domestic and foreign manufacturers. The principal methods of competition are delivery schedule, product performance, price, service and other terms and conditions of sale.

Carrier's products and services are sold principally to builders and building contractors and owners. Sales are made both directly to the customer and by or through manufacturers' representatives, distributors, dealers, individual wholesalers and retail outlets.

In 1993 and 1994, Carrier's revenues associated with operations outside of the U.S. amounted to $2,284 million, or approximately 51 percent, and $2,366 million, or approximately 48 percent, respectively, of total Carrier segment revenues. International operations are subject to local government regulations (including regulations relating to capital contributions, currency conversion and repatriation of earnings), as well as to varying political and economic risks.

At December 31, 1994, the Carrier business backlog amounted to $940 million, as compared to $780 million at December 31, 1993. Substantially all of the business backlog at December 31, 1994 is expected to be realized as sales in 1995.

Automotive

The Corporation's Automotive business is conducted through UT Automotive. UT Automotive is a leading independent supplier of wire harnesses in both North America and Europe. Also, UT Automotive is a leading independent supplier in North America of modular headliners, door trim assemblies, vehicle remote entry systems, and fractional horsepower DC electric motors used in automotive applications. UT Automotive competes worldwide to sell products to automotive manufacturers.

UT Automotive also produces other products such as interior trim (horn pads, instrument panels, sun visors, armrests, package trays and consoles), mirrors, acoustical padding, foam products, thermal and acoustical barriers, airbag covers, steering wheels, electronic controls and modules, relays, interior lighting systems, switches, terminals and connectors, power door lock activators, and windshield wiper systems.
During the years 1992 through 1994, the Corporation's total revenues from automotive components and systems were:

Year	Total Revenues--Automotive Components and Systems
1992	$2,370 million
1993	$2,378 million
1994	$2,683 million

Sales to the major domestic automotive manufacturers are made against periodic short-term releases issued by the automotive manufacturers under annual orders for a percentage of the respective manufacturer's requirements for the products ordered. To better service its worldwide customer base, UT Automotive maintains over 100 facilities in the United States, Canada, Mexico, United Kingdom, Portugal, France, Honduras, Hungary, Italy, Spain and the Philippines. UT Automotive has also recently established two joint ventures in the People's Republic of China.

In 1992, sales to Ford Motor Company were $991 million, or approximately 64 percent of sales to the major domestic automotive manufacturers and approximately 42 percent of total UT Automotive revenues. In 1993, sales to Ford Motor Company were $965 million, or approximately 60 percent of sales to the major domestic automotive manufacturers and approximately 41 percent of total UT Automotive revenues. In 1994, sales to Ford Motor Company were $1,004 million, or approximately 59 percent of sales to the major domestic manufacturers and approximately 37 percent of total UT Automotive revenues.

Other Automotive Segment Information

UT Automotive's business is subject to changes in economic, industrial and international conditions; changes in interest rates and in the level of automotive production which could affect the demand for many of the industrial products of the Corporation; changes in the prices of essential raw materials and petroleum-based materials; changes in legislation and in government regulations; changes in technology; and substantial competition from a large number of companies including other major domestic and foreign manufacturers. The principal methods of competition are price, delivery schedule and product performance.

UT Automotive segment sales are made principally to automotive manufacturers and systems suppliers. Sales are made directly to the customer or through manufacturers' representatives.

Automotive manufacturers throughout the world are outsourcing an increasing share of the design and manufacture of their automotive systems and subsystems. This trend benefits a select group of large, first-tier suppliers that can provide sophisticated design and engineering services, low-cost manufacturing, high product quality, and total systems capabilities on a global basis. To take advantage of this trend, it is the Corporation's plan to position itself in the first tier of suppliers while recognizing the increased responsibility associated with providing these services. To remain competitive in this environment, the ability to consistently deliver, on time, products of ever-increasing quality has become a critical requirement.

In 1993 and 1994, revenues associated with operations outside of the U.S. (excluding revenues from certain operations in Mexico which manufacture exclusively for the U.S. market) amounted to $743 million, or approximately 31 percent, and $939 million, or approximately 35 percent, respectively, of total Automotive segment revenues. International operations are subject to local government regulations (including regulations relating to capital contributions, currency conversion and repatriation of earnings), as well as to varying political and economic risks.

At December 31, 1994, the UT Automotive business backlog amounted to $847 million as compared to $706 million at December 31, 1993. Substantially all of the business backlog at December 31, 1994 is expected to be realized as sales in 1995.

Pratt & Whitney

Pratt & Whitney's business consists of revenues from the sale of aircraft gas turbine engines, spare parts, the overhaul and repair of engines and from space propulsion. Pratt & Whitney products are sold principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies, and the U.S. and foreign governments. Direct and indirect revenues from sales to the U.S. Government amounted to $1,830 million, or approximately 31 percent, of Pratt & Whitney revenues in 1994. Sales to The Boeing Company, Airbus Industrie and McDonnell Douglas Corporation, consisting primarily of commercial aircraft jet engines, amounted to $663 million, or approximately 11 percent, $421 million, or approximately 7 percent, and $399 million, or approximately 7 percent, respectively, of total Pratt & Whitney revenues in 1994.

Large Commercial Engines

Pratt & Whitney is one of the world's leading producers of large turbofan (jet) engines and repair services for commercial aircraft and land-based power generation equipment. During the years 1992 through 1994, the Corporation's total revenues from its commercial engine business were as follows:

Year	Total Revenues - Engines & Repair Services
1992	$3,700 million
1993	$3,266 million
1994	$2,892 million

As of December 31, 1994, Pratt & Whitney had over 15,000 installed commercial jet engines currently serving approximately 480 domestic and foreign customers. Jet engines currently in production at Pratt & Whitney for installation in commercial aircraft are as follows:

Commercial Engine Designation	Year of First Commercial Service	Current Maximum Takeoff Thrust	Current Production Aircraft in which Installed	Number of Engines per Aircraft
JT8D-200	1980	21,000 lbs.	Douglas MD-80*	2
PW2000	1984	41,700 lbs.	Boeing 757-200/PF**	2
PW4000	1987	84,000 lbs.	Airbus A310-300**	2
			Airbus A300-600**	2
			Airbus A330-300**	2
			Boeing 747-400**	4
			Boeing 767-200/-300**	2
			Boeing 777-200**	2
			Douglas MD-11**	3
IAE V2500	1989	30,000 lbs.	Airbus A320/A321***	2
			Douglas MD-90****	2

* Powered exclusively by Pratt & Whitney engines.
** Powered by Pratt & Whitney as well as competitive engines.
*** Powered by IAE International Aero Engines AG as well as competitive engines.
**** Powered exclusively by IAE International Aero Engines AG engines.

At December 31, 1994, a total of 1,169 MD80 aircraft had been ordered, powered by 2,338 JT8D-200 engines of which 2,228 engines had been delivered. During 1994, Alaska Air, Korean Air and AOM ordered 9 MD80 aircraft.

At December 31, 1994, a total of 13 customers had announced firm orders for 344 Boeing 757 aircraft powered by 688 PW2000 engines, of which 584 engines had been delivered.

The PW4000 is operating in airline service today at up to 68,000 pounds of thrust and on April 29, 1994 was certified at 84,000 pounds of thrust for the Boeing 777, a two-engine aircraft. The PW4000 engine powers current production McDonnell Douglas MD-11, Boeing 747 and 767, and Airbus A300, A310 and A330 aircraft. During 1994, JAL selected the PW4084 for their 10 Boeing 777 aircraft. Singapore Airlines also ordered 44 PW4000 engines for Boeing 747 aircraft. In 1994, new firm orders for 98 installed PW4000 engines were announced by ten customers. At December 31, 1994, 51 customers had ordered a total of 644 aircraft powered by 1,680 PW4000 engines, of which 1,142 had been delivered.

IAE International Aero Engines AG ("IAE"), a corporation whose shareholders consist of Pratt & Whitney, Rolls-Royce plc of England, Japanese Aero Engines Corporation, Motoren-und Turbinen-Union Munchen GmbH ("MTU"), and Fiat Aviazione Societa per Azioni of Italy, is providing the V2500 engine, to cover the range of 18,000 to 30,000 pounds of thrust. Pratt & Whitney has a 33 percent interest in IAE. At December 31, 1994, 18 customers had placed firm orders for 309 A320 and A321 (a larger capacity derivative of the A320) aircraft to be powered by the V2500 engine. In addition, at December 31, 1994, five customers had placed firm orders for 66 MD-90s, a two engine aircraft which will be powered exclusively by the V2500.

In March 1991, an agreement was entered between the Corporation and MTU, a subsidiary of Daimler-Benz AG (Daimler) providing for expanded cooperation between the parties with respect to commercial and general aviation engine research and development, manufacturing and marketing. Pratt & Whitney/MTU presently collaborate on the JT8D-200, the PW300, the PW500, PW2000, PW4084 and V2500 commercial gas turbine engines. Pratt & Whitney and MTU have agreed to produce a new Mid-Thrust Family Engine turbofan engine in the range of 16,000 to 24,000 pounds.

Military Engines and Space Propulsion

Pratt & Whitney is one of two major suppliers to the U.S. Government of large jet engines and jet engine parts for military aircraft. In addition, Pratt & Whitney produces propulsion systems and solid rocket boosters for the United States Air Force ("USAF") and the National Aeronautics and Space Administration ("NASA"). During the years 1992 through 1994, the Corporation's total revenues from its military engines and space propulsion operations were as follows:

Year	Total Revenues - Engines & Space Propulsion
1992	$2,505 million
1993	$1,970 million
1994	$1,835 million

At December 31, 1994, worldwide active government inventories included approximately 13,000 Pratt & Whitney military aircraft engines.

Pratt & Whitney currently produces two military aircraft engines, the F100 and the F117. Pratt & Whitney has produced successive versions of the F100 engine since 1974. F100s power McDonnell Douglas Corporation's two-engine F-15 fighter aircraft and Lockheed Corporation's one-engine F-16 fighter aircraft. The most advanced version of the F100 generates approximately 29,000 pounds takeoff thrust. Pratt & Whitney first produced the F117 in 1992. F117s power McDonnell Douglas Corporation's four-engine C-17 transport aircraft, and each generates approximately 41,700 pounds takeoff thrust. Pratt & Whitney has discontinued its J52-P-409 engine development program in response to U.S. defense budget reductions.

All of Pratt & Whitney's F100 and F117 sales contracts are with the USAF or with foreign governments. From time to time, the U.S. Government resells F100 engines to foreign governments via the Foreign Military Sales Program.

Pratt & Whitney and General Electric Company ("GE") first competed for F-16 aircraft engine orders in 1982. Since then, the USAF has purchased approximately equal numbers of Pratt & Whitney's F100 engines and GE's engines for F-16 aircraft. In 1994, the USAF informed the Corporation that it had no current plans to purchase additional F-16 aircraft. Presently, Pratt & Whitney is the exclusive provider of engines which power F-15 and C-17 aircraft, although currently the USAF is considering qualification of a GE engine for the F-15 aircraft. Due to uncertainty as to future U.S. defense budgets, management lacks a reliable basis to predict how many F100s and F117s the USAF will order for delivery after 1995.

During 1994, Pratt & Whitney delivered 75 F100s as follows: 28 to the USAF and 47 to foreign governments. The 1995 F100 delivery requirements call for 1 F100 to the USAF and 80 F100s to foreign governments and in 1996, 89 F100s to foreign governments only.

During 1994, Pratt & Whitney also entered into F100 sales contracts with the Government of Israel and the Republic of Singapore. These contracts call for 74 F100s for delivery in 1997 and 1998. The Israeli contract grants Israel the option to purchase an additional 15 whole or equivalent F100s through 1999. Currently, Pratt & Whitney has no specific contractual commitments for F100 sales other than as described above.

In 1994, Pratt & Whitney delivered 37 F117s to the USAF. Pratt & Whitney is under contract to deliver 10 F117s to the USAF in 1995. Currently, only the USAF uses the C-17 aircraft.

Pratt & Whitney is under contract with the USAF to develop the F119 engine. That contract requires the F119 to generate approximately 35,000 pounds of takeoff thrust. The F119 is the only engine currently planned for the two-engine F-22 fighter aircraft being developed by Lockheed Corporation and The Boeing Company. Due to uncertainty as to future U.S. defense budgets, management lacks a reliable basis to predict when, and in what quantities, the F-22 will be produced.

Other activities in the Pratt & Whitney segment include the production of the RL10 liquid hydrogen fuel rocket motor used for upper stage propulsion for the NASA Atlas-Centaur and Titan-Centaur launch vehicles; the supply of contract services for the construction, outfitting and operation of aircraft and aircraft engine maintenance centers for foreign customers; and the overhaul and repair of Pratt & Whitney engines in the U.S. and Canada and in overseas locations.

Within Pratt & Whitney Space Propulsion Operations, formed in December 1994, the Chemical Systems Division ("CSD") manufactures and provides launch services for solid rocket propellant boosters producing more than one million pounds of thrust which, when used in pairs, currently constitute the initial booster stage for the USAF's Titan IV launch vehicle as well as for the Martin Marietta Titan III commercial launch vehicle. CSD's solid rocket motors ("SRM") on Titan IV are expected to be phased out during the later portion of the decade by an upgraded, higher performing booster SRM, which is being made by another company. In addition, CSD produces other propulsion systems, such as shuttle booster separation motors, the Inertial Upper Stage solid rocket motors for USAF and NASA, the third stage rocket motor for the Navy's Trident II Missile, Tomahawk missile boosters and Aegis booster motors for the U.S. Navy, and is currently a qualified supplier of USAF's Minuteman III/Stage III propulsion system. CSD has a contract from Lockheed Missiles and Space Company for the demonstration and validation of the solid propellant rocket, which will power the U.S. Army's Theater High Altitude Area Defense ("THAAD") ballistic missile defense system.

USBI, also within Pratt & Whitney Space Propulsion Operations, is under contract with NASA for the Space Shuttle Solid Rocket Boosters and is responsible for the design, assembly, test, launch operations support and refurbishment of the solid rocket boosters. In addition, USBI provides design support to the Shuttle Processing Contractor in the stacking and testing of the Space Shuttle vehicle, and is responsible for the integration of the solid rocket motors with solid rocket boosters.

General Aviation Engines and Parts

Pratt & Whitney Canada ("PWC") is one of the world's leading producers of small gas turbine engines and parts for business and regional/commuter aircraft. PWC supplies small turbine engines and parts for military aircraft and helicopters. It also supplies auxiliary power units for large transport aircraft. During the years 1992 through 1994, the Corporation's total revenues from these operations were as follows:

Year	Total Revenues - Engines & Parts
1992	$1,188 million
1993	$1,081 million
1994	$1,119 million

The gas turbine engines manufactured by PWC include the PT6 series of turboprop/turboshaft engines, which produce up to 1,650 shaft-horsepower, the JT15D series of turbofan engines, which produce up to 3,190 pounds thrust at takeoff, and the PW100 series turboprop engines which produces up to 2,750 shaft-horsepower. Typical applications are six to eighty passenger business and regional airline aircraft, including the Beech King Air and Super King Air series, Starship1900D airliner and the Beechjet, Cessna Citation II, Citation V Ultra, Caravan I, de Havilland Dash 8-100, -200 and -300 series, Embraer EMB-120, Jetstream ATP and J61, Fokker 50 and 60, Dornier DO 328, Aerospatiale/Alenia ATR-42 and -72 aircraft, and the Bell 212/412 and Sikorsky S-76B helicopters.

On December 31, 1994, more than 17,300 PWC powered aircraft and helicopters were in use in approximately 160 countries and territories. During 1994, all four PWC contenders for the Joint Primary Aircraft Training System ("JPATS") successfully completed their flight qualification tests, two with the PT6 and two with the JT15D.

The PW300, a 5,000 - 6,000 pounds thrust class turbofan family, was developed for mid-size business jets under a collaboration agreement with MTU of Germany. The base PW305 engine was introduced into service in 1991 and currently powers two applications: the Raytheon Hawker 1000 and Learjet Model 60. A growth version, the PW306, was selected to power the Israel Aircraft Industries Galaxy aircraft slated for delivery in 1997.

The PW200 turboshaft engine family was developed to power light and intermediate helicopters. The base PW206 is rated between 550 and 650 shaft-horsepower, and it is installed in the McDonnell Douglas MD Explorer which entered service in late 1994. It also powers the Eurocopter EC 135, currently under development.

The PW500, a new 2,000 - 4,000 pounds thrust class turbofan family, is also being developed in conjunction with MTU. It won two applications in 1994. The base PW530A will power the Cessna Citation Bravo, and the growth version, the PW545A, was selected for the Cessna Citation Excel.

The PW901A engine is used as the auxiliary power unit for the Boeing 747-400 aircraft to provide starting power and electric power, lighting and air conditioning. More than 400 units have now been delivered.

Other Pratt & Whitney Segment Information

Pratt & Whitney's business is subject to rapid changes in technology; lengthy and costly development cycles; heavy dependence on a small number of products and programs; changes in legislation and in government procurement and other regulations and procurement practices (such as the current Defense Department emphasis on development of prototypes rather than full production of new systems and on upgrading existing systems rather than developing new systems); procurement preferences and policies of some foreign customers which require in-country manufacture through co-production (such as the co-production of the F100-PW-229 for the South Korean Fighter Program), offset procurement (where in-country purchases are required as a condition to obtaining orders), joint ventures and production sharing (such as exist in the case of the IAE V2500, JT8D, PW300, PW2000 and PW4000 engines), licensing or other arrangements; substantial competition from major domestic manufacturers and from foreign manufacturers whose governments sometimes give them direct and indirect research and development, marketing subsidies and other assistance for their commercial products; and changes in economic, industrial and international conditions.

The principal methods of competition in Pratt & Whitney's business are price, product performance, service, delivery schedule and other terms and conditions of sale, including fleet introductory assistance allowances and performance and operating cost guarantees, and the participation by the Corporation and its finance subsidiaries in customer financing arrangements in connection with sales of commercial jet engines. Fleet introductory allowances are financial incentives offered by the Corporation to airline customers in order to make engine sales which lead, in turn, to the sale of parts and services. Pratt & Whitney's major competitors are the aircraft engine businesses of GE and Rolls-Royce. (For information regarding the Corporation's finance subsidiaries and commitments to finance or arrange financing for commercial aircraft, see Note 4 of Notes to Financial Statements at pages 32 and 33 of the Corporation's 1994 Annual Report to Shareowners.)

Historically, it was common to new aircraft programs for only one engine to be selected for a given airplane. In those situations, competition between engine manufacturers occurred principally at the time of the selection of the engine for the particular aircraft. However, in the case of most commercial aircraft today such as the Boeing 747, 757, 767 and 777, the McDonnell Douglas MD-11, and the Airbus Industrie A300, A310, A320, A321 and A330, aircraft manufacturers offer their customers a choice of engines, giving rise to substantial competition among engine manufacturers at the time of the sale of aircraft. This competition has become increasingly significant where new commercial airframe/engine combinations are first introduced to the market and into the fleets of individual airlines. Financial incentives granted by engine suppliers, and performance and operating cost guarantees on their part, are frequently important factors in such sales and can be substantial. (For information regarding participation in guarantees of customer financing arrangements granted by Pratt & Whitney and performance and operating cost guarantees, see Notes 1, 4, 13 and 14 of Notes to Financial Statements at pages 31 to 33 and 40 to 42, of the Corporation's 1994 Annual Report to Shareowners.)

Sales of Pratt & Whitney military engines are affected by defense budgets (both in the U.S. and, to some extent, abroad) and the presence of competitors, such as General Electric. Military spare parts sales have been, and will continue to be, affected by the decline in overall procurement by the U.S. and foreign governments and, to a lesser extent, by the U.S. and foreign governments policy of increasing its parts purchases from suppliers other than the original equipment manufacturers. The combined impact of these developments is not believed to be material to the Corporation at the present time.

Pratt & Whitney sales in the U.S. and Canada are made directly to the customer by the Corporation and, to a limited extent, through independent distributors. Other export sales from the U.S. are made with the assistance of an overseas network of independent foreign representatives outside the U.S. Export sales amounted to $2,031 million, or approximately 32 percent, and $1,934 million, or approximately 33 percent, of total Pratt & Whitney revenues in 1993 and 1994, respectively.

Pratt & Whitney's revenues associated with operations outside the U.S., which consist primarily of small gas turbine engines and parts manufactured in the Corporation's plants in Canada, amounted to $1,118 million, or approximately 18 percent, and $1,219 million, or approximately 21 percent, of total Pratt & Whitney revenues in 1993 and 1994, respectively. Such operations are subject to local government regulations as well as to varying political and economic risks.

At December 31, 1994, the business backlog for Pratt & Whitney amounted to $9,517 million, including $1,951 million of U.S. Government funded contracts and subcontracts, as compared to $9,715 million and $1,828 million, respectively, at December 31, 1993. Of the total Pratt & Whitney business backlog at December 31, 1994, approximately $4,762 million is expected to be realized as sales in 1995. Pratt & Whitney's backlog is based on the terms of firm orders received and does not include discounts granted directly to airline and other customers.

Flight Systems

The Corporation's Flight Systems business is conducted through Sikorsky Aircraft and Hamilton Standard. Effective January 1, 1995, Sikorsky Aircraft Division of United Technologies Corporation was incorporated as a separate wholly-owned subsidiary identified as Sikorsky Aircraft Corporation.

Flight Systems products are sold principally to the U.S. Government, airframe and aircraft engine manufacturers, airlines and other aircraft operators, and foreign governments. Direct and indirect revenues from sales to the U.S. Government amounted to $1,948 million, or approximately 61 percent, of total Flight Systems revenues in 1994.

