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

FORM 10-K

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

For the fiscal year ended December 31, 1997

Commission file number 1-812

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

DELAWARE	06 0570975
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Financial Plaza, Hartford, Connecticut 06101
(Address of principal executive offices) (Zip Code)

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

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

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

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

At January 31, 1998, there were 229,188,343 shares of Common Stock outstanding; the aggregate market value of the voting Common Stock held by non-affiliates at January 31, 1998 was approximately $18,621,552,869.

List hereunder documents incorporated by reference and the Part of the Form 10-K into which the document is incorporated: (1) United Technologies Corporation 1997 Annual Report to Shareowners, Parts I, II and IV; and (2) United Technologies Corporation Proxy Statement for the 1998 Annual Meeting of Shareowners, Part III.

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

UNITED TECHNOLOGIES CORPORATION

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Year Ended December 31, 1997

Item 1. Business

United Technologies Corporation was incorporated in Delaware in 1934. Growth has been enhanced by acquisitions and by the internal growth of existing businesses of the Corporation*.

Management's Discussion and Analysis of the Corporation's Results of Operations for 1997 compared to 1996 and for 1996 compared to 1995, and its Financial Position at December 31, 1997 and 1996, as well as Selected Financial Data for each year in the five year period ended December 31, 1997 are set forth on pages 21 through 27 of the Corporation's 1997 Annual Report to Shareowners. Whenever reference is made in this Form 10-K to specific pages in the 1997 Annual Report to Shareowners, such pages are incorporated herein by reference.

Operating Units and Industry Segments

The Corporation conducts its business within five principal industry segments. The operating units of the Corporation are grouped based upon the industry segment in which they participate. The business units participating in each industry segment and their respective principal products are as follows:

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

Business segment financial data for the years 1995 through 1997, including financial information about foreign and domestic operations and export sales, is included in Note 15 of Notes to Consolidated Financial Statements on pages 41 through 43 of the Corporation's 1997 Annual Report to Shareowners.

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 1997 Annual Report to Shareowners, especially the information contained therein under the heading ``Business Environment''.

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

Otis

Otis is the world's leader in production, installation and service in the elevator industry, defined as elevators, escalators and moving sidewalks. 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. Otis conducts its business principally through various subsidiaries and affiliated companies worldwide. In some cases, consolidated subsidiaries and affiliates have significant minority interests. In addition, as part of its global growth strategies, Otis has made investments and continues to invest in emerging markets worldwide, including those in Central and Eastern Europe (such as Russia and Ukraine) and Asia (such as the People's Republic of China). Otis' investments in emerging markets carry a higher level of currency, political and economic risk than investments in developed markets.

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 the level of construction activity; and substantial competition from a large number of companies including other major domestic and foreign manufacturers and service providers. 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.

Revenues generated by Otis' international operations were 83 percent and 85 percent of total Otis segment revenues in 1997 and 1996, respectively. 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 currency, political and economic risks.

At December 31, 1997, the Otis business backlog amounted to $3,429 million as compared to $3,718 million at December 31, 1996. Substantially all of the business backlog at December 31, 1997 is expected to be realized as sales in 1998.

Carrier

Carrier is the world's largest manufacturer of heating, ventilating and air conditioning systems and equipment. Carrier also participates in the commercial and transport refrigeration businesses, and provides aftermarket service and components for its products. In 1997, Carrier expanded into the U.S. commercial refrigeration business by acquiring Ardco, Inc. and Tyler Refrigeration Corporation, two U.S.-based manufacturers of commercial refrigeration equipment.

The products manufactured by Carrier include chillers and airside equipment, commercial unitary systems, residential split systems (cooling only and heat pump), duct-free split systems, window and portable room air conditioners and furnaces, as well as transport refrigeration and commercial refrigeration equipment.