Military and Commercial Helicopters

Sikorsky is one of the world's leading manufacturers of military and commercial helicopters. Sikorsky is the primary supplier of transport helicopters to the U.S. Army. Sikorsky is also producing helicopters for a variety of uses including passenger, utility/transport, cargo, anti-submarine warfare, search and rescue and heavy-lift operations. In addition to all branches of the U.S. military, Sikorsky supplies helicopters to foreign governments and the worldwide commercial market. Sikorsky's business base also encompasses spare parts for past and current helicopters produced by Sikorsky, and, through its subsidiary, Sikorsky Support Services, Inc., repair and retrofit of helicopters in the U.S. military fleet. Other helicopter manufacturers include Bell Helicopters, Eurocopter, Boeing Helicopters, McDonnell Douglas, Agusta and Westland.

Current production programs at Sikorsky include the BLACK HAWK medium-transport helicopter for the U.S. Army and derivatives for foreign governments; the SEAHAWK medium-sized helicopter for anti-submarine warfare missions for the U.S. Navy and derivatives for both the U.S. and foreign governments; the HH-60 JAYHAWK medium-range recovery helicopter for the U.S. Coast Guard; the CH-53E SUPER STALLION heavy-lift helicopter for the U.S. Marine Corps; and the S-76 intermediate-sized helicopter for executive transport, offshore oil platform support, search and rescue, emergency medical service and other utility operations.

During 1994, 142 new aircraft and 16 aircraft kits were delivered. Of these aircraft, 115 were delivered to the U.S. Government; 7 were delivered to other domestic customers, with the remaining delivered to international customers.

Although in 1992 Sikorsky was awarded a U.S. Government contract for 300 BLACK HAWK helicopters through June 1997, declining Defense Department budgets are such that Sikorsky's future will be increasingly dependent upon expanding its international position. Typically, these sales are expected to require the development of an in-country co-production program. In December 1992, Sikorsky signed a contract to provide up to 95 BLACK HAWK helicopters to the Turkish Armed Forces. The first 45 aircraft were produced by Sikorsky and have been delivered to and accepted by Turkey. Sikorsky currently plans to negotiate a contract for the remaining 50 helicopters that are to be co-produced with Turkish industry participation.

The S-92, a large cabin derivative of the Black Hawk family, is being considered for development for commercial and military markets by an international consortium to be led by Sikorsky.

Sikorsky is teamed with Boeing Helicopters for the development of the U.S. Army's next generation light helicopter, the RAH-66 Comanche. The Boeing Sikorsky Team is performing under the cost reimbursement contract awarded in 1991. Initial requirements called for a minimum of 1,292 aircraft. Based upon the Department of Defense direction, in January 1993 the Army, Boeing and Sikorsky restructured the initial contract to create a Demonstration Validation Prototype Program to design and build prototype aircraft. In December 1994, the Defense Department deferred production beyond the year 2000 and directed that the program be limited to two prototypes. Sikorsky and Boeing are working with the Army Comanche Program Office to restructure the program within funding provisions. Since production aircraft are not addressed in the restructured contract, the Corporation cannot predict whether the Comanche will go into production or predict the quantity of aircraft that ultimately will be built.

Other Flight Systems Products

Hamilton Standard is a leading domestic producer of a number of Flight Systems products. Major production programs include engine controls, environmental controls, flight controls and propellers for commercial and military aircraft. Hamilton Standard also produces the space suit for the NASA space shuttle astronauts and environmental controls for the shuttle's orbiter. In addition, United Technologies Microelectronics Center designs and fabricates microelectronics specialty circuits for commercial and military customers.

International Fuel Cells Corporation ("IFC") develops, manufactures and sells fuel cell systems and fuel cell electric generating power plants to commercial, aerospace and military customers. In 1994, IFC's subsidiary ONSI Corporation completed development of the cost-reduced Model C version of ONSI's 200 kilowatt PC25TM fuel cell power plant and commenced operation of a prototype of that model.

Other Flight Systems Segment Information

The Flight Systems business is subject to rapid changes in technology; lengthy and costly development cycles; heavy dependence on a small number of products and programs; changes in legislation and in government procurement and other regulations and procurement practices (such as the current Defense Department emphasis on development of prototypes rather than full production of new systems and on upgrading existing systems rather than developing new systems); declining defense budgets (both in the U.S. and abroad); procurement preferences and policies of some foreign governments which require in-country manufacture through co-production or offset procurement (such as co-production and offset arrangements entered into with the government of Turkey with respect to the sales discussed above), licensing or other arrangements; substantial competition from a large number of companies, including competition from major domestic and foreign manufacturers; and changes in economic, industrial and international conditions.

The principal methods of competition in the Flight Systems business are price, delivery schedules, product performance, service and other terms and conditions of sale, including participation in the financing of helicopter sales.

Sales in the U.S. are usually made directly to the customer by the Corporation. Export sales to Canada from the U.S. are made directly to the customer. All other export sales are made with the assistance of an overseas network of independent foreign representatives outside the U.S. Such export sales amounted to $1,000 million, or approximately 28 percent, and $680 million, or approximately 21 percent, of total Flight Systems revenues in 1993 and 1994, respectively.

At December 31, 1994, the Flight Systems business backlog amounted to $3,832 million, including $2,646 million under funded contracts and subcontracts with the U.S. Government, as compared to $4,646 million and $3,045 million, respectively, at December 31, 1993. Of the total Flight Systems business backlog at December 31, 1994, approximately $2,159 million is expected to be realized as sales in 1995.

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

Research and Development

To maintain its competitive position, the Corporation spends substantial amounts of its own funds on research and development. Such expenditures, net of reimbursements from participating suppliers to the Corporation's advanced commercial aircraft engine programs which are charged against income as incurred and relate principally to the Pratt & Whitney business, were $978 million or 4.6 percent of total revenues in 1994, as compared with $1,137 million or 5.4 percent of total revenues in 1993 and $1,221 million or 5.5 percent of total revenues in 1992. The Corporation also performs research and development work under contracts funded by the U.S. Government and some other customers. Such contract research and development, which is performed principally in the Pratt & Whitney business and to a lesser extent in the Flight Systems business, amounted to $838 million in 1994, as compared with $918 million in 1993 and $1,012 million in 1992.

Contracts, Environmental and Other Matters

Government contracts are subject to termination for the convenience of the 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; only 5 percent of the Corporation's total sales for 1994 were made under cost-reimbursement type contracts. Development contracts awarded in 1991 for the RAH-66 Comanche and the F119 Advanced Tactical Fighter engine are on a cost-reimbursement basis.

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 or results of operations.

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 at page 14 of this Report for further discussion.

Recent peace initiatives and related changes in Eastern Europe have served to reduce both U.S. and foreign defense spending as a whole. Management, however, does not currently believe that Defense Department budget cutbacks will have a material adverse effect on the profitability of the Corporation due in part to the Corporation's efforts to reduce its reliance on defense contracts.

The Corporation purchases substantial quantities of materials, components and supplies from a large number of sources. Like other users in the U.S., the Corporation is largely dependent on foreign sources located in Africa for its requirements of cobalt, and on sources located in Africa, Eastern and Central Europe and the countries of the former U.S.S.R. for its requirements of chromium. The Corporation does not foresee any unavailability of materials or components which will have any material adverse effect on its overall business, or on any of its business segments, in the near term. To alleviate possible longer term effects, the Corporation has a number of ongoing programs which include the expansion of its internal production capacity for precision parts; the development of new vendor sources; the increased use of more readily available materials through material substitutions and the development of new alloys; and conservation of materials through scrap reclamation and new manufacturing processes such as net shape forging.

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 business segments.

The Corporation does not anticipate that compliance with federal, state and local provisions relating to the protection of the environment will have a material adverse effect upon its capital expenditures, competitive position, financial position or results of operations. (Environmental matters are the subject of certain of the Legal Proceedings described in Item 3 beginning at page 14 of this Report, and are further addressed in "Management's Discussion and Analysis of Results of Operations and Financial Position" at page 24 and Note 14 of Notes to Financial Statements at pages 41 and 42 of the Corporation's 1994 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 listed on the Environmental Protection Agency's (EPA) List of Violating Facilities. The listing would continue until the EPA concluded that the cause of the violation had been cured. Any listed facility cannot be used in performing any U.S. Government contract awarded to the Corporation during any period of listing by the EPA.

Employees

At December 31, 1994, the Corporation's total employment was approximately 171,500, an increase of approximately 2,900 over the prior year.

Item 2. Properties

The Corporation's fixed assets 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 modern automatic control features and special adaptations. The Corporation's plants, warehouses, machinery and equipment are in good operating condition, are well maintained, and substantially all of its facilities are in regular use. The Corporation considers the present level of fixed assets capitalized as of December 31, 1994, suitable and adequate for the respective industry segment's operations in the current business environment. For a further discussion of management's effort to achieve cost reduction, see "Management's Discussion and Analysis of Results of Operations and Financial Position" appearing in the Corporation's 1994 Annual Report to Shareowners, especially the information contained under the heading "Cost Reduction Actions". The square footage numbers set forth in the succeeding paragraphs of this Item 2 are approximations.

At December 31, 1994, the Corporation operated (a) plants in the U.S. which had 35.0 million square feet, of which 5.6 million square feet were leased; (b) plants outside the U.S. which had 18.6 million square feet, of which 2.4 million square feet were leased; (c) warehouses in the U.S. which had 5.5 million square feet, of which 3.9 million square feet were leased; and (d) warehouses outside the U.S. which had 4.9 million square feet, of which 3.1 million square feet were leased.

Otis plants are located in one state, Europe, Asia, Australia, Africa and Latin America. At December 31, 1994, the U.S. plant had an aggregate floor area of 0.8 million square feet, of which none was leased, and the plants outside the U.S. had an aggregate floor area of 6.3 million square feet, of which 0.7 million square feet were leased.

Carrier plants are located in eight states, Europe, Asia, Latin America, Australia, the Middle East and Canada. At December 31, 1994, the U.S. plants had an aggregate floor area of 5.4 million square feet, of which 1.7 million square feet were leased, and the plants outside the U.S. had an aggregate floor area of 4.4 million square feet, of which 0.7 million square feet were leased.

Automotive plants are located in thirteen states, Canada, Honduras, Mexico, Europe and Asia. At December 31, 1994, the U.S. plants had an aggregate floor area of 5.4 million square feet, of which 1.2 million square feet were leased; and the plants outside the U.S. had an aggregate floor area of 4.2 million square feet, of which .9 million square feet were leased.

Pratt & Whitney plants are located in nine states, Canada, Singapore, Australia, the Netherlands and other areas. At December 31, 1994, the U.S. plants had an aggregate floor area of 15.1 million square feet, of which 1.1 million square feet were leased, and the plants outside the U.S. had an aggregate floor area of 2.9 million square feet, of which 0.2 million square feet were leased.

Flight Systems plants are located in eight states, Italy, the Czech Republic and the Federal Republic of Germany. At December 31, 1994, the U.S. plants operated by the Flight Systems segment had aggregate floor areas of 6.9 million square feet, of which 1.6 million square feet were leased, and the plants outside the U.S. had aggregate floor areas of 0.7 million square feet, of which 0.1 million square feet were leased. Flight Systems also operates company-owned helicopter air fields in Bridgeport and Stratford, Connecticut, and a company-owned rotary-wing aircraft completion, training and test center in Palm Beach County, Florida.

Management believes that the facilities for the production of its products are suitable and adequate for the business conducted therein, are being appropriately utilized in line 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 and/or dispose of existing facilities.

Item 3. Legal Proceedings

In June 1992, the Department of Justice filed a Civil False Claims Act complaint in the United States District Court for the District of Connecticut, NO. 592CV375, against Sikorsky Aircraft alleging that the government was overcharged by nearly $4 million in connection with the pricing of parts supplied for the reconditioning of the Navy's Sea King helicopter. The Complaint seeks treble damages plus a $10,000 penalty for each false claim submitted. Management believes that resolution of this matter will not have a material adverse effect upon its capital expenditures, competitive position, financial position or results of operations.

The Corporation's Pratt & Whitney unit is the subject of a Department of Justice investigation relating to its government contracts accounting practices for aircraft engine parts produced by foreign companies under certain commercial engine collaboration programs. Pratt & Whitney made a voluntary payment of $13,932,000 to the U.S. Government on December 23, 1992. The Corporation has produced documents and employees have testified before a grand jury in the District of Connecticut. The Corporation has filed an action with the Armed Services Board of Contract Appeals which seeks to confirm that its accounting treatment is correct. Management believes that resolution of this matter will not have a material adverse effect upon its capital expenditures, competitive position, financial position or results of operations.

In March 1992, the Corporation received a subpoena from the Department of Defense Inspector General requesting documents in connection with Pratt & Whitney's sales of goods and services to the Israeli Government. The investigation relates to the activities of former Israeli General Rami Dotan who pleaded guilty in Israel to engaging in corrupt practices in connection with Israeli Air Force procurements involving another engine manufacturer. A federal grand jury in the Southern District of Florida is investigating this matter. In addition, the Civil Division of the Department of Justice has indicated its intent to pursue this matter under the False Claims Act. The Department of Justice has calculated single damages of $10 million and, under the False Claims Act, these damages could be trebled. Management believes that resolution of this matter will not have a material adverse effect upon its capital expenditures, competitive position, financial position or results of operations.

A federal grand jury continues to investigate alleged violations of law in connection with marketing and sale of helicopters and related services to the Government of the Kingdom of Saudi Arabia. The Corporation has responded to a grand jury subpoena requesting documents in connection with this matter, and several current and former employees and business associates have been interviewed. A related civil suit filed by a former employee has been settled. Management believes that resolution of this matter will not have a material adverse effect upon its capital expenditures, competitive position, financial position or results of operations.

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, the Corporation or one of its business units 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.

Various state and federal government authorities have designated the Corporation as a potentially responsible party for liabilities under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and similar state statutes. Said authorities seek expenditures and damages for contamination due to the release of pollutants into the environment. The Corporation believes that any payments it may be required to make as a result of these claims will not be material to the business or financial condition of the Corporation. The Corporation has had liability and property insurance in force over its history with a number of insurance companies, and the Corporation has commenced litigation seeking indemnity and defense under these insurance policies. Settlements to date, which have not been material, have been recorded upon receipt. It is expected that one or more of these cases will last several years. (For information regarding the matters discussed in this paragraph, see "Environmental Matters" in Management's Discussion and Analysis of Results of Operations and Financial Position at page 24 and Note 14 of the Notes to Financial Statements at pages 41 and 42 of the Corporation's 1994 Annual Report to Shareowners.)

UT Automotive received a letter from the United States Environmental Protection Agency, Region V, dated January 26, 1995, alleging violations of certain provisions of water discharge permits issued under the Clean Water Act at the facility formerly owned and operated by UT Automotive in Columbus City, Indiana. The Corporation is discussing the allegations with EPA. Management believes that resolution of this matter will not have a material adverse effect upon its capital expenditures, competitive position, financial position or results of operation.

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, 1994.

-----   Executive Officers of the Registrant

The executive officers of United Technologies Corporation, together with the offices in United Technologies Corporation presently held by them, their business experience since January 1, 1990, and their ages, are as follows:

Name	Title	Other Business Experience Since 1/1/90	Age 2/1/95
Norman R. Bodine	President, UT Automotive (since 1992)	President, Electrical Systems & Components; President, Automotive Products Division, UT Automotive	52
Eugene Buckley	President, Sikorsky Aircraft (since 1987)	-------	64
William L. Bucknall, Jr.	Senior Vice President, Human Resources & Organization (since 1992)	Vice President, Human Resources & Organization, United Technologies; Vice President, Human Resources, Carrier	52
Mark S. Coran	Executive Vice President, Operations, Pratt & Whitney (since 1991)	Vice President, Controller, United Technologies; Vice President, Group Finance, Pratt & Whitney	51
Robert F. Daniell	Chairman (since 1987)	Chief Executive Officer; President and Chief Operating Officer	61
George David	President and Chief Operating Officer (since 1992); Chief Executive Officer (since 1994)	Executive Vice President and President, Commercial/Industrial	52
Thomas J. Fay	Senior Vice President, Communications (since 1990)	Senior Vice President, Corporate Affairs, Aetna Life & Casualty	61
Frederick C. Flynn, Jr.	Vice President, Treasurer (since 1989)	Director, Financial Programs; Director, Business Development	44
William S. Frago	President, Carrier Corporation (since 1992)	President, Carrier North American Operations; Vice President, Worldwide Marketing & Product Management, General Electric Lighting	52
Bruno Grob	President, European & Transcontinental Operations, Otis Elevator (since 1992)	President, Otis France	45

Name	Title	Other Business Experience Since 1/1/90	Age 2/1/95
Robert J. Hermann	Senior Vice President, Science & Technology (since 1992)	Vice President, Science & Technology	61
Karl J. Krapek	President, Pratt & Whitney (since 1992)	Chairman, President and Chief Executive Officer, Carrier Corporation; President, Otis Elevator	46
George E. Minnich	Vice President - Controller (since 1993)	Partner - Price Waterhouse	45
Stephen F. Page	Executive Vice President and Chief Financial Officer (since 1993)	Executive Vice President and Chief Financial Officer, Black & Decker Corporation	55
William F. Paul	Senior Vice President, Government Affairs (since 1991)	Senior Vice President, Washington Office	58
Karl M. Thomas	Executive Vice President, Technical, Pratt & Whitney (since 1991)	Group Vice President, Operations; President, Manufacturing, Pratt & Whitney	58
William H. Trachsel	Vice President, Secretary and Deputy General Counsel (since 1993)	Vice President and Deputy General Counsel	51
Jean-Pierre van Rooy	President, Otis Elevator (since 1991)	Executive Vice President and Chief Operating Officer; President, North American Operations, Otis Elevator	60
Robert A. Wolfe	Executive Vice President, Pratt & Whitney and President, Large Commercial Engines (since 1994)	Executive Vice President, Military and Space Aero Propulsion	56
Irving B. Yoskowitz	Executive Vice President and General Counsel (since 1990)	-------	49

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 the Registrant's Common Equity and Related Stockholder Matters

See "Comparative Stock Data" appearing on page 46 of the Corporation's 1994 Annual Report to its 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. All such data are incorporated by reference in this Report.

Item 6. Selected Financial Data

See the Five Year Summary appearing on page 15 of the Corporation's 1994 Annual Report to its Shareowners containing the following data: sales, net income, primary and fully diluted earnings per share, cash dividends on Common Stock, total assets and long-term debt. All such data are incorporated by reference in this Report.

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 16 through 25 of the Corporation's 1994 Annual Report to its Shareowners; such discussion and analysis is incorporated by reference in this Report.

Item 8. Financial Statements and Supplementary Data

The 1994 and 1993 Balance Sheets, and other financial statements for the years 1994, 1993 and 1992, together with the report thereon of Price Waterhouse LLP dated January 26, 1995, appearing on pages 26 through 45 in the Corporation's 1994 Annual Report to its Shareowners are incorporated by reference in this Report.

The 1994 and 1993 Selected Quarterly Financial Data appearing on page 46 in the Corporation's 1994 Annual Report to its Shareowners are incorporated by reference in this Report.

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

Not applicable.

Item 10. Directors and Executive Officers of the Registrant

The information required by Item 10 with respect to directors is incorporated herein by reference from pages 4 through 7 of the Corporation's Proxy Statement for the 1995 Annual Meeting of Shareowners. Information regarding executive officers is contained in Part I of this Report pages 16 through 17 and the section entitled "Certain Filings" at page 8 of the 1995 Proxy Statement.

Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference from pages 21 through 25 of the Corporation's Proxy Statement for the 1995 Annual Meeting of Shareowners. 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 from pages 7 and 8 of the Corporation's Proxy Statement for the 1995 Annual Meeting of Shareowners.

Item 13. Certain Relationships and Related Transactions

The information required by Item 13 is incorporated herein by reference from page 8 of the Corporation's Proxy Statement for the 1995 Annual Meeting of Shareowners.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

		Page No. in Annual Report
(a) (1)	Financial Statements (incorporated by reference from the 1994 Annual Report to Shareowners):	
	Report of Independent Accountants	26
	Consolidated Statement of Operations for the Three Years ended December 31, 1994	27
	Consolidated Balance Sheet--December 31, 1994 and 1993	28
	Consolidated Statement of Cash Flows for the Three Years ended December 31, 1994	29
	Consolidated Statement of Changes in Shareowners' Equity for the Three Years ended December 31, 1994	30
	Notes to Financial Statements	31
	Consolidated Summary of Business Segment Financial Data	42
	Selected Quarterly Financial Data (Unaudited)	46

		Page No. in Form 10-K
(a) (2)	Financial Statement Schedule: For the three years ended December 31, 1994:	
	Report of Independent Accountants on Financial Statement Schedule	S-1
VIII	Valuation and Qualifying Accounts	S-2
	Consent of Independent Accountants	F-1

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

(a)(3) Exhibits:

(3) (i) Restated Certificate of Incorporation (i)

(ii) Bylaws*

(4) (i) In accordance with Item 601 of Regulation S-K of the Securities and Exchange Commission, the Corporation hereby agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of long-term debt of the Corporation and its consolidated subsidiaries and any unconsolidated subsidiaries for which financial statements otherwise would be required to be filed with this annual report on Form 10-K for the year ended December 31, 1994

(10) (i) United Technologies Corporation 1979 Long Term Incentive Plan (i)

(ii) United Technologies Corporation Annual Executive Incentive Compensation Plan. (i)

(iii) United Technologies Corporation Disability Insurance Benefits for Executive Control Group. (i)

(iv) United Technologies Corporation Executive Estate Preservation Program. (i)

(v) Pension Preservation Plan. (i)

(vi) Senior Executive Severance Plan. (i)

(vii) United Technologies Corporation Deferred Compensation Plan (i)

(viii) Otis Elevator Company Incentive Compensation Plan. (i)

(ix) Directors Retirement Plan. (i)

(x) United Technologies Corporation Deferred Compensation Plan for Non-Employee Directors. (i)

(xi) United Technologies Corporation Long Term Incentive Plan. (i)

(xii) United Technologies Corporation Executive Disability, Income Protection and Standard Separation Agreement Plan. (i)

(xiii) United Technologies Corporation Directors' Restricted Stock/Unit Program. (i)

(xiv) United Technologies Corporation Directors' Stock and Deferred Stock Unit Retainer Program. (ii)

(xv) United Technologies Corporation Pension Replacement Plan. (ii)

(11) Statement re Computation of Per Share Earnings *

(12) Computation of Ratio of Earnings to Fixed Charges *

(13) Annual Report to Shareowners for year ended December 31, 1994 (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 *

(24) Powers of Attorney of Howard H. Baker, Jr., Antonia Handler Chayes, Robert F. Daniell, Robert F. Dee, Charles W. Duncan, Jr., Pehr G. Gyllenhammar, Gerald D. Hines, Charles R. Lee, Robert H. Malott, Harold A. Wagner and Jacqueline G. Wexler *

(27) Financial Data Schedule *

Notes to exhibits:

* Submitted electronically herewith.

(i) Incorporated by reference to Exhibit of the same number to United Technologies Corporation Annual Report or Form 10K (Commission file number 1-812) for fiscal year ended December 31, 1992.

(ii) Incorporated by reference to Exhibit of the same number to United Technologies Corporation Annual Report or Form 10K (Commission file number 1-812) for fiscal year ended December 31, 1993.

(b) A report on Form 8-K was filed by the Registrant on January 19, 1994, in response to both Item 5 and Item 7.

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/ Stephen F. Page
Stephen F. Page,
Executive Vice President and Chief Financial Officer

Date: March 29, 1995

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)	President and Chief Executive Officer; Director	March 29, 1995
/s/ GEORGE E. MINNICH (George E. Minnich)	Vice President - Controller; Principal Accounting Officer	
/s/ STEPHEN F. PAGE (Stephen F. Page)	Executive Vice President and Chief Financial Officer	
ROBERT F. DANIELL * (Robert F. Daniell)	Chairman, Director)	
HOWARD H. BAKER, JR * (Howard H. Baker, Jr.)	Director)	
ANTONIA HANDLER CHAYES * (Antonia Handler Chayes)	Director)	
ROBERT F. DEE * (Robert F. Dee)	Director)	
CHARLES W. DUNCAN, JR. * (Charles W. Duncan, Jr.)	Director)	
PEHR G. GYLLENHAMMAR * (Pehr G. Gyllenhammar)	Director) ....By:	/s/William H. Trachsel (William H. Trachsel) Attorney-in-fact
GERALD D. HINES * (Gerald D. Hines)	Director)	Date: March 29, 1995
CHARLES R. LEE * (Charles R. Lee)	Director)	
ROBERT H. MALOTT * (Robert H. Malott)	Director)	
HAROLD A. WAGNER * (Harold A. Wagner)	Director)	
JACQUELINE G. WEXLER * (Jacqueline G. Wexler)	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 26, 1995 appearing on page 26 of the 1994 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.

Price Waterhouse LLP
Hartford, Connecticut
January 26, 1995

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Schedule VIII - Valuation and Qualifying Accounts
Three Years Ended December 31, 1994
(Millions of Dollars)

Allowances for Doubtful Accounts and Other Customer Financing Activity:

Balance December 31, 1991	$	141
Provision charged to income		414
Doubtful accounts written off (net)		(19)
Other adjustments		(12)
Balance December 31, 1992		524
Provision charged to income		40
Doubtful accounts written off (net)		(72)
Other adjustments		(26)
Balance December 31, 1993		466
Provision charged to income		107
Doubtful accounts written off (net)		(52)
Other adjustments		(12)
Balance December 31, 1994	$	509

Future Income Tax Benefits - Valuation allowance:

Balance December 31, 1991	$	-
Additions due to adoption of FAS 109		149
Additions charged to income tax expense		68
Balance December 31, 1992		217
Additions charged to income tax expense		130
Reductions credited to income tax expense		(50)
Balance December 31, 1993		297
Additions charged to income tax expense		109
Reductions credited to income tax expense		(51)
Balance December 31, 1994	$	355

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Form S-3 (Nos. 33-46916, 33-40163, 33-34320, 33-31514, 33-29687 and 33-6452) and Form S-8 (Nos. 33-57769, 33-45440, 33-11255, 33-26580, 33-26627, 33-28974, 33-51385, and 2-87322) of United Technologies Corporation of our report dated January 26, 1995 appearing on page 26 of the 1994 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 on the Financial Statement Schedule, which appears on page S-1 of this Form 10-K.

Price Waterhouse LLP
Hartford, Connecticut
March 29, 1995

Adopted April 17, 1994

BYLAWS

OF

UNITED TECHNOLOGIES CORPORATION

SECTION 1

SHAREHOLDER'S MEETINGS

SECTION 1.1 Annual Meetings. Annual meetings of shareholders shall be held on or prior to April 30 in each year for the purpose of electing directors and transacting such other proper business as may come before the meeting.

SECTION 1.2 Special Meetings. Special meetings of shareholders may be called from time to time by the Board of Directors or by the chief executive officer of the Corporation. Special meetings shall be held solely for the purpose or purposes specified in the notice of meeting.

SECTION 1.3 Time and Place of Meetings. Subject to the provisions of Section 1.1, each meeting of shareholders shall be held on such date, at such hour and at such place as fixed by the Board of Directors or in the notice of the meeting or, in the case of an adjourned meeting, as announced at the meeting at which the adjournment is taken.

SECTION 1.4 Notice of Meetings. A written notice of each meeting of shareholders, stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given either personally or by mail to each shareholder entitled to vote at the meeting. Unless otherwise provided by statute, the notice shall be given not less than ten nor more than sixty days before the date of the meeting and, if mailed, shall be deposited in the United States mail, postage prepaid, directed to the shareholder at his address as it appears on the records of the Corporation. No notice need be given to any person with whom communication is unlawful, nor shall there be any duty to apply for any permit or license to give notice to any such person. If the time and place of an adjourned meeting of shareholders are announced at the meeting at which the adjournment is taken, no notice need be given of the adjourned meeting unless that adjournment is for more than thirty days or unless, after the adjournment, a new record date is fixed for the adjourned meeting.

SECTION 1.5 Waiver of Notice. Anything herein to the contrary notwithstanding, notice of any meeting of shareholders need not be given to any shareholder who in person or by proxy shall have waived in writing notice of the meeting, either before or after such meeting, or who shall attend the meeting in person or by proxy, unless he attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 1.6 Quorum and Manner of Acting. Subject to the provisions of these bylaws, the certificate of incorporation and statute as to the vote that is required for a specified action, the presence in person or by proxy of the

holders of a majority of the outstanding shares of the Corporation entitled to vote at any meeting of shareholders shall constitute a quorum for the transaction of business, and the vote in person or by proxy of the holders of a majority of the shares constituting such quorum shall be binding on all shareholders of the Corporation. A majority of the shares present in person or by proxy and entitled to vote may, regardless of whether or not they constitute a quorum, adjourn the meeting to another time and place. Any business which might have been transacted at the original meeting may be transacted at any adjourned meeting at which a quorum is present.

SECTION 1.7 Voting. Shareholders shall be entitled to cumulative voting at all elections of directors to the extent provided in or pursuant to the certificate of incorporation. Shareholders may vote by proxy, provided that the instrument authorizing such proxy to act shall have been executed in writing (which shall include telegraph or cable) by the shareholder himself or by his duly authorized attorney. No proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

SECTION 1.8 Judges. The votes at each meeting of shareholders shall be supervised by not less than two judges who shall decide all questions respecting the qualification of voters, the validity of the proxies and the acceptance or rejection of votes. The judges shall be appointed by the Board of Directors but if, for any reason, there are less than two judges present and acting at any meeting, the chairman of the meeting shall appoint an additional judge or judges so that there shall always be at least two judges to act at the meeting.

SECTION 1.9 List of Shareholders. A complete list of the shareholders entitled to vote at each meeting of shareholders, arranged in alphabetical order, and showing the address and number of shares registered in the name of each shareholder, shall be prepared and made available for examination during regular business hours by any shareholder for any purpose germane to the meeting. The list shall be available for such examination at the place where the meeting is to be held for a period of not less than ten days prior to the meeting and during the whole time of the meeting.

SECTION 1.10 Notice of Shareholder Business. At an annual meeting of the shareholders, only such business shall be conducted as shall have been brought before the meeting (a) by or at the direction of the Board of Directors or (b) by any shareholder of the Corporation who complies with the notice procedures set forth in this Section 1.10. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than thirty days nor more than sixty days prior to the meeting; provided, however, that in the event that less than forty days' notice or prior public disclosure of the date of the meeting is given or made to the shareholders, notice by the shareholder to be timely must be received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (b) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business; (c) the class and number of shares of the Corporation which are beneficially owned by the shareholder; and (d) any material interest of the shareholder in such business. Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 1.10. The chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 1.10, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 1.10, a shareholder seeking to have a proposal included in the Corporation's proxy statement shall comply with the requirements of Regulation 14A under the Securities Exchange Act of 1934, as amended (including, but not limited to, Rule 14a-8 or its successor provision).

SECTION 1.11 Notice of Shareholder Nominees. Only persons who are nominated in accordance with the procedures set forth in these bylaws shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of shareholders (a) by or at the direction of the Board of Directors or (b) by any shareholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 1.11. Nominations by shareholders shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than thirty days nor more than sixty days prior to the meeting; provided, however, that in the event that less than forty days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (b) as to the shareholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such shareholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such shareholder. At the request of the Board of Directors any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in these bylaws. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that nomination was not made in accordance with the procedures prescribed by these bylaws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

SECTION 1.12 (a) Consents to Corporate Action. Any action which is required to be or may be taken at any annual or special meeting of shareholders of the Corporation, subject to the provisions of Subsections (b) and (c) of this Section 1.12, may be taken without a meeting, without prior notice and without a vote if consents in writing, setting forth the action so taken, shall have been signed by the holders of the outstanding stock having not less than the minimum number of votes that would be necessary to authorize or to take such action at a meeting at which all shares entitled to vote thereon were present and voted; provided, however, that prompt notice of the taking of the corporate action without a meeting and by less than unanimous written consent shall be given to those shareholders who have not consented in writing.

(b) Determination of Record Date of Action by Written Consent. The record date for determining shareholders entitled to express consent to corporate action in writing without a meeting shall be fixed by the Board of Directors of the Corporation. Any shareholder of record seeking to have the shareholders authorize or take corporate action by written consent without a meeting shall, by written notice to the Secretary, request the Board of Directors to fix a record date. Upon receipt of such a request, the Secretary shall place such request before the Board of Directors at its next regularly scheduled meeting, provided, however, that if the shareholder represents in such request that he intends, and is prepared, to commence a consent solicitation as soon as is permitted by the Securities Exchange Act of 1934, as amended, and the regulations thereunder and other applicable law, the Secretary shall as promptly as practicable, call a special meeting of the Board of Directors, which meeting shall be held as promptly as practicable. At such regular or special meeting, the Board of Directors shall fix a record date as provided in Section 213(a) (or its successor provision) of the Delaware General Corporation Law. Should the Board fail to fix a record date as provided for in this Subsection (b), then the record date shall be the day on which the first written consent is expressed.

(c) Procedures for Written Consent. In the event of the delivery to the Corporation of a written consent or consents purporting to represent the requisite voting power to authorize or take corporate action and/or related revocations, the Secretary of the Corporation shall provide for the safekeeping of such consents and revocations and shall, as promptly as practicable, engage nationally recognized independent judges of election for the purpose of promptly performing a ministerial review of the validity of the consents and revocations. No action by written consent and without a meeting shall be effective until such judges have completed their review, determined that the requisite number of valid and unrevoked consents has been obtained to authorize or take the action specified in the consents, and certified such determination for entry in the records of the Corporation kept for the purpose of recording the proceedings of meetings of shareholders.

SECTION 2

Board of Directors

SECTION 2.1 Number and Term of Office. The number of directors shall be not less than 10 nor more than 19. The exact number, within those limits, shall be fixed from time to time by the Board of Directors. Each director shall hold office until a successor is elected and qualified or until his earlier death, resignation or removal.

SECTION 2.2 Election. The directors shall be elected annually by written ballot and, at each election, the nominees receiving the greatest number of votes shall be the directors.

SECTION 2.3 Organization Meetings. As promptly as practicable after each annual meeting of shareholders, an organization meeting of the Board of Directors shall be held for the purpose of organization and the transaction of other business.

SECTION 2.4 Stated Meetings. The Board of Directors may provide for stated meetings of the Board.

SECTION 2.5 Special Meetings. Special meetings of the Board of Directors may be called from time to time by any four directors, by the chief executive officer, or by the chief operating officer of the Corporation in concert with two directors.

SECTION 2.6 Business of Meetings. Except as otherwise expressly provided in these bylaws, any and all business may be transacted at any meeting of the Board of Directors; provided, that if so stated in the notice of meeting, the business transacted at a special meeting shall be limited to the purpose or purposes specified in the notice.

SECTION 2.7 Time and Place of Meetings. Subject to the provisions of Section 2.3, each meeting of the Board of Directors shall be held on such date, at such hour and in such place as fixed by the Board or in the notice of waivers of notice of the meeting or, in the case of an adjourned meeting, as announced at the meeting at which the adjournment is taken.

SECTION 2.8 Notice of Meetings. No notice need be given of any organization or stated meeting of the Board of Directors for which the date, hour and place have been fixed by the Board. Notice of the date, hour and place of all other organization and stated meetings, and of all special meetings, shall be given to each director personally, by telephone or telegraph or by mail. If by mail, the notice shall be deposited in the United States mail, postage prepaid, directed to the director at his residence or usual place of business as the same appear on the books of the Corporation not later than four days before the meeting. If given by telegraph, the notice shall be directed to the director at his residence or usual place of business as the same appear on the books of the Corporation not later than at any time during the day before the meeting. If given personally or by telephone, the notice shall be given not later than the day before the meeting.

SECTION 2.9 Waiver of Notice. Anything herein to the contrary notwithstanding, notice of any meeting of the Board of Directors need not be given to any director who shall have waived in writing notice of the meeting, either before or after the meeting, or who shall attend such meeting, unless he attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 2.10 Attendance by Telephone. Directors may participate in meetings of the Board of Directors by means of conference telephone or similar communications equipment by means of which all directors participating in the meeting can hear one another, and such participation shall constitute presence in person at the meeting.

SECTION 2.11 Quorum and Manner of Acting. One-third of the total number of directors at the time provided for pursuant to Section 2.1 shall constitute a quorum for the transaction of business at any meeting of the Board of Directors and, except as otherwise provided in these bylaws, in the certificate of incorporation or by statute, the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board. A majority of the directors present at any meeting, regardless of whether or not they constitute a quorum, may adjourn the meeting to another time or place. Any business which might have been transacted at the original meeting may be transacted at any adjourned meeting at which a quorum is present.

SECTION 2.12 Action Without a Meeting. Any action which could be taken at a meeting of the Board of Directors may be taken without a meeting if all of the directors consent to the action in writing and the writing or writings are filed with the minutes of the Board.

SECTION 2.13 Compensation of Directors. Each director of the Corporation who is not a salaried officer or employee of the Corporation, or of a subsidiary of the Corporation, may receive compensation for serving as a director and for serving as a member of any Committee of the Board, and may also receive fees for attendance at any meetings of the Board or any Committee of the Board, and the Board may from time to time fix the amount and method of payment of such compensation and fees; provided, that no director of the Corporation shall receive any bonus or share in the earnings or profits of the Corporation or any subsidiary of the Corporation except pursuant to a plan approved by the shareholders at a meeting called for the purpose. The Board may also, by vote of a majority of disinterested directors, provide for and pay fair compensation to directors rendering services to the Corporation not ordinarily rendered by directors as such.

SECTION 2.14 Resignation of Directors. Any director may resign at any time upon written notice to the Corporation. The resignation shall become effective at the time specified in the notice and, unless otherwise provided in the notice, acceptance of the resignation shall not be necessary to make it effective.

SECTION 2.15 Removal of Directors. Any director may be removed, either for or without cause, at any time, by the affirmative vote of the holders of record of a majority of the outstanding shares of stock entitled to vote at a meeting of the shareholders called for the purpose, and the vacancy in the Board caused by any such removal may be filled by the shareholders at such meeting or at any subsequent meeting; provided, that no director elected by a class vote of less than all the outstanding shares of the Corporation may, so long as the right to such a class vote continues in effect, be removed pursuant to this section except for cause and by the affirmative vote of the holders of record of a majority of the outstanding shares of such class at a meeting called for the purpose, and the vacancy in the Board caused by the removal of any such director may, so long as the right to such class vote continues in effect, be filled by the holders of the outstanding shares of such class at such meeting or at any subsequent meeting; provided, further, that if less than all the directors then in office are to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the whole Board of Directors or, in the case of directors elected by a class vote the right to which is still then in effect, if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the class of directors of which he is a part.

SECTION 2.16 Filling of Vacancies Not Caused by Removal. Vacancies and newly created directorships resulting from an increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director; provided, that if the vacancy to be filled would, at an election of the whole Board of Directors, be filled by a class vote of less than all of the outstanding shares of the Corporation, and if any of the directors remaining in office were elected by the same class, such majority vote of the directors shall be effective only if it is concurred in by a majority of the remaining directors elected by such class, or by a sole remaining director elected by such class. If for any reason there shall be no directors in office, any officer or any shareholder or any executor, administrator, trustee or guardian of a shareholder, or other fiduciary with like responsibility for the person or estate of a shareholder, may call a special meeting of shareholders in accordance with the provisions of these bylaws for the purpose of electing directors.

SECTION 3

Committees of the Board of Directors

SECTION 3.1 Executive Committee. By resolution adopted by an affirmative vote of the majority of the whole Board of Directors, the Board may appoint an Executive Committee consisting of the directors who occupy the offices of the Chairman, chief executive and operating officers of the Corporation, ex officio, and two or more other directors and, if deemed desirable, one or more directors as alternate members who may replace any absentee or disqualified member at any meeting of the Executive Committee. If so appointed, the Executive Committee shall, when the Board is not in session, have all the power and authority of the Board in the management of the business and affairs of the Corporation not reserved to the Board by Section 3.3. The Executive Committee shall keep a record of its acts and proceedings and shall report the same from time to time to the Board of Directors.

SECTION 3.2 Other Committees. By resolution adopted by an affirmative vote of the majority of the whole Board of Directors, the Board may from time to time appoint such other Committees of the Board, consisting of one or more directors and, if deemed desirable, one or more directors who shall act as alternate members and who may replace any absentee or disqualified member at any meeting of the Committee, and may delegate to each such Committee any of the powers and authority of the Board in the management of the business and affairs of the Corporation not reserved to the Board pursuant to Section 3.3. Each such Committee shall keep a record of its acts and proceedings.

SECTION 3.3 Powers Reserved to the Board. No Committee of the Board shall take any action to amend the certificate of incorporation or these bylaws, adopt any agreement to merge or consolidate the Corporation, declare any dividend or recommend to the shareholders a sale, lease or exchange of all or substantially all of the assets and property of the Corporation, a dissolution of the Corporation or a revocation of a dissolution of the Corporation; nor shall any Committee of the Board take any action which is required in these bylaws, in the certificate of incorporation or by statute to be taken by a vote of a specified proportion of the whole Board of Directors.

SECTION 3.4 Election of Committee Members; Vacancies. So far as practicable, members of the Committees of the Board and their alternates (if any) shall be appointed at each organization meeting of the Board of Directors and, unless sooner discharged by an affirmative vote of the majority of the whole Board, shall hold office until the next organization meeting of the Board and until their respective successors are appointed. In the absence or disqualification of any member of a Committee of the Board, the member or members (including alternates) present at any meeting of the Committee and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another director to act at the meeting in place of any absent or disqualified member. Vacancies in Committees of the Board created by death, resignation or removal may be filled by an affirmative vote of a majority of the whole Board of Directors.

SECTION 3.5 Meetings. Each Committee of the Board may provide for stated meetings of such Committee. Special meetings of each Committee may be called by any two members of the Committee (or, if there is only one member, by that member in concert with the chief executive officer) or by the chief executive and chief operating officers of the Corporation. The provisions of Section 2 regarding the business, time and place, notice and waivers of notice of meetings, attendance at meetings and action without a meeting shall apply to each Committee of the Board, except that the references in such provisions to the directors and the Board of Directors shall be deemed respectively to be references to the members of the Committee and to the Committee.

SECTION 3.6 Quorum and Manner of Acting. A majority of the members of any Committee of the Board shall constitute a quorum for the transaction of business at meetings of the Committee, and the act of a majority of the members present at any meeting at which a quorum is present shall be the act of the Committee. A majority of the members present at any meeting, regardless of whether or not they constitute a quorum, may adjourn the meeting to another time or place. Any business which might have been transacted at the original meeting may be transacted at any adjourned meeting at which a quorum is present.

SECTION 4

Officers

SECTION 4.1 Election and Appointment. The elected officers of the Corporation shall consist of a Chairman, a President, one or more Vice Presidents, a Controller, a Treasurer, a Secretary and such other elected officers as shall from time to time be designated by the Board of Directors. The Board shall designate from among such elected officers a chief executive officer, a chief operating officer, a chief financial officer and a chief accounting officer of the Corporation, and may from time to time make, or provide for, other designations it deems appropriate. The Board may also appoint, or provide for the appointment of, such other officers and agents as may from time to time appear necessary or advisable in the conduct of the affairs of the Corporation. Any number of offices may be held by the same person, except no person may at the same time be both the chief executive and the chief financial officer.

SECTION 4.2 Duties of the Chairman. The Chairman shall preside, when present, at each meeting of shareholders and at all meetings of the Board of Directors and the Executive Committee. He shall have general supervision of the affairs of the Corporation and over the chief executive officer in the discharge of his duties, and shall have such other powers and duties as may from time to time be committed to him by the Board of Directors.