As part of its global growth strategies, Carrier has made investments and continues to invest in emerging markets worldwide, including those in Asia (such as the People's Republic of China) and Latin America. Carrier's investments in emerging markets carry a higher level of currency, political and economic risk than investments in developed markets. 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 its products; changes in legislation and government regulations, including those relating to refrigerants and their effect on global environmental conditions; changes in technology; changes in the level of construction activity; and competition from a large number of companies, including other major domestic and foreign manufacturers. The principal methods of competition are

product performance (including quality and reliability), delivery schedule, price, service and other terms and conditions of sale.

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

Revenues generated by Carrier's international operations, including U.S. export sales, were 58 percent and 55 percent of total Carrier segment revenues in 1997 and 1996, respectively. 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 currency, political and economic risks.

At December 31, 1997, the Carrier business backlog amounted to $1,021 million, as compared to $960 million at December 31, 1996. Substantially all of the business backlog at December 31, 1997 is expected to be realized as sales in 1998.

Automotive

The Corporation's Automotive business is conducted through UT Automotive, Inc. ("UTA"). UTA is a large independent supplier of automotive electrical distribution systems and related components (terminals and connectors, body electronics, junction boxes, and switches) in the Americas and Europe. UTA is also a large independent supplier in North America of modular headliners, instrument panels, door trim assemblies, vehicle remote entry systems, and fractional horsepower DC electric motors used in commercial and industrial applications.

UTA also produces other products such as interior trim (sun visors, armrests, and consoles), mirrors, thermal and acoustical barriers, airbag covers, electronic controls and modules, engine cooling modules, interior lighting systems, windshield wiper systems, and electrical starters for commercial applications. In the fourth quarter of 1996 UTA sold its steering wheels business.

UTA competes worldwide to sell products to automotive manufacturers. Sales to the major automotive manufacturers are made against periodic short-term releases issued by the automotive manufacturers under contracts generally awarded for a particular car or light truck model. To serve its worldwide customer base, UTA maintains over 82 principal facilities in the Americas, Europe and Asia.

Ford Motor Company is UTA's largest customer. In 1997, sales to Ford Motor Company were $1,125 million, or 38 percent of total UTA revenues. In 1996 and 1995, sales to Ford Motor Company were $1,224 million (38 percent of total UTA revenues) and $1,238 million (40 percent of total UTA revenues), respectively.

UTA'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 its products; 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 automotive parts suppliers. The principal methods of competition are technology, price, delivery schedule, quality and product performance.

UTA is also subject to continuing pressure from automotive manufacturers to reduce its prices and to assume greater responsibilities. These pressures have resulted in UTA taking on an increasing portion of automotive manufacturers' engineering, design, development and tooling expenditures. UTA is also subject to significant pressure to share in automotive manufacturers' liabilities associated with warranty and product liability risks. While recognizing the increased risks and responsibilities, UTA has positioned itself among the leading first tier suppliers responding to the automotive manufacturers' requirements in this regard. UTA has entered into long term supply agreements with many of its customers which require price reductions. Future productivity improvements must be realized in order for such arrangements to be profitable.

Revenues generated by UTA's international operations, including U.S. export sales (excluding revenues from certain non-U.S. operations which manufacture exclusively for the U.S. market), were 39 percent and 35 percent of total Automotive segment revenues in 1997 and 1996, respectively. 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 currency, political and economic risks.

At December 31, 1997, the UTA business backlog amounted to $682 million as compared to $774 million at December 31, 1996. Substantially all of the business backlog at December 31, 1997 is expected to be realized as sales in 1998.

Aerospace and Defense Businesses

The Corporation's Pratt & Whitney and Flight Systems business segments produce aerospace and defense products. These businesses are subject to rapid changes in technology; lengthy and costly development cycles; the effects of the continuing consolidation within the aerospace and defense industry; heavy dependence on a small number of products and programs; changes in legislation and in government procurement and other regulations and procurement practices; procurement preferences and policies of some foreign customers which require in-country manufacture through co-production, offset programs (where in-country purchases and financial support projects are required as a condition to obtaining orders), joint ventures and production sharing, 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 the Corporation's aerospace and defense businesses are price, product performance, service, delivery schedule and other terms and conditions of sale, including fleet introductory 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 and helicopters. 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.