SECTION 4.3 Duties of the Chief Executive Officer. Under the general supervision of the Chairman, the chief executive officer of the Corporation shall, in the absence of the Chairman, preside at all meetings of shareholders and at all meetings of the Board of Directors, the Executive Committee and, except to the extent otherwise provided in these bylaws or by the Board, shall have general authority to execute any and all documents in the name of the Corporation and general and active supervision and control of all of the business and affairs of the Corporation. In the absence of the chief executive officer, his duties shall be performed and his powers may be exercised by the chief operating officer or by such other officer as shall be designated either by the chief executive officer in writing or (failing such designation) by the Executive Committee or Board of Directors.

SECTION 4.4 Duties of Other Officers. The other officers of the Corporation shall have such powers and duties not inconsistent with these bylaws as may from time to time be conferred upon them in or pursuant to resolutions of the Board of Directors, and shall have such additional powers and duties not inconsistent with such resolutions as may from time to time be assigned to them by any competent superior officer. The Board shall assign to one or more of the officers of the Corporation the duty to record the proceedings of the meetings of the shareholders and the Board of Directors in a book to be kept for that purpose.

SECTION 4.5 Term of Office and Vacancy. So far as practicable, the elected officers shall be elected at each organization meeting of the Board, and shall hold office until the next organization meeting of the Board and until their respective successors are elected and qualified. If a vacancy shall occur in any elected office, the Board of Directors may elect a successor for the remainder of the term. Appointed officers shall hold office at the pleasure of the Board or of the officer or officers authorized by the Board to make such appointments. Any officer may resign by written notice to the Corporation.

SECTION 4.6 Removal of Elected Officers. Elected officers may be removed at any time, either for or without cause, by the affirmative vote of a majority of the whole Board of Directors at a meeting called for that purpose.

SECTION 4.7 Compensation of Elected Officers. The compensation of all elected officers of the Corporation shall be fixed from time to time by the Board of Directors; provided, that no elected officer of the Corporation shall receive any bonus or share in the earnings or profits of the Corporation or any subsidiary of the Corporation except pursuant to a plan approved by the shareholders at a meeting called for the purpose.

SECTION 5

Shares and Transfer of Shares

SECTION 5.1 Certificates. Every shareholder shall be entitled to a certificate signed by the Chairman or the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, certifying the class and number of shares owned by him in the Corporation; provided, that, where such certificate is countersigned by a Transfer Agent or a Registrar, the signature of any such Chairman, President, Vice President, Treasurer, Assistant Treasurer, Secretary or Assistant Secretary may be facsimile. In case any officer or officers who shall have signed or whose facsimile signature or signatures shall have been used on any such certificate or certificates shall cease to be such officer or officers, whether because of death, resignation or otherwise, before such certificate or certificates shall have been issued by the Corporation, such certificate or certificates may be issued by the Corporation with the same effect as if he or they were such officer or officers at the date of issue.

SECTION 5.2 Transfer Agents and Registrars. The Board of Directors may, in its discretion, appoint one or more responsible banks or trust companies in the City of New York and in such other city or cities (if any) as the Board may deem advisable, from time to time, to act as Transfer Agents and Registrars of shares of the Corporation; and, when such appointments shall have been made, no certificate for shares of the Corporation shall be valid until countersigned by one of such Transfer Agents and registered by one of such Registrars.

SECTION 5.3 Transfers of Shares. Shares of the Corporation may be transferred by delivery of the certificates therefor, accompanied either by an assignment in writing on the back of the certificates or by written power of attorney to sell, assign and transfer the same, signed by the record holder thereof; but no transfer shall affect the right of the Corporation to pay any dividend upon the shares to the holder of record thereof, or to treat the holder of record as the holder in fact thereof for all purposes, and no transfer shall be valid, except between the parties thereto, until such transfer shall have been made upon the books of the Corporation.

SECTION 5.4 Lost Certificates. In case any certificate for shares of the Corporation shall be lost, stolen or destroyed, the Board of Directors, in its discretion, or any Transfer Agent thereunto duly authorized by the Board, may authorize the issue of a substitute certificate in place of the certificate so lost, stolen or destroyed, and may cause such substitute certificate to be countersigned by the appropriate Transfer Agent (if any) and registered by the appropriate Registrar (if any); provided, that in each such case, the applicant for a substitute certificate shall furnish to the Corporation and to such of its Transfer Agents and Registrars as may require same, evidence to their satisfaction, in their discretion, of the loss, theft or destruction of such certificate and of the ownership thereof, and also such security or indemnity as may by them be required.

SECTION 5.5 Record Dates. In order that the Corporation may determine the shareholders entitled to notice of or to vote at any meeting of shareholders, or any adjournment thereof, or to express consent to action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of shares or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date which shall be not more than sixty nor less than ten days before the date of any meeting of shareholders, and not more than sixty days prior to any other action. In such case, those shareholders, and only those shareholders, who are shareholders of record on the date fixed by the Board of Directors shall, notwithstanding any subsequent transfer of shares on the books of the Corporation, be entitled to notice of and to vote at such meeting of shareholders, or any adjournment thereof, or to express consent to such corporate action in writing without a meeting, or entitled to receive payment of such dividend or other distribution or allotment of rights, or entitled to exercise rights in respect of any such change, conversion or exchange of shares or to participate in any such other lawful action.

SECTION 6

Miscellaneous

SECTION 6.1 Fiscal Year. The fiscal year of the Corporation shall be the calendar year.

SECTION 6.2 Surety Bonds. The chief financial officer, the Controller, the Treasurer, each Assistant Treasurer, and such other officers and agents of the Corporation as the Board of Directors may from time to time direct shall be bonded at the expense of the Corporation for the faithful performance of their duties in such amounts and by such surety companies as the Board may from time to time determine.

SECTION 6.3 Signature of Negotiable Instruments. All bills, notes, checks or other instruments for the payment of money shall be signed or countersigned in such manner as from time to time may be prescribed by resolution of the Board of Directors.

SECTION 6.4 General Auditor. At each annual meeting, the shareholders shall appoint an independent public accountant or firm of independent public accountants to act as the General Auditor of the Corporation until the next annual meeting. Among other duties, it shall be the duty of the General Auditor so appointed to make periodic audits of the books and accounts of the Corporation. As soon as reasonably practicable after the close of the fiscal year, the shareholders shall be furnished with consolidated financial statements of the Corporation and its consolidated subsidiaries, as at the end of such fiscal year, duly certified by such General Auditor, subject to such notes or comments as the General Auditor shall deem necessary or desirable for the information of the shareholders. In case the shareholders shall at any time fail to appoint a General Auditor or in case the General Auditor appointed by the shareholders shall decline to act or shall resign or otherwise become incapable of acting, the Board of Directors shall appoint a General Auditor to discharge the duties herein provided for. Any General Auditor appointed pursuant to any of the provisions hereof shall be directly responsible to the shareholders, and the fees and expenses of any such General Auditor shall be paid by the Corporation.

SECTION 6.5 Indemnification of Officers, Directors, Employees, Agents and Fiduciaries; Insurance. (a) The Corporation may indemnify, in accordance with and to the full extend permitted by the laws of the State of Delaware as in effect at the time of the adoption of this Section 6.5 or as such laws may be amended from time to time, and shall so indemnify to the full extent permitted by such laws, any person (and the heirs and legal representatives of any such person) made or threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that such person is or was a director, officer, employee, agent, or fiduciary of the Corporation or any constituent Corporation absorbed in a consolidation or merger, or serves as such with another corporation, or with a partnership, joint venture, trust or other enterprise at the request of the Corporation or any such constituent corporation.

(b) By action of the Board of Directors notwithstanding any interest of the directors in such action, the Corporation may purchase and maintain insurance in such amounts as the Board of Directors deems appropriate on behalf of any person who is or was a director, officer, employee, agent or fiduciary of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation shall have the power to indemnify him against such liability under the provisions of this Section.

SECTION 7

Bylaws Amendments

SECTION 7.1 By the Shareholders. These bylaws may be amended by the shareholders at a meeting called for the purpose in any manner not inconsistent with any provision of law or of the certificate of incorporation.

SECTION 7.2 By the Directors. These bylaws may be amended by the affirmative vote of a majority of the whole Board of Directors in any manner not inconsistent with any provision of law or of the certificate of incorporation; provided, that the Board may not amend this Section, or the bonus proviso of Section 2.13 (Compensation of Directors), or Section 2.15 (Removal of Directors), Section 4.6 (Removal of Elected Officers) or Section 4.7 (Compensation of Elected Officers).

STATE OF CONNECTICUT,
County of Hartford

The Undersigned, _____________________________, Secretary of UNITED TECHNOLOGIES CORPORATION, a corporation of the State of Delaware, HEREBY CERTIFIES that the foregoing is a complete copy of the Bylaws of the said Corporation, as at present in force.

IN WITNESS WHEREOF, the undersigned has hereto set his hand and affixed the seal of the said Corporation, this _______________day of__________________________, 19____.

SECRETARY

EXHIBIT 11

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Computations of Earnings Per Share and Fully Diluted Earnings Per Share
Assuming All Outstanding Dilutive Convertible Securities Had Been Converted

For the Five Years Ended December 31, 1994
(Millions of Dollars, except per share amounts)

	1994 (1)	1993 (2)	1992 (2)	1991 (2)	1990 (2)
Earnings (loss) applicable to Common Stock	$ 563	$ 444	$ (329)	$ (1,083)	$ 715
ESOP Convertible Preferred Stock adjustment	17	-	-	-	-
Primary net earnings (loss) for period	$ 580	$ 444	$ (329)	$ (1,083)	$ 715
Earnings (loss) applicable to Common Stock	$ 563	$ 444	$ (329)	$ (1,083)	$ 715
ESOP Convertible Preferred Stock adjustment	17	16	16	23	22
Fully diluted net earnings (loss) for period	$ 580	$ 460	$ (313)	$ (1,060)	$ 737
Average number of common shares and common stock equivalents outstanding during period (thirteen month-end average) (thousands)	131,793	125,997	123,238	121,537	120,845
Fully diluted average number of common shares outstanding, assuming all outstanding convertible securities had been converted on the dates of issue (thousands)	131,905	139,614	137,157	136,012	133,192
Primary earnings (loss) per common share	$ 4.40	$ 3.53	$ (2.67)	$ (8.91)	$ 5.91
Fully diluted earnings (loss) per common share	$ 4.40	$ 3.30	$ (2.67)	$ (8.91)	$ 5.53

(1) In 1994, the Corporation adopted AICPA Statement of Position (SOP) 93-6, "Employers' Accounting for Employee Stock Ownership Plans." The Corporation conformed its calculations of earnings per common share to the requirements of this SOP. See Note 2 of the Corporation's 1994 Annual Report to Shareowners concerning the adoption of SOP 93-6.

(2) During 1990 - 1993, each share of the ESOP Preferred Stock is convertible into one share of Common Stock. A reduction in earnings applicable to Common Stock is required in the calculation of fully diluted earnings per share representing the Corporation's additional contribution to the ESOP to enable it to meet its debt repayment responsibilities were the preferred dividends not available for this purpose. The adjustment also reflects the adding back of the ESOP Preferred Stock dividend.

EXHIBIT 12

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
(Millions of Dollars)

	Years Ended December 31,				
	1994	1993	1992	1991	1990
Fixed Charges:					
Interest on indebtedness	$ 275	$ 251	$ 282	$ 339	$ 362
Interest capitalized	19	29	52	70	60
One-third of rents*	101	115	135	130	126
Total Fixed Charges	$ 395	$ 395	$ 469	$ 539	$ 548
Earnings:					
Income (loss) before income taxes and minority interests	$ 1,076	$ 909	$ 200	$ (891)	$ 1,291
Fixed charges per above	395	395	469	539	548
Less: interest capitalized	(19)	(29)	(52)	(70)	(60)
	376	366	417	469	488
Amortization of interest capitalized	43	42	43	40	37
Total Earnings	$ 1,495	$ 1,317	$ 660	$ (382)	$ 1,816
Ratio of Earnings to Fixed Charges	3.78	3.33	1.41	**	3.31

* Reasonable approximation of the interest factor.

** Not relevant.

EXHIBIT 13

FINANCIAL SECTION

15	Five Year Summary
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FIVE-YEAR SUMMARY UNITED TECHNOLOGIES CORPORATION

In Millions of Dollars (except per share amounts)	1994	1993	1992	1991	1990
FOR THE YEAR					
Sales	$ 20,801	$ 20,736	$ 21,641	$ 20,840	$ 21,442
Research and development	978	1,137	1,221	1,133	1,028
Net income (loss) before cumulative effect of accounting principle changes	585	487	35	(1,021)	751
Net income (loss)	585	487	(287)	(1,021)	751
Earnings (loss) applicable to Common Stock	563	444	(329)	(1,083)	715
Earnings (loss) per share before cumulative effect of accounting principle changes:					
Primary	4.40	3.53	(.05)	(8.91)	5.91
Fully diluted	4.40	3.30	(.05)	(8.91)	5.53
Earnings (loss) per share:					
Primary	4.40	3.53	(2.67)	(8.91)	5.91
Fully diluted	4.40	3.30	(2.67)	(8.91)	5.53
Cash dividends per common share	1.90	1.80	1.80	1.80	1.80
Average number of shares of Common Stock outstanding (thousands):					
Primary	131,793	125,997	123,238	121,537	120,845
Fully diluted	131,793	139,614	137,157	136,012	133,192
Return on average common shareowners' equity, after tax	15.4%	13.1%	(8.7)%	(20.9)%	14.5%
AT YEAR END					
Net working capital	$ 1,675	$ 786	$ 1,064	$ 2,354	$ 3,061
Current asset ratio	1.3 to 1	1.1 to 1	1.2 to 1	1.4 to 1	1.5 to 1
Total assets	15,624	15,618	15,928	15,985	15,918
Long-term debt, including current portion	2,041	2,179	2,769	3,101	3,220
Total debt	2,443	2,959	3,146	3,393	3,562
Debt to total capitalization	39%	45%	48%	46%	40%
Net debt (total debt less cash)	2,057	2,538	2,792	2,870	3,361
Net debt to total capitalization	35%	41%	45%	42%	39%
ESOP Preferred Stock, net	339	176	151	126	81
Shareowners' equity	3,752	3,598	3,370	3,961	5,343
Equity per common share	30.47	28.54	27.23	32.49	44.10
Business backlog	18,328	18,414	21,175	20,700	20,875
Number of employees:					
United States	75,900	81,700	91,400	98,000	108,100
Europe	41,500	40,300	40,600	41,800	38,200
Asia Pacific	21,000	15,900	17,300	17,000	14,100
Other	33,100	30,700	28,700	28,300	32,200
Total	171,500	168,600	178,000	185,100	192,600

Equity per common share is based on shares outstanding at each year end.
See Note 2 of Notes to Financial Statements for discussion of 1992 and 1994 accounting changes.
For Pratt and Whitney, backlog is based on the terms of firm orders received and does not include discounts granted directly to airline and other customers.
1991 results include the effect of $1,275 million of restructuring charges.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following discussion and analysis sets forth major factors affecting the Corporation's results of operations during the three-year period ended December 31, 1994. It also comments on the Corporation's financial position at that date as presented in the accompanying financial statements. Operating results for the Corporation's business segments are shown in the Consolidated Summary of Business Segment Financial Data on pages 42 through 45 of this Annual Report.

BUSINESS ENVIRONMENT

The Corporation's Otis, Carrier and UT Automotive subsidiaries serve customers in the commercial property, residential housing and automotive businesses. Additionally, the Corporation's Pratt & Whitney, Sikorsky and Hamilton Standard businesses serve commercial and government customers in the aerospace industry. As world-wide businesses, these operations are affected by global as well as regional economic factors.

The combined revenue of Otis, Carrier and UT Automotive increased 9% in 1994, while continued softness in the aerospace industry resulted in an 8% decline in revenue for UTC's aerospace segments. During 1994, the Corporation's sales to the U.S. Government declined from $4,007 million or 19% of total sales in 1993 to $3,809 million or 18% of sales in 1994.

The Corporation has been expanding its commercial and industrial business operations in Europe and the Asia Pacific region in recent years while the aerospace industry has been in recession. For example, during 1994 the Corporation's commercial and industrial units signed five new business ventures with local partners in the People's Republic of China (PRC), bringing the total to thirteen.

The Corporation's investments in the People's Republic of China, the former Soviet Union and other emerging nations carry a higher level of currency, political and economic risks. The Corporation also has investments in Mexico, which has recently experienced economic and currency volatility. At December 31, 1994, the Corporation's net investments in any of these countries is less than 3% of consolidated equity.

The Corporation's 1994 revenues in the Asia Pacific region, including U.S. export sales, were $4,187 million (including $414 million in the People's Republic of China), or 20% of consolidated revenues, up from 18% in 1993. Revenues in Europe during 1994, including U.S. export sales, were $4,856 million or 23% of consolidated revenues, unchanged from 1993. Revenues from outside the United States, including U.S. export sales, were 55% of consolidated revenues in 1994 and 1993.

While the U.S. economy strengthened at an increasing rate in 1994, with GDP growth estimated at 3.9% versus 3.1% in 1993, rising interest rates in the U.S. are expected to cause the U.S. growth rates to moderate.

OTIS is the world's largest elevator and escalator manufacturing and service company. Otis' business is impacted by global and regional economic factors, particularly commercial construction which impacts new equipment installations, and labor costs which can impact service and maintenance margins on installed elevators and escalators. Additionally, because of the global scope of Otis' business operations (85% of 1994 revenues were outside the U.S.), changes in foreign currency rates affect the translation of Otis' revenue and profits into U.S. dollars for financial reporting purposes.

While new construction has remained weak in the U.S., commercial vacancy rates in some cities have made modest improvements. In Europe, new equipment sales have been sluggish, but the growing base of service business has enabled Otis to maintain solid performance. Otis continues to benefit from its investment strategy in Asia Pacific where, except for Japan, construction activity and economic growth rates remain strong. During 1994, Otis increased its ownership percentage in China Tianjin Otis Elevator Company (CTOEC), the largest Otis company in the PRC, from 44% to 51% resulting in the consolidation of CTOEC's financial results in 1994. Otis also acquired, during the past year, the minority interest of one of its major European subsidiaries, Otis Italia.

CARRIER is the world's largest manufacturer of commercial and residential heating, ventilating and air conditioning (HVAC) systems and equipment. Carrier is also an important supplier of ship container and trailer transportation cooling equipment, which has been a growing worldwide market with particular strength in Asia Pacific. As 48% of sales are outside the U.S., Carrier's business is impacted by commercial and residential construction activity worldwide, as well as changes in foreign currency rates, which impact the translation of Carrier's operating results into U.S. dollars for financial reporting purposes.

In 1994, U.S. residential housing starts increased for the third consecutive year, up over 10% following strong growth rates in 1993 and 1992. Additionally, unusually warm weather in North

America in 1994 favorably impacted Carrier's sales, although construction activity remained weak in Europe. In 1994, Carrier signed three new business ventures in the People's Republic of China to produce absorption chillers and room air conditioners and to consolidate marketing efforts throughout the People's Republic of China. Carrier also reacquired a substantial portion of the minority interest in its subsidiary in Spain.

UT AUTOMOTIVE (UTA) develops and manufactures a wide variety of systems and components for original equipment manufacturers (OEMs) in the automotive industry. Sales to Ford Motor Company, UTA's largest customer, comprised approximately 38% of UTA's revenues in 1994. UTA also has important relationships with Chrysler Corporation and General Motors as well as Renault, PSA, and Fiat in Europe and the New American Manufacturing divisions of Japanese automotive OEMs. In 1994 UTA began construction of a plant in Honduras, formed two joint ventures in the People's Republic of China to produce wire harnesses and cooling modules for the rapidly developing PRC automotive industry, and transitioned it operations in Hungary to full production.

The automotive OEMs apply significant pricing pressures on their suppliers such as UTA and have required suppliers to bear an increasing portion of engineering, development and tooling expenditures. During 1994 UTA experienced an unusually heavy new product launch schedule as its largest unit, North American Wiring Systems, launched new and replacement business for six new North American car and light truck models for delivery in 1995 and beyond.

One of the strongest growth sectors in the U.S. economy during 1994 was the automotive industry where North American car and light truck production grew 11% to 14.2 million units in 1994 on top of the 12% growth rate in 1993. Additionally, European car production increased 5% to 11.9 million units following a 14% downturn in 1993.

COMMERCIAL AEROSPACE

The financial performance of the Corporation's Pratt & Whitney segment, and to a lesser extent, the Flight Systems segment, is directly tied to the commercial airline industry. The Pratt & Whitney segment is a major supplier of commercial engines and spare parts. The Flight Systems segment, through Hamilton Standard, provides fuel and environmental control systems and propellers for commercial aircraft. The poor financial condition of the commercial airline industry has had a significant impact on the Corporation's results since 1991.

Worldwide airline profits in 1994 were nominal despite load factors at historical high levels. Competitive pricing strategies and disparate cost structures continue to make it difficult for the U.S. airlines to achieve the financial condition necessary to make significant investments in new aircraft. For many international airlines, increasing competition, higher cost structures and privatization initiatives will strain financial results and resources in the near term. While airlines have historically begun ordering new equipment approximately 18 months after returning to profitability, management believes the current recovery may be slower.

Pratt & Whitney's large commercial engine shipments totaled 318 in 1994, down from 442 in 1993 and 610 in 1992. Additionally, Pratt & Whitney's mix of large commercial engine shipments has been shifting to newer higher thrust engines for wide-bodied aircraft. This market is very competitive and the newer engines, through technological improvements and fewer parts, will have less spare parts requirements than older engines. Hamilton Standard has also continued to experience volume declines throughout this period.

The aircraft manufacturers offer many commercial jet aircraft with a choice of engines. Accordingly, the airlines compete their engine orders directly with the engine manufacturers during airframe selection. In addition to price, performance and operating costs, customer financing can be an important element of competition in a commercial engine order.

Customer financing can be in the form of secured loans and leased aircraft or guarantees of customer financing obligations. The Corporation's airline industry receivables and customer financing assets totaled $2,290 million and $2,235 million at December 31, 1994 and 1993 respectively. In addition, the Corporation had commitments to finance or arrange financing for approximately $1.3 billion of commercial aircraft at December 31, 1994.

The follow-on spare parts sales for Pratt & Whitney engines in service has traditionally been an important source of profit to the Corporation, and its decline has adversely impacted the operating results of Pratt & Whitney. During 1994 spare parts sales continued the improvement that began in the second half of 1993 following periods of depressed sales dating back to 1991.

The development of commercial aircraft engines requires substantial investment by the Corporation. Over the past decade, Pratt & Whitney has developed three new families of engines which are in production and airline service today; the V2500, the PW2000

BAR CHART DESCRIPTION:
Revenues ($ Billions)
1990 - $21.8
1991 - $21.3
1992 - $22.0
1993 - $21.1
1994 - $21.2

BAR CHART DESCRIPTION:
Backlog ($ Billions)
1990 - $20.9
1991 - $20.7
1992 - $21.2
1993 - $18.4
1994 - $18.3

and the PW4000. Presently, the PW4084 and PW4168 engines, derivatives of the PW4000 family of engines, are being introduced for the Boeing 777 and Airbus A330 aircraft, respectively. With the PW4168 engine certified in 1993 and the PW4084 certified in early 1994, Pratt & Whitney's research and development expense as a percent of its segment revenues in 1994 was 8% compared to 10% in 1993 and 1992. Pratt & Whitney's research and development expenses are expected to remain in the range of 8-9% of revenues.

In view of the global nature of the commercial aircraft industry and the risk and cost associated with launching new engine development programs, Pratt & Whitney has developed strategic alliances and collaboration arrangements on commercial engine programs. At December 31, 1994, other participants in these alliances represented 29% and 21% of the PW2000 and PW4000 programs, respectively, and 31% of the PW4084. Also, Pratt & Whitney has a 33% interest in International Aero Engines AG, an international consortium of five shareholders for the V2500 commercial aircraft engine program.

DEFENSE BUSINESS

The defense portion of the Corporation's aerospace businesses continues to respond to a changing global political environment. The U.S. Defense industry is continuing its downsizing as the U.S. Defense budget declines. International orders for defense programs have also declined and some important foreign orders have been delayed.

Sikorsky will continue to supply Black Hawk helicopters to the U.S. and foreign governments under contracts extending to 1997 and beyond. The program plan for the development of the U.S. Army Comanche helicopter now supports completion of the prototype development and flight testing. A commitment to production has been deferred.

The significant decrease in the U.S. Defense procurement of helicopters in recent years has placed the four U.S. helicopter manufacturers under some of the same pressures that have led to industry consolidation in other segments of the U.S. Defense industry. It is not clear if or when such consolidation will occur or the form it will take. Sikorsky expects to maintain its market leadership by improving its products for continued procurement by both U.S. and foreign governments. In addition, the S-92, a large cabin derivative of the Black Hawk family, is being considered for development for commercial and military markets by an international consortium to be led by Sikorsky.

Pratt & Whitney continues to deliver F100 engines and military spare parts to the U.S. and foreign governments, albeit at lower volumes than in the past. Pratt & Whitney's engines will power two U.S. Air Force programs of the future, the F-22 fighter, powered by the Pratt & Whitney F119 engine and the C-17 airlifter, powered by the Pratt & Whitney F117 engine. While these programs are expected to retain support by the U.S. Military and Congress, these and other U.S. Military programs will continue to compete for available defense funds.

While the changing world political climate has reduced defense spending, ongoing changes in the People's Republic of China and the former Soviet Union, where potentially enormous markets for aircraft engines are developing, present significant opportunities for the commercial aircraft industry. Pratt & Whitney has been developing strategic alliances in these markets and believes it is well positioned to take advantage of these opportunities.

COST REDUCTION ACTIONS

Cost reduction continues to be a Corporate-wide imperative. Manufacturing costs must be reduced to remain competitive, to improve profit margins and to absorb the significant volume declines in the aerospace segments. In 1991 the Corporation recorded a $1.275 billion charge for a major restructuring program that included workforce reductions, closing facilities and improving design, engineering and manufacturing processes. Since that time, continuous improvement and cost reduction have been and will continue to be an integral part of the Corporation's on-going business activities.

Additional downsizing actions were taken in 1992 resulting in charges that year of $85 million, $70 million at Pratt & Whitney and $15 million at Hamilton Standard. As a result of continued reductions in aerospace volumes, in the 1994 second quarter management initiated further volume related downsizing actions at Pratt & Whitney and Hamilton Standard. These actions resulted in charges of $50 million and $35 million, respectively, in the Pratt & Whitney and Flight Systems operating results for 1994.

As a result of these cost reduction measures, from 1991 to December 31, 1994, Pratt & Whitney's workforce was reduced from 44,600 to 30,300 employees and manufacturing space has been reduced by 2.7 million square feet. Additionally, during that period, Hamilton Standard's workforce has been reduced from 11,500 to 7,400 employees. Further reductions may be required if commercial aerospace volumes do not improve.

Corporate-wide workforce reductions since 1991 total 31,600 positions. Workforce reductions totaled 6,890 and 11,690 positions

BAR CHART DESCRIPTION:
SG&A Expenses ($ Millions)
1990 - $3,094
1991 - $2,667
1992 - $3,011
1993 - $2,547
1994 - $2,536

BAR CHART DESCRIPTION:
R&D Expenses ($ Millions)
1990 - $1,028
1991 - $1,133
1992 - $1,221
1993 - $1,137
1994 - $ 978

during 1994 and 1993, respectively. Manufacturing floor space totaling 2.6 million and 8.2 million square feet has been eliminated during 1994 and program to date, respectively. This represents 83% of the goal to eliminate 9.9 million square feet of manufacturing space by the end of 1995.

RESULTS OF OPERATIONS

REVENUES:
Increased 1% or $116 million from 1993 to 1994.
Decreased 4% or $951 million from 1992 to 1993.

In Millions of Dollars	1994	1993	1992
Product sales	$16,670	$16,671	$17,559
Service sales	4,131	4,065	4,082
Financing revenues and other	396	345	391

Revenues increased 9% during 1994 in the Carrier, Otis and Automotive segments, partially offset by an 8% reduction in revenues in Pratt & Whitney and Flight Systems. The negative impact of the commercial airline industry and unfavorable foreign currency translation impacts are the principal causes for the overall reduction in 1993 sales as compared to 1992. It is estimated that increases in selling prices to customers averaged approximately 1% in 1994 and 2% in 1993. The net impact of translating sales of foreign subsidiaries decreased sales by 1% in 1994 and 3% in 1993, indicating that the real volume of sales was essentially unchanged in 1994 and decreased 3% in 1993.

Financing revenues and other income, less other deductions increased $51 million in 1994 and decreased $46 million in 1993. Other income in 1994 includes $87 million realized in the Flight Systems segment on the sale of the equity share holdings in Westland Group plc in April 1994. The 1993 decrease resulted primarily from lower royalties and interest income partially offset by an increase in the amount of commercial aircraft engine participation fees.

COST OF PRODUCTS AND SERVICES SOLD AS A PERCENT OF SALES:

In Millions of Dollars	1994	1993	1992
Cost of products sold	$13,773	$13,666	$14,727
Product margin %	17.4%	18.0%	16.1%
Cost of services sold	$ 2,559	$ 2,571	$ 2,591
Service margin %	38.1%	36.8%	36.5%

The product margin as a percentage of sales, excluding the impact of down-sizing charges recorded in 1994 and downsizing and special charges in 1992, was 17.9% in 1994 and 18.0% in 1992, respectively. The Corporation's cost reduction programs have enabled product margins to remain relatively constant despite a reduction in Pratt & Whitney and Flight Systems revenues of 10% in 1993 and an additional 8% in 1994. These segments' margins have been further affected by a shift in the mix of commercial aircraft engines sold, to newer lower margin engines and, in 1994, higher costs associated with the introduction of new products and lower production volumes at Hamilton Standard. During 1993, lower spare parts sales in the commercial aircraft and general aviation businesses also had a negative impact on product margins. The Corporation recorded special charges during the fourth quarter of 1992 for credit and other exposures related to the airline industry ($447 million) and various contract matters ($169 million). Of these 1992 special charges, $250 million was charged as product cost of sales and $360 million as selling, general and administrative expenses.

RESEARCH AND DEVELOPMENT EXPENSES:

In Millions of Dollars	1994	1993	1992
Research and development	$978	$1,137	$1,221
Percent of sales	4.7%	5.5%	5.6%

Research and development expenses decreased $159 million (14%) and $84 million (7%) in 1994 and 1993, respectively, from each of the prior years. The decreases in research and development expenses have occurred principally at Pratt & Whitney due to the completion of the development phases of the PW4168 and PW4084 commercial engines which were certified in 1993 and 1994, respectively.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

In Millions of Dollars	1994	1993	1992
Selling, general and administrative	$2,536	$2,547	$3,011
Percent of sales	12.2%	12.3%	13.9%

Selling, general and administrative expenses decreased $11 million and $464 million (15%) in 1994 and 1993, respectively, from each of the prior years. During 1994 these expenses increased in the Corporation's Otis, Carrier and Automotive segments and decreased in the aerospace segments generally in line with the relative increases and decreases, respectively, in sales. The decreases resulted principally from the effects of the Corporation's cost reduction efforts initiated in the first quarter of 1992 and the absence of the $360 million charges recorded during the fourth quarter of 1992 for commercial airline industry exposures and other contract matters.

OPERATING PROFITS:

Increased 19% or $251 million from 1993 to 1994.
Increased 126% or $722 million from 1992 to 1993.

Segment revenues and operating profits in the Corporation's principal business segments for each of the three years ending December 31, 1994, 1993 and 1992 and analysis of the variations for the periods are presented below. The segment results shown below include the impact of the 1994 and 1992 downsizing actions and 1992 special charges described above.

In Millions of Dollars	Revenues 1994	Revenues 1993	Revenues 1992	Operating Profits (Losses) 1994	Operating Profits (Losses) 1993	Operating Profits (Losses) 1992*	Operating Profit Margin 1994	Operating Profit Margin 1993	Operating Profit Margin 1992
Otis	$4,644	$4,418	$4,512	$421	$377	$346	9.1%	8.5%	7.7%
Carrier	4,919	4,480	4,328	278	226	183	5.7%	5.0%	4.2%
Automotive	2,683	2,378	2,370	182	148	135	6.8%	6.2%	5.7%
Pratt & Whitney	5,846	6,317	7,393	380	186	(212)	6.5%	2.9%	(2.9)%
Flight Systems	3,218	3,555	3,546	282	355	272	8.8%	10.0%	7.7%

* Operating profits (losses) for 1992 conform to the current basis of presentation for general corporate expenses. See Note 15 of Notes to Financial Statements for operating profits presented on the former basis.

SEGMENT REVIEW
1994 COMPARED TO 1993

OTIS segment revenues for 1994 increased $226 million (5%) over 1993. Increased revenues in Asia Pacific and North America were partially offset by slightly lower revenues in Europe and Latin America. Revenue increases in Asia Pacific were particularly significant during 1994, in part from the increased investment made in the People's Republic of China earlier in the year which allowed for full consolidation. While lower new equipment volumes negatively affected revenues in Europe and Latin America, the reduction was partially offset by higher service revenues. The impact of the translation of foreign currency revenues into U.S. dollars was a negative $19 million for 1994.

Segment operating profits for Otis in 1994 increased $44 million (12%), improving in all regions with the exception of Latin America. Increases in Asia Pacific resulted primarily from the consolidation of the PRC operations and the growth of the Asian market. European results improved due to the higher service volumes.

CARRIER segment revenues for 1994 increased $439 million (10%) over 1993. Revenues were higher at Carrier Transicold and in all geographic regions except Europe where volumes were lower. Revenue increases were particularly strong in North America reflecting the impact of significant volume increases. The impact of the translation of foreign currency revenues into U.S. dollars was not significant during 1994.

Carrier segment operating profits for 1994 increased $52 million (23%) primarily due to improved results in North America and at Carrier's Transicold business. Operations in the People's Republic of China also showed continued strength and accounted for approximately 15% of Carrier's operating profits over the last three years.

AUTOMOTIVE segment revenues increased $305 million (13%) in 1994 primarily due to higher North American industry volumes and increased European market penetration.

Automotive segment operating profits for 1994 increased $34 million (23%) over 1993. The increase is primarily attributable to higher sales volumes and the absence of the 1993 charges to rationalize certain manufacturing operations in Europe. Partially offsetting the 1994 increases were higher launch costs in support of new model awards in North America.

PRATT & WHITNEY segment revenues for 1994 decreased $471 million (8%). During 1994, shipments of commercial engines and sales of government spare parts were lower than those in the previous year. These reductions during 1994 were partially offset by higher commercial airline spare parts sales and military engine shipments. Also, the 1993 results included revenues resulting from the renegotiation of certain aircraft leases.

Pratt & Whitney segment operating profits increased $194 million (104%) from 1993. Despite the reduction in revenue, Pratt's operating profit increased as a result of the benefits of continuing cost reduction programs, lower research and development spending driven by engine certification schedules and higher commercial spare parts sales. The impact of higher manufacturing cost estimates on commercial engine contracts in the 1994 second quarter, principally related to higher initial production costs on the PW4084 engine, partially offset these improvements. In addition, Pratt & Whitney recorded approximately $50 million of charges during the second quarter of 1994 for certain volume related downsizing actions.

FLIGHT SYSTEMS segment revenues for 1994 decreased $337 million (10%) from 1993. Excluding the 1994 second quarter gain on the sale of the equity share holdings in Westland Group plc, segment revenues decreased $424 million (12%) from 1993. Revenues decreased primarily as a result of lower international helicopter shipments at Sikorsky, continuing reductions in commercial aerospace volumes at Hamilton Standard, and the absence of Norden revenues after its sale in May 1994.

Flight Systems operating profits decreased $73 million (21%) in 1994. Excluding the gain on the equity share holdings in Westland Group plc, segment operating profits decreased $160 million (45%) from 1993. Operating profits decreased primarily as a result of higher costs associated with the introduction of new products and continuing lower commercial aerospace volumes at Hamilton Standard, and the absence of Norden results. In addition, Hamilton Standard recorded approximately $35 million of charges during the second quarter of 1994 for certain volume related downsizing actions.

1993 COMPARED TO 1992

OTIS segment revenues decreased $94 million (2%) in 1993. The impact of currency exchange rates versus the U.S. dollar reduced revenues by approximately $278 million (6%) in 1993. Revenues in 1993, exclusive of the translation impact, increased due to higher service volumes in all regions. In addition, new equipment revenues were slightly higher in 1993 primarily due to higher volumes in the European and Latin American regions partially offset by lower North American volume.

Otis segment operating profits increased $31 million (9%) in 1993. The translation impact of the stronger U.S. dollar negatively impacted operating profits by $38 million. The improved operating profits reflect the growth in service volumes during 1993. During 1993, increases in Latin American and European new equipment volumes and improvement in Latin American new equipment margins also contributed to the growth.

CARRIER segment revenues increased $152 million (4%) in 1993. The translation of a stronger U.S. dollar negatively impacted 1993 revenues by approximately $115 million (3%). 1993 revenues reflect volume increases in the North American, Asia Pacific and Latin American regions as well as the transportation refrigeration business. These increases were partially offset by the effects of the continuing recession in Europe, particularly affecting the Spanish and Italian operations.

Carrier segment operating profits increased $43 million (23%) in 1993. Improved operating profits resulting from increased volumes and margins in the Asia Pacific and Latin American regions were partially offset by the effects of the continuing recession in Europe.

AUTOMOTIVE segment revenues were essentially unchanged from 1992. During 1993 the segment was positively impacted by increased North American car and light truck production and European market penetration. These increases were substantially offset by the overall reduction in European vehicle production, the negative translation impact of the stronger U.S. dollar of approximately $112 million (5%), and the absence of sales in 1993 from certain automotive business units divested in the third quarter of 1992.

Automotive segment operating profits increased $13 million (10%) in 1993. Operating profits during 1993 reflect the impact of increased North American production volumes and European market penetration. During 1993, these increases were partially offset by the reduction in European vehicle production, charges to rationalize certain manufacturing operations in Europe and the absence of the operating results of certain automotive business units divested during the third quarter of 1992. In addition, 1992 results include the gain on sale of these units.

PRATT & WHITNEY segment revenues decreased $1,076 million (15%) in 1993. The decrease in 1993 reflects decreases in commercial and government engine and spare parts sales. Although commercial spare parts were lower than the depressed levels of 1992, sales during the second half of 1993 showed modest growth and exceeded the comparable 1992 period. The overall decrease was partially offset by revenues resulting from the renegotiation of certain aircraft leases during the second quarter of 1993.

Pratt & Whitney segment operating profits increased $398 million in 1993. The 1992 results include the impact of the charges recorded for commercial airline exposures, as well as restructuring actions. Excluding the impact of these charges, the 1993 results decreased $198 million (52%), primarily due to lower commercial and government engine and spare parts sales, partially offset by the sale of a participant share in the PW4000 engine program during 1993. In addition, Pratt & Whitney reduced research and development expenditures during 1993 as the development phase of the PW4084 and PW4168 commercial engine programs approached completion.

FLIGHT SYSTEMS segment revenues were essentially unchanged from 1992. As a result of substantially increased international Black Hawk shipments, helicopter business revenues in 1993 contributed 65% to Flight Systems segment revenues. This increase was substantially offset by reductions in defense electronics and commercial aerospace volumes in the segment's other businesses.

Flight Systems segment operating profits increased $83 million (31%) in 1993. The 1992 results include the impact of the charges and restructuring actions recorded during the fourth quarter. Excluding the impact of these charges, the 1993 results increased $53 million (18%). The increase resulted primarily from improved operating performance and increased Black Hawk shipments by Sikorsky and better than expected contract performance related principally to Norden's Multi Mode Radar System contract. These increases were partially offset by declines in commercial aerospace volumes at Hamilton Standard and the absence of the favorable impacts of the settlement of several government contracting claims recorded in 1992.

INTEREST EXPENSE:

Increased 10% or $24 million from 1993 to 1994.
Decreased 11% or $31 million from 1992 to 1993.

Interest expense in 1994 includes $41 million of expense resulting from the 1994 change in accounting for the Corporation's ESOP. Excluding this effect, interest expense decreased $17 million or 7% in 1994 compared to 1993.

Interest expense continues to be favorably impacted by the Corporation's cash management, working capital and debt reduction programs. While lower average interest rates had a favorable impact on interest expense in 1993, slightly higher interest rates in 1994 partially offset the impact of the reduced debt during 1994.

	1994	1993	1992
Weighted-average interest rate on short-term borrowings	6.3%	5.5%	8.9%
Weighted-average interest rate on total debt (including the effect of interest rate swaps)	7.6%	7.2%	7.8%

The average rate applicable to debt outstanding at December 31, 1994 was 8.5% for short-term borrowings and 8.0% for total debt including the effect of interest rate swaps.

INCOME TAXES:

	1994	1993	1992
Effective income tax rate	35.7%	37.0%	38.4%

The Corporation has reduced its effective income tax rate over the last three years by implementing tax planning strategies throughout its operations worldwide.

The following table summarizes the future income tax benefits arising from net deductible temporary differences and tax carryforwards which are recorded as an asset at December 31, 1994:

In Millions of Dollars	
Net deductible temporary differences	$1,504
Tax carryforwards:	
Acquired loss carryforwards	11
Foreign and state loss carryforwards	142
Tax credit carryforwards	221
	1,878
Valuation allowance	(355)
Total future income tax benefits	$1,523

The future tax benefit arising from net deductible temporary differences of $1,504 million relates to expenses recognized for financial reporting purposes which will result in tax deductions over varying future periods. The realization of this amount is dependent upon the generation of sufficient taxable income, primarily in the United States, over these future periods, including applicable carryforward periods. Future tax benefits of $376 million attributable to postretirement benefits will be realized as paid over a period of fifty years or more based on the Corporation's healthcare plans for retirees. Other future tax benefits relate to such matters as environmental accruals, warranty provisions and the timing of inventory and contract cost recognition which are expected to result in tax deductions in periods from one to ten years.

Prior to 1992, the Corporation's U.S. operations consistently produced taxable income. In 1992 and 1993, primarily as a result of depressed conditions in the commercial airline industry and actual expenditures relating to the 1991 restructuring provision, domestic tax losses were incurred which have been utilized by carryback to prior years. In 1994 the Corporation had domestic taxable income.

Based on the Corporation's business plans, including the benefits of the cost reductions resulting from the restructuring program, and the tax planning strategies available, management believes that the Corporation's domestic earnings during the periods when the temporary differences turn around will be sufficient to realize those future income tax benefits.

Minimum tax credit and certain state tax credit carryforwards have no expiration date. Foreign and state tax loss carryforwards arise in a number of different taxing jurisdictions with expiration dates ranging from 1995 to 2009. For those jurisdictions where the expiration date or the projected operating results indicate that realization is not likely, a valuation allowance has been provided. U.S. foreign tax credit carryforwards, which require future foreign source income to be utilized, expire after five years and are reserved through valuation allowances.

NET INCOME:

Increased 20% or $98 million from 1993 to 1994.

Increased $774 million from 1992 to 1993.