Sales of military products are affected by defense budgets (both in the U.S. and, to some extent, abroad), U.S. foreign policy and the presence of competition. 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 parts purchases from suppliers other than the original equipment manufacturers.

Pratt & Whitney

Pratt & Whitney is one of the world's leading producers of large turbofan (jet) engines for commercial and military aircraft and small gas turbine engines for business and regional/commuter aircraft. Pratt & Whitney provides overhaul and repair services and spare and replacement parts for the engines it produces, as well as overhaul and repair services and fleet management services for many models of commercial and military jet and gas turbine engines. 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") and provides land based power generation equipment.

Pratt & Whitney products are sold principally to aircraft manufacturers, airlines and other aircraft operators, aircraft leasing companies, and the U.S. and foreign governments. Pratt & Whitney sales in the U.S. and Canada are made directly to the customer and, to a limited extent, through independent distributors. Other export sales are made with the assistance of an overseas network of independent foreign representatives. Sales to the Boeing Company ("Boeing"), Airbus Industrie ("Airbus") and McDonnell Douglas Corporation ("McDonnell Douglas"), including sales to the Douglas Products Division of Boeing after Boeing's 1997 acquisition of McDonnell Douglas, consisting primarily of commercial aircraft jet engines, amounted to 33 percent of total Pratt & Whitney revenues in 1997. Pratt & Whitney's major competitors are the aircraft engine businesses of General Electric Company ("GE") and Rolls-Royce plc.

Pratt & Whitney currently produces three families of large commercial jet engines; the JT8D-200, the PW2000 series and the PW4000 series. Pratt & Whitney's JT8D-200 powers the Boeing MD-80 aircraft. Applications for the PW2000 series include the Boeing 757-200/PF aircraft. Pratt & Whitney's PW4000 engine family powers the Airbus A310-300, A300-600 and A330-200/300 series; the Boeing 747-400, 767-200/300 and 777-200/300 series of aircraft; and the Boeing MD-11 aircraft. Boeing has announced that its Douglas Products Division will continue to produce MD-80 aircraft until current production commitments end in 1999 and that it will continue to offer MD-11 aircraft, although primarily as freight aircraft.

IAE International Aero Engines AG, a Swiss corporation in which Pratt & Whitney has a 33 percent interest, markets and supports the V2500 engine. Applications for the V2500 engine include Airbus' A319, A320 and A321 aircraft and Boeing's MD-90. Boeing has announced that its Douglas Products Division will continue to produce MD-90 aircraft until current production commitments end in 1999 and that Boeing will support existing MD-90 production commitments in China through the MD-90 Trunkliner program.

In the case of many commercial aircraft today, 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 continues to be increasingly intense particularly 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 customer financing commitments, participation in guarantees of customer financing arrangements and performance and operating cost guarantees, see Notes 1, 4, 13 and 14 of Notes to Consolidated Financial Statements at pages 33 to 35 and 40 to 41 of the Corporation's 1997 Annual Report to Shareowners.)

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 in which costs, revenues and risks are shared. At December 31, 1997, the percentages of these items shared by other participants in these alliances were approximately as follows: 25 percent of the JT8D-200 series engine program, 29 percent of the PW2000 series engine program, 22 percent of the 94 and 100 inch fan models of the PW4000, 31 percent of the PW4084 and PW4090 models, and 29 percent of the PW4098 model.

GE-P&W Engine Alliance, LLC, an alliance between GE Aircraft Engines and Pratt & Whitney in which Pratt & Whitney has a 50 percent interest, was formed during 1996 to develop, market and manufacture a new jet engine that is intended to power super-jumbo aircraft. Although no aircraft manufacturer has as yet committed to produce a super-jumbo aircraft, the GE-P&W Engine Alliance has continued its marketing activities.