The Corporation adopted AICPA Statement of Position (SOP) 93-6, "Employers' Accounting for Employee Stock Ownership Plans" in the fourth quarter of 1994, effective January 1, 1994. The principal impact of the accounting change on ongoing results is to consider as outstanding only those ESOP Convertible Preferred shares committed to employee accounts, to report as interest expense all interest on the debt of the ESOP trust and to report preferred stock dividends only on those shares considered as outstanding. As a result of this change, net income for 1994 was reduced by $59 million, including a $31 million one-time cumulative after tax charge ($.23 per share). The reductions to net income, preferred stock dividend requirements, and ESOP shares considered outstanding (8.5 million shares) in 1994 have the combined effect of increasing 1994 earnings per share by $.18, excluding the one-time charge. Overall, earnings per share in 1994 was reduced by $.05 as a result of this accounting change. Excluding the impact of the accounting change, 1994 net income increased $157 million (32%), while earnings per share increased $1.15 (35%). See Note 2 of Notes to Financial Statements for additional information on the ESOP accounting change.

LIQUIDITY AND FINANCING COMMITMENTS

Management assesses the Corporation's liquidity in terms of its overall ability to generate cash to fund its operating and investing activities. Of particular importance in the management of liquidity are cash flows generated from operating activities, capital expenditure levels, customer financing requirements, adequate bank lines of

credit, and financial flexibility to attract long-term capital on satisfactory terms. The following discussion includes references to net debt (total debt less cash) to be consistent with certain internal and external measures of the Corporation's cash flows. The Corporation's strategies for financing investments in various regional markets, however, result in cash balances that are not expected to be used to pay down debt.

Set forth below is selected key cash flow data:

In Millions of Dollars	1994	1993	1992
Net Cash Flows from Operating Activities	$1,357	$1,508	$1,203
Capital expenditures	$ (759)	$ (846)	$ (920)
(Increase) decrease in customer financing assets, net	297	(208)	(202)
Common Stock repurchase	$ (270)	$ --	$ --
Change in total debt	(516)	(187)	(247)
Change in net debt	(481)	(254)	(78)

Cash flows from operating activities declined $151 million in 1994 compared to 1993. Included in this decline is a $150 million payment made during the second quarter of 1994 to the U.S. Government for a previously recorded settlement by Sikorsky Aircraft. Improved operating results and working capital management programs in 1994 were partially offset by an increase in accounts receivable. The increase in receivables was primarily due to the timing of payments on engine shipments at Pratt & Whitney and the increased sales volumes in the commercial businesses.

Cash used for investing activities decreased in 1994 as compared to 1993. Purchases of fixed assets have declined over the past three years both in absolute dollars and as a percentage of sales. While reducing the level of fixed asset purchases, the Corporation continues to focus its capital investments in productivity improvements, facility modernization and expansion of certain product lines. The Corporation expects 1995 capital spending to remain at approximately the same level as 1994. Customer financing activity was a net source of funds during 1994 as compared to a use of funds in 1993. This change was a result of both lower funding requirements in 1994 as compared to 1993 and the sale of certain of these assets to third parties in 1994. The Corporation expects that customer financing will be a net use of funds in 1995. Acquisitions and dispositions of business interests was also a net source of investment funds during 1994. The Corporation received $282 million of proceeds from the dispositions of business units, primarily from the sales of the equity share holdings in Westland Group plc and the net operating assets of its Norden subsidiary. Also during 1994, the Corporation invested $125 million for acquisitions, principally to acquire minority shareowners' interests in Otis and Carrier subsidiaries in Europe and additional investments in the PRC.

Financing cash flows for 1994 include the use of $270 million for the repurchase, commencing in April 1994, of approximately 4.4 million shares of the Corporation's Common Stock. This stock repurchase program was undertaken to counter the dilutive effects of shares issued under employee compensation and benefit programs. In February 1995, the Corporation's Board of Directors approved a similar program which allows for the repurchase of up to 5.0 million shares of Common Stock within the next two years.

The Corporation's financial structure at the end of 1994 and 1993 was as follows:

In Millions of Dollars	1994	1993
Cash and cash equivalents	$ 386	$ 421
Total debt	2,443	2,959
Net debt (total debt less cash)	2,057	2,538
Shareowners' equity	3,752	3,598
Debt to total capitalization	39.4%	45.1%
Net debt to total capitalization	35.4%	41.4%

The debt and net debt to total capitalization ratios decreased 5.7% and 6.0% respectively in 1994. This decrease is due to improved operating results and increased cash flows as outlined above, which more than offset the 4.4% increase in the total debt to capitalization ratio due to the stock repurchase program.

The Corporation filed a registration statement with the Securities and Exchange Commission in January 1994 pursuant to its plan to sell to the public a 40% equity interest in UT Automotive, the Corporation's Automotive segment. Due to market conditions the offering was subsequently withdrawn.

At December 31, 1994, the Corporation had credit commitments from banks totaling $1.1 billion under a Revolving Credit Agreement. The agreement provides for borrowings at prevailing interest rates up to the prime rate and expires September 30, 1999. At December 31, 1994, there were no borrowings under the Revolving Credit Agreement. Long-term financing will continue to

BAR CHART DESCRIPTION:
Operating Cash Flows ($ Millions)
1990 - $1,333
1991 - $1,890
1992 - $1,203
1993 - $1,508

1994 - $1,357

BAR CHART DESCRIPTION:
Net Debt ($ Millions)
1990 - $3,361
1991 - $2,870
1992 - $2,792
1993 - $2,538
1994 - $2,057

be considered in the future if conditions are advantageous, and in that regard, under an effective Registration Statement on file with the Securities and Exchange Commission at December 31, 1994, up to $871 million of medium-term and long-term debt of the Corporation could be issued.

The Corporation's ratio of floating-rate debt to total debt, after taking interest rate hedges into account, was 42% at December 31, 1994 compared to 47% at December 31, 1993. The Corporation maintains a portfolio of interest rate hedge instruments for the purpose of decreasing funding costs, as more fully explained in Note 9 of Notes to Financial Statements.

In addition to the requirements discussed above, the Corporation had commitments to finance or arrange financing for customers at December 31, 1994 of approximately $1.3 billion of commercial aircraft, of which as much as $406 million may be required to be disbursed in 1995.

The Corporation believes that existing sources of liquidity are adequate to meet anticipated short-term borrowing needs at comparable risk-based interest rates for the foreseeable future.

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 of this, the Corporation has established certain policies and is currently establishing additional policies relating to environmental standards of performance for its operations worldwide.

The Corporation has identified approximately 340 locations, most of which are in the United States, at which it may have some liability for remediating contamination. The Corporation does not believe that any single location's exposure is individually material to the Corporation. Sites in the investigation or remediation stage represent approximately 94% of the Corporation's recorded liability. The remaining 6% of the recorded liability consists of sites identified where the Corporation may have some liability but investigation is in the initial stages or has not begun. The Corporation's estimates of liability for investigation or remediation at these sites are updated quarterly based on an evaluation of currently available facts with respect to each individual site and take into account factors such as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. Since the knowledge of these sites generally increases through the investigation and remediation process, actual costs to be incurred in future periods can be expected to vary from estimates. Expenditures for environmental remediation activities at these sites were $57 million in 1994, $64 million in 1993 and $58 million in 1992. It is estimated that expenditures in each of the next two years will not exceed $100 million in the aggregate for these sites.

Included within the sites known to the Corporation are those sites at which the Corporation has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability ACT ("CERCLA" or Superfund). Under the provisions of this statute, the Corporation may be held liable for all costs for environmental remediation without regard to the legality of the Corporation's disposal of material at the site or the Corporation's contribution to the contamination. The Corporation has been identified as a potentially responsible party at approximately 90 such federal Superfund 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 Company'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.

Some of the Corporation's liabilities, including certain Superfund liabilities, relate to facilities that were acquired by the Corporation with indemnities from the sellers or former owners. In estimating the potential liability at these sites, the Corporation has considered the indemnification separately from the liability.

The Corporation has instituted legal proceedings against its insurers seeking insurance coverage for liability to third parties for remediation costs, defense costs, physical loss or damage to the Corporation's property, and related costs. Settlements to date, which have not been material, have been recorded upon receipt. It is expected that one or more of these cases will last several years. Environmental liabilities are not reduced by potential insurance reimbursements.

Notwithstanding the uncertainties discussed above, and taking into account the Corporation's policies, standards of performance and programs related to the environment, the Corporation believes that expenditures necessary to comply with the present regulations governing environmental protection will not have a material effect upon its capital expenditures, competitive position, financial position or results of operations.

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, the Corporation or one of its business units 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.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation uses derivative financial instruments to manage foreign currency and interest rate exposures in the following four areas: foreign currency transactions, foreign net assets, customer financing assets, and debt. Derivative financial instruments utilized by the Corporation in its foreign currency and interest rate hedging activities are Over The Counter instruments and involve little complexity. The Corporation has policies to monitor the concentration and credit risks of counterparties, which are a diversified group of major investment grade financial institutions.

International operations, including export sales, constitute a significant portion of the revenues and identifiable assets of the Corporation, averaging approximately $11.8 billion and $4.6 billion, respectively, for each of the last three years. These operations result in a large volume of foreign currency commitment and transaction exposures and significant foreign currency net asset exposures. Foreign currency commitment and transaction exposures are managed at the operating unit level as an integral part of the business. To the extent that foreign currency exposures cannot be offset or managed to an insignificant amount, it is the Corporation's policy to hedge these residual foreign currency commitment and transaction exposures. These hedges are scheduled to mature coincident with the timing of the underlying foreign currency commitments and transactions. It has been the Corporation's policy to hedge a portion of the impact of fluctuations in foreign currency exchange rates associated with these foreign investments. During 1994 the Corporation substantially changed this policy and generally will not hedge foreign net asset exposures. Certain hedge contracts from the prior policy are still outstanding and may be held until their scheduled maturity.

The Corporation also has financing assets with commercial airline industry customers in connection with engine sale agreements. The Corporation may sell customer financing assets from time to time based on current market conditions and other factors. To mitigate the exposure on certain fixed rate customer financing assets, the Corporation has entered into interest rate swaps.

It has been the Corporation's practice to manage the relative proportions of its fixed rate and floating rate debt in the context of the interest rate environment, expected cash flow and anticipated debt retirements. While the hedging strategies on both debt and customer financing assets are an integral portion of the Corporation's risk management, the impact on earnings during the periods were not material.

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.

Management is responsible for the integrity and objectivity of the financial statements, including estimates and judgments reflected in them. It 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, 1994. 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 in this Annual Report. 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 Review Committee of the Board of Directors, consisting of six 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/ ROBERT F. DANIELL
Robert F. Daniell
Chairman

/s/ GEORGE DAVID
George David
President and Chief Executive Officer

/s/ STEPHEN F. PAGE
Stephen F. Page
Executive Vice President and 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, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards 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 the opinion expressed above.

As discussed in Note 2, the Corporation changed its methods of accounting for its Employee Stock Ownership Plan in 1994 and for postretirement benefits other than pensions and for income taxes in 1992.

/s/ PRICE WATERHOUSE LLP
One Financial Plaza
Hartford, Connecticut
January 26, 1995

CONSOLIDATED STATEMENT OF OPERATIONS UNITED TECHNOLOGIES CORPORATION

In Millions of Dollars (except per share amounts)	Years Ended December 31, 1994	1993	1992
REVENUES			
Product sales	$16,670	$16,671	$17,559
Service sales	4,131	4,065	4,082
Financing revenues and other income, less other deductions	396	345	391
	21,197	21,081	22,032
COSTS AND EXPENSES			
Cost of products sold	13,773	13,666	14,727
Cost of services sold	2,559	2,571	2,591
Research and development	978	1,137	1,221
Selling, general and administrative	2,536	2,547	3,011
Interest	275	251	282
	20,121	20,172	21,832
Income before income taxes and minority interests	1,076	909	200
Income taxes	384	336	77
Net income before minority interests	692	573	123
Less-Minority interests in subsidiaries' earnings	107	86	88
Net income before cumulative effect of accounting principle changes	585	487	35
Cumulative effect of changes in accounting principles for income taxes and postretirement benefits other than pensions	--	--	(322)
NET INCOME (LOSS)	$ 585	$ 487	$ (287)
Preferred Stock Dividend Requirement	$ 22	$ 43	$ 42
Earnings (Loss) Applicable to Common Stock	$ 563	$ 444	$ (329)
PER SHARE OF COMMON STOCK:			
Primary:			
Earnings (loss) before cumulative effect of accounting principle changes	$ 4.40	$ 3.53	$ (0.05)
Cumulative effect of changes in accounting principles for income taxes and postretirement benefits other than pensions	--	--	(2.62)
Earnings (Loss)	$ 4.40	$ 3.53	$ (2.67)
Fully Diluted:			
Earnings (loss) before cumulative effect of accounting principle changes	$ 4.40	$ 3.30	$ (0.05)
Cumulative effect of changes in accounting principles for income taxes and postretirement benefits other than pensions	--	--	(2.62)
Earnings (Loss)	$ 4.40	$ 3.30	$ (2.67)

See accompanying Notes to Financial Statements

CONSOLIDATED BALANCE SHEET UNITED TECHNOLOGIES CORPORATION

In Millions of Dollars	December 31, 1994	1993
ASSETS		
Cash and cash equivalents	$ 386	$ 421
Accounts receivable (net of allowance for doubtful accounts of $336 in each year)	3,745	2,981
Inventories and contracts in progress (net of progress payments and billings on contracts in progress)	2,955	3,153
Future income tax benefits	929	794
Other current assets	213	357
Total Current Assets	8,228	7,706
Customer financing assets	620	914
Future income tax benefits	594	698
Fixed assets	4,532	4,565
Other assets	1,650	1,735
TOTAL ASSETS	$15,624	$15,618
LIABILITIES AND SHAREOWNERS' EQUITY		
Short-term borrowings	$ 402	$ 780
Accounts payable	1,924	1,815
Accrued liabilities	4,071	4,085
Long-term debt - currently due	156	240
Total Current Liabilities	6,553	6,920
Long-term debt	1,885	1,939
Future pension and postretirement benefit obligations	1,389	1,440
Future income taxes payable	196	177
Other long-term liabilities	1,110	999
Commitments and contingent liabilities (Notes 4 and 14)		
Minority interests in subsidiary companies	400	369
Series A ESOP Convertible Preferred Stock, $1 par value (Authorized - 20,000,000 shares) Outstanding - 13,619,115 and 12,459,932 shares	905	822
ESOP deferred compensation	(566)	(646)
	339	176
SHAREOWNERS' EQUITY:		
Capital Stock:		
Preferred Stock, $1 par value (Authorized - 230,000,000 shares; none issued or outstanding)	--	--
Common Stock, $5 par value (Authorized - 500,000,000 shares) Issued- 140,154,766 and 138,712,505 shares	2,148	2,075
Treasury Stock (17,018,899 and 12,665,188 common shares at cost)	(947)	(677)
Retained earnings	2,790	2,466
Currency translation and pension liability adjustments	(239)	(266)
TOTAL SHAREOWNERS' EQUITY	3,752	3,598
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	$15,624	$15,618

See accompanying Notes to Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS — UNITED TECHNOLOGIES CORPORATION

In Millions of Dollars	Years Ended December 31, 1994	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 585	$ 487	$ (287)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Depreciation and amortization	840	815	852
Minority interests in subsidiaries' earnings	107	86	88
Gain on sale of Westland Group plc	(87)	--	--
Change in:			
Accounts receivable	(756)	45	239
Inventories and contracts	290	335	328
Other current assets	161	(55)	(135)
Accounts payable and accrued liabilities	239	73	202
Future income taxes payable and future income tax benefits	(16)	33	(626)
Noncurrent postretirement benefit obligation	11	37	808
Restructuring liabilities	(233)	(393)	(269)
ESOP deferred compensation	119	--	--
Other, net	97	45	3
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,357	1,508	1,203
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(759)	(846)	(920)
Increase in customer financing assets	(248)	(356)	(202)
Decrease in customer financing assets	545	148	--
Acquisitions of business units	(125)	--	--
Dispositions of business units	282	--	64
Sales of fixed assets and other	16	28	132
NET CASH FLOWS FROM INVESTING ACTIVITIES	(289)	(1,026)	(926)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of long-term debt	25	27	13
Repayments of long-term debt	(207)	(636)	(355)
Increase (decrease) in short-term borrowings	(379)	403	85
Common Stock issued for employee stock plans and other	73	110	87
Dividends paid on Common and ESOP Preferred Stocks	(238)	(267)	(264)
Common Stock repurchase	(270)	--	--
Dividends to minority interests and other, net	(102)	(16)	(1)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(1,098)	(379)	(435)
Effect of foreign exchange rate changes on cash and cash equivalents	(5)	(36)	(11)
Net Increase (Decrease) in Cash and Cash Equivalents	(35)	67	(169)
Cash and Cash Equivalents, Beginning of year	421	354	523
Cash and Cash Equivalents, End of year	$ 386	$ 421	$ 354
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	$ 237	$ 239	$ 293
Income taxes paid, net of refunds	248	179	403

See accompanying Notes to Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREOWNERS' EQUITY — UNITED TECHNOLOGIES CORPORATION

In Millions of Dollars (except per share amounts)	Common Stock	Treasury Stock	Retained Earnings	Equity Adjustments: Currency Translation	Equity Adjustments: Pension Liability
BALANCE DECEMBER 31, 1991	$1,878	$ (677)	$2,787	$ (27)	$ --
Issued under employee incentive plans, and related tax benefit (1,868,645 shares of Common Stock, net of 160,002 shares purchased and reissued)	87		(1)		
Redemption of Common Stock Rights			(12)		
Net loss			(287)		
Dividends on -- Common Stock ($1.80 per share)			(222)		
-- ESOP Preferred Stock ($4.80 per share), net of income tax benefits of $19 million			(42)		
-- Recognition of previously unrecognized tax benefit on ESOP Preferred Stock dividends			24		
Deferred foreign currency translation and hedging adjustments, including income taxes of $12 million				(108)	
Minimum pension liability adjustment, net of income tax benefits of $19 million					(30)
BALANCE DECEMBER 31, 1992	1,965	(677)	2,247	(135)	(30)
Issued under employee incentive plans, and related tax benefit (2,273,625 shares of Common Stock, net of 21,409 shares purchased and reissued)	110		(1)		
Net income			487		
Dividends on -- Common Stock ($1.80 per share)			(224)		
-- ESOP Preferred Stock ($4.80 per share), net of income tax benefits of $18 million			(43)		
Deferred foreign currency translation and hedging adjustments, including income taxes of $4 million				(92)	
Minimum pension liability adjustment, net of income tax benefits of $7 million					(9)
BALANCE DECEMBER 31, 1993	2,075	(677)	2,466	(227)	(39)
Issued under employee incentive plans, and related tax benefit (1,442,261 shares of Common Stock, net of 200,774 shares purchased and reissued)	73		(1)		
Net income			585		
Dividends on -- Common Stock ($1.90 per share)			(238)		
-- ESOP Preferred Stock ($4.80 per share)			(22)		
Purchase of 4,360,000 shares of Common Stock		(270)			
Deferred foreign currency translation and hedging adjustments, including income tax benefits of $25 million				8	
Minimum pension liability adjustment, net of income taxes of $13 million					19
BALANCE DECEMBER 31, 1994	$2,148	$ (947)	$2,790	$ (219)	$ (20)

See accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

1 SUMMARY OF ACCOUNTING PRINCIPLES

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of the Corporation and its subsidiaries. International operating subsidiaries are included generally on the basis of fiscal years ending November 30. Intercompany transactions have been eliminated. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

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.

INVENTORIES AND CONTRACTS IN PROGRESS: Inventories and contracts in progress are stated at the lower of cost or estimated realizable value. Inventories consist primarily of raw materials and work in process. Materials in excess of requirements for contracts and orders currently in effect or anticipated have been written off. A considerable portion of inventories is based on first-in, first out (FIFO) cost. The remainder of inventories is stated either at average cost or at actual cost accumulated against specific contracts or orders or, in the case of a substantial portion of inventories in the Carrier and Automotive businesses, at last-in, first-out (LIFO) cost.

Manufacturing tooling costs are charged to inventories or to fixed assets depending upon their nature, general applicability and useful lives. Tooling costs included in inventory are charged to cost of sales based on usage, generally within two years after they enter productive use. All other manufacturing costs are allocated to current production and firm contracts. General and administrative expenses are charged to expense as incurred.

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

FIXED ASSETS: Fixed assets are stated at cost. Depreciation is computed over the assets' useful lives using accelerated methods for aerospace operations and the straight-line method for other operations.

GOODWILL: Costs in excess of values assigned to the underlying net assets of acquired companies are included in other assets and are generally being amortized over periods ranging up to 40 years. On a periodic basis, the Corporation estimates the future undiscounted cash flows of the businesses to which goodwill relates to ensure that the carrying value of such goodwill has not been impaired.

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 significant 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.

Prospective losses, if any, on contracts are provided for when the losses become anticipated. Loss provisions are based upon any anticipated excess of inventoriable manufacturing or engineering costs and estimated warranty and product guarantee costs over the net revenue from the products contemplated by the specific order.

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 operations as incurred.

HEDGING ACTIVITY: The Corporation uses derivative financial instruments, including futures, options, swaps and forward contracts, to manage foreign currency and interest rate exposures in the following four areas: foreign currency transactions (Note 12), foreign net assets (Note 12), customer financing assets (Note 4), and debt (Note 9). These derivative financial instruments are accounted for on an accrual basis and income and expense is generally recorded in the same category as that arising from the related asset or liability.

Gains and losses on hedges of foreign currency exposure of net investments in subsidiaries are recorded in the currency translation account in shareowners' equity.

For derivatives that hedge firm commitments, gains and losses are deferred and recognized when the associated hedged transaction occurs. For derivative instruments that hedge foreign currency denominated receivables and payables, gains and losses offset the effects of foreign exchange gains and losses from the associated hedged receivables and payables.

EARNINGS PER SHARE: In 1994, primary earnings per share and fully diluted earnings per share computations are based on the average number of shares of common stock and common stock equivalents outstanding during the year. ESOP Convertible Preferred shares of the Corporation are considered common stock equivalents when committed to employees savings plan accounts. See Note 2 below for discussion of the ESOP accounting change.

In 1993 and 1992, primary earnings per share is computed on the average number of shares of common stock and common stock equivalents outstanding. However, ESOP Convertible Preferred shares were not considered common stock equivalents. Fully diluted earnings per share reflects the maximum dilution of earnings per share where all of the ESOP Convertible Preferred shares of the Corporation (both committed and uncommitted) are treated as if-converted as of the later of the beginning of the year or the date of issue. A reduction in earnings applicable to common shareholders is required in the computation of fully diluted earnings per share, in 1993 and 1992, representing the Corporation's assumed additional contribution to the ESOP to enable it to meet its debt repayment responsibilities were the preferred dividends not available for this purpose.

2 ACCOUNTING AND REPORTING CHANGES

In the fourth quarter of 1994 the Corporation adopted, effective January 1, 1994, AICPA Statement of Position (SOP) 93-6, "Employers' Accounting for Employee Stock Ownership Plans." The principal impact of the accounting change on ongoing results is to consider as outstanding only those ESOP Convertible Preferred shares committed to employee accounts, to report as interest expense all interest on the debt of the ESOP trust and to report preferred stock dividends only on those shares considered as outstanding.

As a result of this change, the Corporation's pretax income for 1994 was reduced by $95 million, including a one-time charge of $51 million ($31 million after tax or $.23 per share). This one-time charge represents the cumulative difference between the expense determined under the new accounting method and that previously recognized from inception of the ESOP through January 1, 1994. The one-time charge has been recorded in Financing revenues and other income, less other deductions in the Consolidated Statement of Operations.

The 1994 ESOP accounting change, excluding the one-time charge, reduced 1994 pretax income by $44 million or $28 million after tax, and reduced 1994 reported preferred stock dividends by $22 million. Those reductions in net income and preferred stock dividend requirements, and the reduction in ESOP shares considered outstanding of 8.5 million shares in 1994, have the combined effect of increasing 1994 earnings per share by $.18, excluding the one time charge. Overall, earnings per share in 1994 was reduced by $.05 as a result of this accounting change.

As this accounting change was adopted in the fourth quarter of 1994, previously reported 1994 quarterly information has been restated to reflect the change effective January 1, 1994.

Effective January 1, 1992, the Corporation adopted Statement of Financial Accounting Standards No. 106 (FAS 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions," using the immediate recognition transition option. The after-tax cumulative effect attributable to years prior to January 1, 1992 for this change in accounting for retiree health care and life insurance benefits reduced 1992 earnings by $482 million ($3.91 per share).

Effective January 1, 1992, the Corporation adopted Statement of Financial Accounting Standards No. 109 (FAS 109), "Accounting for Income Taxes." The cumulative effect attributable to years prior to January 1, 1992 for this change in accounting for income taxes increased 1992 earnings by $160 million ($1.29 per share).

3 BUSINESS DISPOSITIONS

During the second quarter of 1994, the Corporation sold its equity share holdings in Westland Group plc and the net operating assets (excluding real property) of its Norden subsidiary for proceeds totaling approximately $227 million. The Corporation recorded a pretax gain of $87 million on the Westland sale which is included in Financing revenues and other income, less other deductions in the Consolidated Statement of Operations. The impact of the Norden sale on the Corporation's results was not significant.

4 AIRLINE INDUSTRY AND CUSTOMER FINANCING ASSETS

The Corporation has significant receivables and other financing assets which result from its business activities with commercial airline industry customers totaling $2,290 million and $2,235 million at December 31, 1994 and 1993, respectively. These amounts primarily relate to Pratt & Whitney, Hamilton Standard and UT Finance Corporation.

Customer financing assets consist of the following:

In Millions of Dollars	1994	1993
Notes receivable	$274	$570
Leases receivable, less unearned income of $265 and $311	288	367
Products under lease	92	19
	654	956
Less: receivables due within one year	34	42
	$620	$914

Scheduled maturities of notes and leases receivable due after one year are as follows: $49 million in 1996, $64 million in 1997, $30 million in 1998, $23 million in 1999 and $362 million in 2000 and thereafter.

Customer aircraft financing activities are conducted principally through UT Finance Corporation, its consolidated subsidiaries and certain other customer financing operations.

The Corporation may sell customer financing assets from time to time based on current market conditions and other factors. To mitigate the exposure on certain fixed rate customer financing assets, the Corporation has entered into interest rate swap contracts related to receivables of $206 million at December 31, 1994. The expiration dates of the swap contracts are tied to the specific customer financing assets and extend to 2011.

The competitive commercial aircraft engine market often requires customer financing commitments. These commitments may be in the form of guarantees, secured debt or lease financing. At December 31, 1994, the Corporation had commitments to finance or arrange financing for approximately $1.3 billion of commercial aircraft. The Corporation cannot currently predict the extent to which these commitments will be utilized, since certain customers may be able to obtain more favorable terms from other financing sources. From time to time, the Corporation also arranges for third party investors to assume a portion of its commitments. However, should all current commitments be exercised as scheduled, the maximum amounts that will be disbursed are as follows: $406 million in 1995, $227 million in 1996, $361 million in 1997, $222 million in 1998, $86 million in 1999 and $14 million in 2000 and beyond. If exercised, the financing arrangements will be secured by assets with fair values exceeding the financed amounts. The interest rates on the financing commitments are established at the time they are funded.

The Corporation's customer financing activities also include leasing aircraft and subleasing the aircraft to customers. At December 31, 1994, the Corporation's rental commitments under long-term noncancelable operating leases aggregated $265 million ($25 million in each of the years 1995 through 1999, and $140 million through 2008). In some instances, customers have minimum lease terms which may result in sublease periods shorter than the Corporation's lease obligation.

At December 31, 1994, the Corporation also had approximately $273 million of residual value and other guarantees related to various commercial aircraft engine customer financing arrangements. Where applicable, the estimated fair market value of the assets securing these guarantees equaled or exceeded the related guarantees, after considering existing reserves.

The Corporation has a 33% interest in International Aero Engines AG (IAE), an international consortium of five shareholders for the V2500 commercial aircraft engine program. The other four shareholders are Rolls-Royce, Japanese Aero Engines Corporation, Motoren-und-Turbinen-Union and FiatAvio. IAE may offer customer financing in support of V2500 engine sales. As of December 31, 1994, IAE has lease obligations under long-term noncancelable leases of approximately $400 million through 2020. These lease obligations are secured by aircraft which are subleased to customers under long-term leases, with short-term cancellation provisions, and whose fair values exceed the financed amounts. IAE has remaining commitments to provide approximately $400 million of similar lease financing. The shareholders of IAE have guaranteed IAE's lease obligations to the extent of their respective ownership interests. In the event any shareholder were to default on such guarantees, the other shareholders would be proportionately responsible. The Corporation's share of IAE lease commitments and guarantees is approximately $250 million at December 31, 1994.

Allowances for possible losses relating to financing activities with commercial airline customers are $373 million and $374 million at December 31, 1994 and 1993, respectively.

5 INVENTORIES AND CONTRACTS IN PROGRESS

Inventories and contracts in progress consist of the following:

In Millions of Dollars	1994	1993
Inventories	$ 3,357	$ 3,629
Elevator and escalator contracts in progress	1,023	1,006
	4,380	4,635
Less:		
Progress payments, secured by lien, on United States Government contracts	(204)	(347)
Billings on contracts in progress	(1,221)	(1,135)
	$ 2,955	$ 3,153

The methods of accounting followed by the Corporation do not permit classification of inventories by categories of finished goods, work in process and raw materials. The Corporation's sales contracts in many cases are long-term contracts expected to be performed over periods exceeding twelve months. At December 31, 1994 and 1993, approximately 58% of the total inventories and contracts in progress has been acquired or manufactured under such long-term contracts. It is impracticable for the Corporation to determine the amounts of inventory scheduled for delivery under long-term contracts within the next twelve months.

A substantial portion of the Corporation's inventories in its Carrier and Automotive businesses is valued under the LIFO method. If these inventories had been valued under the first-in, first-out method, they would have been higher by $138 million at December 31, 1994 ($137 million at December 31, 1993).

6 FIXED ASSETS

Fixed assets consist of the following:

In Millions of Dollars	1994	1993
Land	$ 164	$ 158

Buildings and improvements	2,988	2,754
Machinery, tools and equipment	6,690	6,427
Under construction	351	457
	10,193	9,796
Accumulated depreciation	(5,661)	(5,231)
	$ 4,532	$ 4,565

Depreciation expense was $793 in 1994 and $777 million in 1993 and 1992.

7 OTHER ASSETS

Other assets consist of the following:

In Millions of Dollars	1994	1993
Goodwill (net of accumulated amortization of $300 and $254)	$ 582	$ 544
Receivables due after one year	227	239
Investments	204	218
Prepaid pension costs and other	637	734
	$1,650	$1,735

Current and long-term accounts receivable at December 31, 1994 and 1993 include approximately $96 million and $105 million, respectively, representing retainage under contract provisions and amounts which are not presently billable because of lack of funding, final prices or contractual documents under government contracts or for other reasons. These items are expected to be collected in the normal course of business.

8 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

In Millions of Dollars	1994	1993
Accrued salaries, wages and employee benefits	$ 938	$ 912
Service and warranty accruals	519	567
Advances on sales contracts	608	561
Income taxes payable	445	314
Accrued restructuring costs	107	245
Other	1,454	1,486
	$4,071	$4,085

9 BORROWINGS AND LINES OF CREDIT

Short-term borrowings consist of the following:

In Millions of Dollars	1994	1993
Foreign bank borrowings	$243	$204
Commercial paper and notes	159	576
	$402	$780

The weighted-average interest rates applicable to short-term borrowings outstanding at December 31, 1994 and 1993 were 8.5% and 5.4%, respectively.

At December 31, 1994, the Corporation had credit commitments from banks totaling $1.1 billion under a Revolving Credit Agreement. The agreement provides for borrowings at prevailing interest rates up to the prime rate. The expiration date for the agreement is September 30, 1999 with a facility fee of .1% per year on the aggregate commitment. There were no borrowings under Revolving Credit Agreements during the two years ended December 31, 1994.

Principal payments required on long-term debt for the next five years are $156 million in 1995, $120 million in 1996, $185 million in 1997, $83 million in 1998 and $268 million in 1999. Long-term debt consists of the following:

	1994 Debt		In Millions of Dollars	
Type of Issue	Weighted Average Interest Rate	Maturity	1994	1993
Denominated in U.S. Dollars:				
Notes and other debt	7.5%	1995-2021	$1,025	$1,091
Denominated in foreign currency:				
Notes and other debt	8.5%	1995-2030	42	95
Capital lease obligations	9.3%	1995-2029	457	440
ESOP debt guarantee	7.5%	1995-2009	517	553
			2,041	2,179
Less: long-term debt currently due			156	240
			$1,885	$1,939

The Corporation enters into interest rate contracts to decrease funding costs by managing the relative proportion of fixed and floating rate debt, to diversify sources of funding and to manage the scheduled maturities of debt.

At December 31, 1994, the Corporation had $621 million of interest rate contracts which swap fixed interest rates for floating rates. At December 31, 1993, the Corporation had $630 million of interest rate contracts which swap fixed rates for floating rates and $75 million of contracts which swap floating rates for fixed rates. The expiration dates of the various contracts are tied to scheduled debt and capital lease obligation payment dates and extend to 2002. At December 31, 1994 and 1993, the Corporation had a $100 million outstanding option which gives the counterparty the right to receive a fixed rate and pay a floating rate, from the exercise date in 1996 to the maturity date in 1999. This option mirrors the call provision in one of the Corporation's outstanding debt issues and effectively fixes the interest rate to the stated final maturity of the related debt.

The percentage of total debt at floating interest rates after taking effect of the interest rate contracts is 42% and 47% at December 31, 1994 and 1993, respectively. The weighted average interest rates on long-term debt presented above include the effect of interest rate swap agreements.

CAPITALIZED INTEREST: During 1994, the Corporation and its consolidated subsidiaries capitalized $19 million ($29 million in 1993 and $52 million in 1992) of interest, to be depreciated over the lives of the related fixed assets.

10 TAXES ON INCOME

Significant components of income taxes (benefits) for each year are as follows:

In Millions of Dollars	1994	1993	1992
Current:			
United States:			
Federal	$ 112	$ 6	$(145)
State	25	22	9
Foreign	351	226	263
	488	254	127
Future:			
United States:			
Federal	(133)	4	(19)
State	2	22	(44)
Foreign	1	27	(24)
	(130)	53	(87)
	358	307	40
Benefits attributable to items credited to equity and goodwill	26	29	37
	$ 384	$ 336	$ 77

As discussed in Note 2, the Corporation adopted FAS 109 as of January 1, 1992, and the cumulative effect of this change is reported in the 1992 Consolidated Statement of Operations.

Future income taxes represent the tax effects of transactions which are reported in different periods for financial and tax reporting purposes. These differences consist of temporary differences, which are the tax effects of differences between the tax and financial reporting balance sheets, and tax carryforwards. The tax effects of temporary differences and carryforwards which gave rise to future income tax benefits and payables at December 31, 1994 and 1993 are as follows:

In Millions of Dollars	1994	1993
Future income tax benefits:		
Inventories and contracts	$ 443	$ 393
Fixed assets	(211)	(228)
Insurance and employee benefits	604	554
Warranty liability	217	286
Environmental and restructuring liabilities	258	377
Other items, net	193	81
Tax loss carryforwards	153	173
Tax credit carryforwards	221	153
Valuation allowance	(355)	(297)
	$1,523	$1,492
Future income taxes payable:		
Insurance and employee benefits	$ 37	$ 42
Fixed assets	117	125
Other items, net	62	43
	$ 216	$ 210

Current and non-current future income tax benefits and payables within the same tax jurisdiction are offset for presentation in the Consolidated Balance Sheet.

Valuation allowances have been established for tax credit and tax loss carryforwards to reduce the future income tax benefits to amounts expected to be realized. Federal loss carryforwards arise from business acquisitions with significant restrictions as to their future realization and consequently are fully reserved.

The sources of income (loss) before income taxes and minority interests were:

In Millions of Dollars	1994	1993	1992
United States	$ 244	$291	$(374)
Foreign	832	618	574
	$1,076	$909	$ 200

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 United States 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:

	1994	1993	1992
Statutory U.S. federal income tax rate	35.0%	35.0%	34.0%
State and local income taxes, net of federal tax benefit	1.8	3.4	(9.6)
Varying tax rates of consolidated subsidiaries (including Foreign Sales Corporation)	(4.7)	(1.0)	(5.7)
Amortization of excess purchase accounting and goodwill adjustments, without tax effect	0.6	0.5	3.4
Foreign tax credits	1.3	(0.4)	15.6
Other	1.7	(0.5)	0.7
Effective income tax rates	35.7%	37.0%	38.4%

Tax credit carryforwards at December 31, 1994 are $221 million and expire as follows: $27 million in 1998, $15 million in 1999 and $179 over an indefinite carryforward period. Tax loss carryforwards at December 31, 1994 are $1,314 million and expire as follows:

In Millions of Dollars	Federal	State	Foreign
1995-1999	$ --	$686	$82
2000-2004	31	142	2
2005-2009	--	306	--
Indefinite	--	--	65

11 EMPLOYEE BENEFIT PLANS

EMPLOYEE PENSION BENEFITS: The Corporation and its domestic subsidiaries have a number of defined benefit pension plans covering substantially all U.S. employees. Plan benefits are generally based on years of service and the employee's compensation during the last several years of employment. The Corporation's funding policy is based on an actuarially determined cost method allowable under Internal Revenue Service regulations. The funds are invested either in various securities by trustees or in insurance annuity contracts. Certain foreign subsidiaries have defined benefit pension plans or severance indemnity plans covering their employees.

In addition to the defined benefit plans covering U.S. and foreign employees discussed above, the Corporation makes contributions to multiemployer plans (predominantly defined benefit plans) covering certain employees in some of its U.S. operations.

Summarized below are the components of pension expense for defined benefit plans and multiemployer plans:

In Millions of Dollars	1994	1993	1992
Defined benefit plans:			
Service expense	$ 192	$ 204	$ 195
Interest expense	586	573	551
Actual return on assets	(193)	(1,024)	(286)
Net amortization and deferral of actuarial gains (losses)	(506)	305	(433)
Pension expense	$ 79	$ 58	$ 27
Pension expense of multiemployer plans	$ 21	$ 19	$ 17

The following table summarizes the funded status of the defined benefit pension plans:

	December 31, 1994		December 31, 1993	
In Millions of Dollars	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested	$4,536	$1,619	$4,894	$1,702
Nonvested	557	107	615	128
Accumulated benefit obligation	5,093	1,726	5,509	1,830
Effect of projected future salary increases	830	87	834	106

Projected benefit obligation for services rendered to date	5,923	1,813	6,343	1,936
Plan assets available for benefits	5,786	1,443	5,937	1,532
Projected benefit obligation in excess of plan assets	(137)	(370)	(406)	(404)
Unrecognized net loss (gain)	321	127	609	195
Unrecognized prior service cost	49	126	58	128
Unrecognized net (asset) obligation at transition	(93)	(21)	(112)	(25)
Additional minimum liability recognized	--	(163)	--	(207)
Pension asset (liability) included in the Consolidated Balance Sheet	$ 140	$ (301)	$ 149	$ (313)

The pension funds are valued at September 30 of the respective years in the table above. Major assumptions used in the accounting for the defined benefit pension plans are shown in the following table as weighted averages.

	December 31, 1994	1993	1992
Discount rate	8.3%	7.3%	8.1%
Salary scale	4.9%	5.1%	5.2%
Expected return on assets	9.7%	9.7%	10.5%

In accordance with the provisions of FAS 87, the Corporation was required to record an additional minimum pension liability at December 31, 1994 and 1993. This amount represents the excess of the accumulated benefit obligations over the fair value of plan assets and accrued pension liabilities. The liabilities have been offset by intangible assets to the extent possible. Because the asset recognized may not exceed the amount of unrecognized prior service cost, the balance of the liability at the end of each period is reported as a separate reduction to shareowners' equity, net of tax benefits.

Amounts are summarized as follows:

In Millions of Dollars	December 31, 1994	1993
Intangible assets	$130	$142
Reduction of shareowners' equity	20	39
Tax benefits	13	26
Additional minimum liability	$163	$207

EMPLOYEE HEALTH CARE AND INSURANCE BENEFITS: As discussed in Note 2, the Corporation adopted FAS 106 as of January 1, 1992.

Substantially all domestic full-time employees who retire from the Corporation between age 55 and age 65, and certain foreign employees, are eligible to receive postretirement health care and life insurance benefits under various plans. Certain of these plans which were revised during 1993 call for defined dollar benefits. Other plans are contributory defined benefit plans and include certain cost sharing features such as deductibles and co-payments. These benefits are generally funded on a pay-as-you-go basis. Certain retired employees of businesses acquired by the company are covered under other health care plans that differ from current plans in coverage, deductibles, and retiree contributions.

Summary information on the Corporation's plans is as follows:

In Millions of Dollars	December 31, 1994	1993
Accumulated postretirement benefit obligation (APBO):		
Retirees	$517	$505
Fully eligible, active participants	27	32
Other active participants	244	341
	788	878
Less: plan assets at fair value	85	107
Postretirement benefit obligation in excess of plan assets	703	771
Unrecognized net gain (loss)	18	(73)
Unrecognized net reduction in prior service expense	210	222
Accrued postretirement benefit liability	$931	$920

The components of postretirement benefit expense are as follows:

In Millions of Dollars	1994	1993	1992
Service expense	$ 12	$ 17	$ 35
Interest expense	60	65	80
Actual return on plan assets	(7)	(7)	(10)
Net amortization and deferral of actuarial (gains) losses	(17)	(17)	--
Net postretirement benefit expense	$ 48	$ 58	$105

The following assumptions are used to project changes in the accumulated postretirement benefit obligation and plan assets:

	December 31, 1994	1993	1992
Discount rate	8.4%	7.4%	8.1%
Expected return on assets	8.5%	8.5%	8.4%

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 13.75% in 1994, declining by .75% per year to an ultimate rate of 8.25%.

If the health care cost trend rate assumptions were increased by 1% per year, the APBO as of December 31, 1994 would be increased by approximately 5%. The effect of this change on the sum of the service expense and interest expense components of the postretirement benefit expense for 1994 would be an increase of 6%.

CURTAILMENT: During 1994 and 1993, the Corporation recognized net pension and postretirement benefit curtailment losses of $7 million and $56 million, respectively. These losses resulted from the net

increase in the Corporation's benefit obligation for pension and postretirement benefits for certain employees affected by workforce reductions at several operating units and from enhanced early retirement benefits.

EMPLOYEE SAVINGS PLANS: In 1989, the Corporation established an Employee Stock Ownership Plan (ESOP) to fund the Corporation's match of employee contributions within its savings plan covering substantially all nonunion domestic employees. At that time, the Corporation's Board of Directors authorized 20,000,000 shares of Series A ESOP Convertible Preferred Stock (ESOP Preferred Stock), par value $1.00 per share, having a $4.80 dividend per year. Each share is convertible into one share of Common Stock and has a guaranteed value of $65. Because of the guaranteed value, the ESOP Preferred Stock is classified outside of permanent equity in the Consolidated Balance Sheet. The ESOP Preferred Stock is currently redeemable, at the option of the Corporation, at a price of $67.40 per share plus accrued and unpaid dividends.

Since its inception, the ESOP has purchased approximately 14.5 million shares of Preferred Stock to fulfill the Corporation's current and estimated future matching requirements. External borrowing, guaranteed by the Corporation, was obtained for a portion of the share purchases and is reported as debt on the Consolidated Balance Sheet. Shares of ESOP Preferred Stock are committed to each employee based upon fair value at the date earned. To the extent that shares are not sufficient to fulfill the matching commitment, the Corporation must contribute additional ESOP Preferred Stock, Common Stock or cash. The ESOP compensation expense is equal to the Corporation's matching requirement. At December 31, 1994, 5.1 million shares had been committed to employees, leaving 8.5 million uncommitted shares in the ESOP trust.

Shares committed to employees generally may not be withdrawn until the employee's termination, disability, retirement or death. Upon withdrawal, shares of the ESOP Preferred 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 Preferred Stock, the Corporation must repurchase the shares at their guaranteed value.

The Corporation is required to contribute sufficient funds, when combined with dividends paid on the ESOP Preferred Stock, to meet ESOP's debt service requirements. Before the change in ESOP accounting in 1994, contributions to the ESOP together with the value of additional ESOP Preferred Stock necessary to satisfy the savings plan matching requirement were charged to expense.

The Corporation and a number of its subsidiaries have additional savings plans in which a portion of employee contributions is matched in cash by the employer. The amount expensed related to all savings plans totaled $84 million, $77 million and $77 million for 1994, 1993 and 1992, respectively.

LONG-TERM INCENTIVE PLAN: The Corporation has a Long-Term Incentive Plan (1989 Plan) under which shares of Common Stock may be sold or awarded to officers and key employees. This plan essentially superceded all previous plans.

The 1989 Plan authorizes various types of market-based incentive and performance-based awards. The exercise price of a stock option, as set at the time of the grant, will not be less than the fair market value of the shares on the date of grant. The maximum number of shares which may be utilized for awards granted during a given calendar year may not exceed 2% of the aggregate shares of Common Stock, common stock equivalents and treasury shares for the preceding fiscal year.

At December 31, 1994, stock options for 5,110,132 shares of Common Stock were exercisable at an average price of $47.18 per share.

A summary of the transactions under all Plans for the three years ended December 31 follows:

	Stock Options		
	Shares	Average Price	Other Incentive Awards
Outstanding - December 31, 1991	8,703,372	$44.03	684,561
Granted	1,618,726	$50.28	640,595
Exercised/earned	(1,698,513)	$38.26	(468,209)
Cancelled	(179,832)	$48.49	(266,622)
Outstanding - December 31, 1992	8,443,753	$46.30	590,325
Granted	1,395,273	$47.36	438,865
Exercised/earned	(2,103,123)	$44.62	(338,681)
Cancelled	(180,846)	$48.21	(74,017)
Outstanding - December 31, 1993	7,555,057	$46.92	616,492
Granted	2,187,250	$65.93	--
Exercised/earned	(1,559,085)	$45.17	(493,388)
Cancelled	(87,086)	$58.04	(49,029)
Outstanding - December 31, 1994	8,096,136	$52.27	74,075

12 FOREIGN EXCHANGE

The Corporation conducts business in many different currencies and, accordingly, has risk associated with foreign exchange rate movements. The financial position and results of operations of substantially all of the Corporation's significant foreign subsidiaries are measured using the local currency as the functional currency. The aggregate effects of translating the financial statements of these subsidiaries are deferred as a separate component of shareowners' equity. The Corporation had foreign currency net asset exposures in more than forty currencies, aggregating $2.2 billion and $2.1 billion at December 31, 1994 and 1993, respectively. The primary foreign currency net asset exposures, each five percent or more of the Corporation's shareowners' equity, are set forth below:

In Millions of Dollars	1994	1993
Currency:		
Canadian dollar	$625	$590
French franc	215	285
Japanese yen	190	165

It has been the Corporation's policy to hedge a portion of the impact of fluctuations in foreign currency exchange rates associated with these foreign investments. During 1994 the Corporation substantially changed this policy and generally will not hedge foreign net assets exposures. Certain hedge contracts from the prior policy are still outstanding and may be held until their scheduled maturity. At December 31, 1994 and 1993, the Corporation had $469 million and $667 million notional principal amount of outstanding currency swaps and forward exchange contracts to hedge its foreign net asset exposures. These foreign currency hedges mature ratably over the period 1995 - 2001.

Foreign currency commitment and transaction exposures are managed at the operating unit level as an integral part of the business. To the extent that foreign currency exposures cannot be offset or managed to an insignificant amount, then it is the Corporation's policy to hedge these residual foreign currency commitment and transaction exposure. These hedges are executed by authorized management at the operating units and are scheduled to mature coincident with the timing of the underlying foreign currency commitments and transactions. Certain of these hedges involve the exchange of two foreign currencies according to local needs at foreign operations. Transactions that are hedged include foreign currency denominated receivables and payables on the balance sheet, firm purchase orders and firm sales commitments.

At December 31, 1994, and 1993, the Corporation had the following amounts related to forward foreign exchange contracts hedging foreign currency transaction and firm commitment exposures:

In Millions of Dollars	1994	1993
Notional amount:		
Buy contracts	$1,909	$1,252
Sell contracts	485	379
Gains and losses explicitly deferred as a result of hedging firm commitments:		
Gains deferred	$ 6	$ 7
Losses deferred	(25)	(17)
	$ (19)	$ (10)

The deferred gains and losses are expected to be recognized in income over the next two years as these transactions are realized.

13 FINANCIAL INSTRUMENTS

The Corporation operates internationally and, in the normal course of business, is exposed to continuous fluctuations in interest rates and changes in currency values. These fluctuations can increase the cost of financing, investing, and operating the business. The Corporation manages this risk to acceptable limits through the use of derivatives to create offsetting positions in foreign currency and interest rate markets. The Corporation does not hold or issue derivative financial instruments for trading purposes, and is not party to leveraged derivatives.

The notional amounts of derivative contracts are presented in the applicable note to which the derivatives relate. The notional amounts do not represent the amounts exchanged by the parties, and thus are not a measure of the exposure of the Corporation through its use of derivatives. The amounts exchanged by the parties are normally based on the notional amounts and other terms of the derivatives, which relate to interest rates or exchange rates. The value of derivatives is derived from those underlying parameters and changes in the relevant rates or prices.

By nature, all financial instruments involve risk, generally market risk arising from changes in interest rates or currency exchange rates, and credit risk, the risk that a counterparty will default on an agreed-upon transaction. The Corporation enters into derivative financial instruments with major investment grade financial institutions. The credit exposure is represented by the fair value of contracts with a positive value in the table below.

The Corporation has policies to monitor its credit risks of counterparties to derivative financial instruments. Pursuant to these policies the Corporation periodically performs mark-to-market valuations of its derivative instruments. Guidelines have been established to avoid the concentration of risk with any single counterparty. Credit risk is assessed prior to entering into transactions and periodically thereafter. The Corporation does not anticipate nonperformance by any of these counterparties.

The following table presents the carrying amounts and fair values of the Corporation's financial instruments at December 31, 1994 and 1993. FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments, defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Significant differences can arise between the fair value and carrying amount of financial instruments at historic cost.

The carrying amount and fair value of financial instruments is as follows:

	December 31, 1994		December 31, 1993	
In Millions of Dollars	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Long-term receivables	$ 154	$ 136	$ 179	$ 162
Customer financing assets	263	256	548	548
Financial liabilities:				
Short-term borrowings	402	398	780	771
Long-term debt	1,584	1,569	1,739	1,920
Derivative Financial Instruments:				
Customer Financing Interest Rate Swaps (Note 4):				
In a receivable position	--	3	--	--
In a payable position	1	(18)	1	15
Debt Interest Rate Swaps (Note 9):				
In a receivable position	3	(1)	6	59
In a payable position	7	7	7	22
Forward Exchange Contracts (Note 12):				
In a receivable position	36	49	11	23
In a payable position	37	39	31	30
Currency Swaps (Note 12):				
In a receivable position	1	(2)	13	4
In a payable position	80	77	36	39

The following methods and assumptions were used to estimate the fair value of those financial instruments included in the following categories:

CASH AND CASH EQUIVALENTS: The carrying amount approximates fair value because of the short maturity of those instruments.

INVESTMENTS, RECEIVABLES AND CUSTOMER FINANCING ASSETS: The fair values are based on quoted market prices for those or similar instruments. When quoted market prices are not available, an approximation of fair value is based upon projected cash flows discounted at an estimated current market rate of interest.

DEBT: The fair value of the Corporation's debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities.

INTEREST RATE SWAP AGREEMENTS AND FOREIGN CURRENCY CONTRACTS: The fair value is the estimated amount that the Corporation would receive or pay to terminate the agreements at the reporting date.

FINANCING COMMITMENTS: The Corporation had outstanding financing commitments totaling approximately $1.3 billion at December 31, 1994 and 1993. Risks associated with changes in interest rates 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.

14 COMMITMENTS AND CONTINGENT LIABILITIES

LEASES

The Corporation and its consolidated subsidiaries occupy space and use certain equipment under lease arrangements. Rent expense in 1994, 1993 and 1992 under such arrangements was $302 million, $344 million and $405 million, respectively. Rental commitments at December 31, 1994 under long-term noncancelable operating leases are as follows (See Note 4 for lease commitments associated with customer financing arrangements):

In Millions of Dollars	
1995	$201
1996	152
1997	109
1998	81
1999	71
After 1999	221
	$835

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.

It is the Corporation's policy to accrue environmental investigatory and remediation costs when it is probable that a liability has been incurred by the Corporation for known sites and the amount of loss can be reasonably estimated. Where no amount within a range of estimates is more likely, the minimum is accrued. Otherwise, the most likely cost to be incurred is accrued. The measurement of the liability is based on an evaluation of currently available facts with respect to each individual site and takes into account factors such as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites.

Where the Corporation is not the only party responsible for the remediation of a site, the Corporation considers its likely proportionate share of the anticipated remediation expense in establishing a provision for those costs. Included within the sites known to the Corporation are those sites at which the Corporation has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or Superfund). Under the provisions of this statute, the Corporation may be held liable for all costs of environmental remediation without regard to the legality of the Corporation's actions resulting in the contamination. In estimating its liability for remediation, the Corporation considers its likely proportionate share of the anticipated remediation expense and the ability of the other potentially responsible parties to fulfill their obligations.

Some of the Corporation's liabilities, including certain Superfund liabilities, relate to facilities that were acquired by the Corporation with indemnities from the sellers or former owners. In estimating the potential liability at these sites, the Corporation has considered the indemnification separately from the liability.

The Corporation has instituted legal proceedings against its insurers seeking insurance coverage for liability to third parties for remediation costs, defense costs, physical loss or damage to the Corporation's property, and related costs. Settlements to date, which have not been material, have been recorded upon receipt. It

is expected that one or more of these cases will last several years. 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, the Corporation or one of its business units 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.

OTHER

The Corporation extends performance and operating cost guarantees, which are 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. The Corporation has accrued its estimated liability that may result under these guarantees.

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 its liability for environmental investigation and remediation, 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 adverse effect upon either results of operations, cash flows, or financial position of the Corporation.

15 BUSINESS SEGMENT FINANCIAL DATA

The Corporation and its subsidiaries design, develop, manufacture and sell high-technology products, classified in five principal industry segments or lines of business.

Otis products include elevators and escalators, substantial service, maintenance and spare parts sold to a diversified international customer base in commercial real estate development.

Carrier products include air conditioning equipment, substantial service, maintenance and spare parts sold to a diversified international customer base in commercial and residential real estate development.

Automotive products include electrical wiring systems, electromechanical and hydraulic devices, electric motors, car and truck interior trim components, steering wheels, instrument panels and other products for the automotive industry principally in North America and Europe.

Pratt & Whitney products are principally aircraft engines and substantial spare parts sold to a diversified customer base including international and domestic commercial airlines and aircraft leasing companies, aircraft manufacturers, regional and commuter airlines, and U.S. and non-U.S. governments. Pratt & Whitney also produces modified aircraft engines which are used for electrical power generation and other applications.

The Flight Systems segment includes Sikorsky Aircraft and Hamilton Standard, as well as Norden Systems through May 31, 1994. Sikorsky Aircraft products include helicopters and spare parts sold primarily to U.S. and non-U.S. governments. Hamilton Standard products include propellers, rocket motors, and fuel and environmental control systems sold primarily to U.S. and non-U.S. governments, aerospace and defense prime contractors, and airframe and jet engine manufacturers. Hamilton Standard products also include fuel cells sold primarily to commercial manufacturers. Norden Systems products include cockpit and integrated display systems sold primarily to the U.S. government.

Business segment information for the three years ended December 31, 1994 appears in the Consolidated Summary of Business Segment Financial Data on pages 43 through 45.

CONSOLIDATED SUMMARY OF BUSINESS SEGMENT FINANCIAL DATA UNITED TECHNOLOGIES CORPORATION

Industry Segments

In Millions of Dollars	Years Ended December 31, 1994	1993	1992
REVENUES			
Otis	$ 4,644	$ 4,418	$ 4,512
Carrier	4,919	4,480	4,328
Automotive	2,683	2,378	2,370
Pratt & Whitney	5,846	6,317	7,393
Flight Systems	3,218	3,555	3,546
Corporate items and eliminations	(113)	(67)	(117)
Consolidated revenues	$ 21,197	$ 21,081	$ 22,032
OPERATING PROFITS (LOSSES)			
Otis	$ 421	$ 377	$ 313
Carrier	278	226	152
Automotive	182	148	118
Pratt & Whitney	380	186	(262)
Flight Systems	282	355	249
Eliminations	1	1	1
Operating profits	1,544	1,293	571
Financing revenues and other income, less other deductions	(17)	36	22
Interest expense	(275)	(251)	(282)
General corporate expenses	(176)	(169)	(111)
Consolidated income before income taxes and minority interests	$ 1,076	$ 909	$ 200
IDENTIFIABLE ASSETS			
Otis	$ 2,068	$ 1,689	$ 1,821
Carrier	2,776	2,639	2,616
Automotive	1,818	1,548	1,527
Pratt & Whitney	4,221	4,437	4,697
Flight Systems	1,720	1,844	1,956
General corporate assets and other	3,021	3,461	3,311
Consolidated total assets	$ 15,624	$ 15,618	$ 15,928
CAPITAL EXPENDITURES			
Otis	$ 101	$ 124	$ 139
Carrier	134	176	175
Automotive	151	141	135
Pratt & Whitney	226	256	284
Flight Systems	130	135	149
General corporate assets and other	17	14	38
Consolidated capital expenditures	$ 759	$ 846	$ 920

See accompanying Notes to Consolidated Summary of Business Segment Financial Data

CONSOLIDATED SUMMARY OF BUSINESS SEGMENT FINANCIAL DATA — UNITED TECHNOLOGIES CORPORATION

Geographic Areas

In Millions of Dollars	Years Ended December 31, 1994	1993	1992
REVENUES			
United States operations	$13,384	$13,786	$14,323
International operations:			
Europe	4,119	3,988	4,543
Asia Pacific	2,415	2,094	1,715
Other (primarily Canada and Latin America)	2,069	2,064	2,424
Corporate items and eliminations	(790)	(851)	(973)
Consolidated revenues	$21,197	$21,081	$22,032
OPERATING PROFITS (LOSSES)			
United States operations	$ 746	$ 619	$ (136)
International operations:			
Europe	399	348	443
Asia Pacific	200	177	126
Other (primarily Canada and Latin America)	204	156	146
Eliminations	(5)	(7)	(8)
Operating profits	1,544	1,293	571
Financing revenues and other income, less other deductions	(17)	36	22
Interest expense	(275)	(251)	(282)
General corporate expenses	(176)	(169)	(111)
Consolidated income before income taxes and minority interests	$ 1,076	$ 909	$ 200
IDENTIFIABLE ASSETS			
United States operations	$ 7,912	$ 7,849	$ 8,108
International operations:			
Europe	2,199	1,839	2,238
Asia Pacific	1,524	1,397	1,211
Other (primarily Canada and Latin America)	1,022	1,123	1,100
General corporate assets and other	2,967	3,410	3,271
Consolidated total assets	$15,624	$15,618	$15,928

See accompanying Notes to Consolidated Summary of Business Segment Financial Data

NOTES TO CONSOLIDATED SUMMARY OF BUSINESS SEGMENT FINANCIAL DATA

REVENUES: Revenues by industry segment and geographic area include intersegment sales and transfers between geographic areas. Generally, such sales and transfers are made at prices approximating those which the selling or transferring entity is able to obtain on sales of similar products to unaffiliated customers.

Revenues include sales under prime contracts and subcontracts to the U.S. Government, for the most part Pratt & Whitney and Flight Systems products, as follows:

In Millions of Dollars	1994	1993	1992
Pratt & Whitney	$1,830	$1,930	$2,399
Flight Systems	1,948	2,042	2,122

Revenues from United States operations include export sales as follows:

In Millions of Dollars	1994	1993	1992
Europe	$ 737	$ 932	$1,114
Asia Pacific	1,772	1,677	1,696
Other (primarily Canada and Latin America)	599	894	641
	$3,108	$3,503	$3,451

Export sales include direct sales to commercial customers outside the United States and sales to the U.S. Government, commercial and affiliated customers which are known to be for resale to customers outside the United States.

OPERATING PROFITS: The Corporation changed its presentation of general corporate expenses in 1993 to reflect in each segment's results only those expenses which directly benefit the segment. As required by generally accepted accounting principles, 1992 operating profits have not been restated for the 1993 change in presentation.

IDENTIFIABLE ASSETS: Identifiable assets are those which are specifically identified with the industry segments and geographic areas in which operations are conducted. General corporate assets consist principally of short-term cash investments, customer financing subsidiaries, future income tax benefits, and investments in other companies.

Depreciation and amortization charges are as follows:

In Millions of Dollars	1994	1993	1992
Otis	$103	$ 97	$ 92
Carrier	136	132	132
Automotive	106	96	94
Pratt & Whitney	323	320	344
Flight Systems	140	141	146

ELIMINATIONS: Eliminations made in reconciling industry and geographic area data with the related consolidated amounts include intersegment sales and transfers between geographic areas, unrealized profits in inventory and similar items.

The Summary of Business Segment Financial Data should be read in conjunction with the consolidated financial statements of the Corporation and notes thereto appearing elsewhere in this Annual Report.

In Millions of Dollars (except per share amounts)	Quarter Ended March 31	June 30	September 30	December 31
1994				
Sales	$4,745	$5,306	$5,135	$5,615
Gross profit	1,010	1,104	1,124	1,231
Net income as originally reported	106	172	194	165
Effect of restatement for accounting principle change	(39)	(7)	(6)	--
Net income	67	165	188	165
Primary earnings per share as originally reported	0.73	1.25	1.43	1.26
Effect of restatement for accounting principle change	(0.23)	(0.02)	(0.02)	--
Primary earnings per share	0.50	1.23	1.41	1.26
Fully diluted earnings per share as originally reported	0.71	1.18	1.35	1.26
Effect of restatement for accounting principle change	(0.21)	0.05	0.06	--
Fully diluted earnings per share	$ 0.50	$ 1.23	$ 1.41	$ 1.26
1993				
Sales	$4,725	$5,508	$5,056	$5,447
Gross profit	976	1,188	1,142	1,193
Net income	64	130	157	136
Earnings per share - primary	.43	.95	1.16	.98
- fully diluted	.42	.89	1.08	.92

The effect of the restatement for the accounting principle change appears in Note 2 on page 32 of this Annual Report.

COMPARATIVE STOCK DATA

Common Stock	1994 High	Low	Dividend	1993 High	Low	Dividend
First Quarter	72	58	$.45	49 7/8	43 3/4	$.45
Second Quarter	68 1/4	60 3/4	.45	55 7/8	46 1/4	.45
Third Quarter	67 3/4	59 3/4	.50	59 3/8	51 1/2	.45
Fourth Quarter	64 1/2	55	.50	66 1/8	56 1/2	.45

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 28,000 common shareowners of record at December 31, 1994.

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The schedule contains summary financial information extracted from the Consolidated Balance Sheet at December 31, 1994 and the Consolidated Statement of Operations for the year ended December 31, 1994 and is qualified in its entirety by reference to such financial statements.

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DEC-31-1994
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4.40

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 STEPHEN F. PAGE, IRVING B. YOSKOWITZ, WILLIAM H. TRACHSEL, AND GEORGE E. MINNICH, or any one of them, his 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, 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 the Corporation's 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 6th day of February, 1995.

/s/ HOWARD H. BAKER, JR.

Howard H. Baker, Jr.

PAGE

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/s/ ANTONIA HANDLER CHAYES

Antonia Handler Chayes

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/s/ ROBERT F. DANIELL

Robert F. Daniell

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/s/ ROBERT F. DEE

Robert F. Dee

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/s/ CHARLES W. DUNCAN, JR.

Charles W. Duncan, Jr.

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/s/ PEHR G. GYLLENHAMMAR

Pehr G. Gyllenhammar

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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 STEPHEN F. PAGE, IRVING B. YOSKOWITZ, WILLIAM H. TRACHSEL, AND GEORGE E. MINNICH, or any one of them, his 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, 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 the Corporation's 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 6th day of February, 1995.

/s/ GERALD D. HINES
Gerald D. Hines

PAGE

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 6th day of February, 1995.

/s/ CHARLES R. LEE
Charles R. Lee

PAGE

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/s/ ROBERT H. MALOTT

Robert H. Malott

PAGE

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/s/ H. A. WAGNER

H. A. Wagner

PAGE

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 6th day of February, 1995.

/s/ JACQUELINE G. WEXLER

Jacqueline G. Wexler

Exhibit (21)

SUBSIDIARIES OF THE REGISTRANT

The companies listed below are direct or indirect subsidiaries of the Registrant. Their names and jurisdictions of incorporation are as follows:

United Technologies Automotive Holdings, Inc.	Delaware
Carrier Corporation	Delaware
Otis Elevator Company	New Jersey
Otis Europe S.A.	France
Pratt & Whitney Canada Inc.	Canada

Other subsidiaries of the Registrant have been omitted from this listing since, considered in the aggregate or as a single subsidiary, they would not constitute a significant subsidiary.

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