In 1997, as part of its plans to increase its overhaul and repair business, Pratt & Whitney purchased the aero engine repair operations of Howmet Corporation and N.V. Interturbine.

Pratt & Whitney currently produces two military aircraft engines, the F100 (powering F-15 and F-16 fighter aircraft) and the F117 (powering C-17 transport aircraft). All of Pratt & Whitney's F100 and F117 sales contracts are with the USAF or with foreign governments.

Pratt & Whitney is under contract with the USAF to develop the F119 engine, the only anticipated source of propulsion for the two-engine F-22 fighter aircraft being developed by Lockheed Martin Corporation ("Lockheed Martin") and Boeing. The F-22 made its first flight in September 1997, powered by Pratt & Whitney F119 engines. In addition, the Department of Defense selected two weapon systems contractors, Boeing and Lockheed Martin, to proceed into the next phase of the Joint Strike Fighter program development. Both companies have selected derivatives of Pratt & Whitney's F119 engine as their engine of choice to provide power for the Joint Strike Fighter demonstration aircraft. Management cannot predict with certainty whether, when, and in what quantities Pratt & Whitney will produce F119 engines.

Pratt & Whitney Space Propulsion ("SP") produces hydrogen fueled rocket engines for the commercial and U.S. Government space markets and advanced turbo pumps for NASA. SP, together with NPO Energomash, is developing a new Lox-Kerosene RD-180 booster engine for two launch vehicles being marketed by Lockheed Martin. Chemical Systems, a unit of SP, manufactures solid fuel propulsion systems and booster motors for the commercial and civil markets and several U.S. military launch vehicles and missiles.

Gas turbine engines manufactured by Pratt & Whitney Canada, including various turbofan, turboprop and turbo shaft engines, are used in a variety of aircraft including six to eighty passenger business and regional airline aircraft and light and medium helicopters. Pratt & Whitney Canada also provides services worldwide.

Revenues from Pratt & Whitney's international operations, including U.S. export sales, were 51 percent and 54 percent of total Pratt & Whitney segment revenues in 1997 and 1996, respectively. Such 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, 1997, the business backlog for Pratt & Whitney amounted to $8,258 million, including $1,852 million of U.S. Government funded contracts and subcontracts, as compared to $8,889 million and $1,927 million, respectively, at December 31, 1996. Of the total Pratt & Whitney business backlog at December 31, 1997, approximately $4,325 million is expected to be realized as sales in 1998. Significant elements of Pratt & Whitney's business, such as spare parts sales for engines in service, generally have short lead times. Therefore, backlog may not be indicative of future demand. Also, since a substantial portion of the backlog for commercial customers is scheduled for delivery beyond 1998, changes in economic conditions may cause customers to request that firm orders be rescheduled or canceled.

Flight Systems

The Corporation's Flight Systems business is conducted through Sikorsky Aircraft and Hamilton Standard.

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

Current production programs at Sikorsky include the Black Hawk medium-transport helicopter for the U.S. and foreign governments; the international Naval Hawk, a derivative of the Seahawk medium-sized helicopter for multiple naval missions for foreign governments; 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.

In July, 1997 Sikorsky signed a multi-year contract with the U.S. Government to deliver 108 Black Hawk helicopters from July 1997 through June 2002. Under the contract, the Government currently has the right to cancel 54 helicopters scheduled for delivery from July 1999 through June 2002. Declining Defense Department budgets make Sikorsky increasingly dependent upon expanding its international market position. Such sales sometimes require the development of in-country co-production programs, such as the program in which Sikorsky participates in South Korea.

Sikorsky is engaged in full scale development of the S-92 aircraft, a large cabin derivative of the Black Hawk helicopter, for commercial and military markets. Certification of the first S-92 is expected in the year 2000. A significant portion of the development is being carried out by companies in Brazil, the People's Republic of China, Japan, Spain and Taiwan under collaborative arrangements.

Sikorsky has a 50% interest in a joint venture 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 a cost reimbursement contract awarded in 1991. The first prototype aircraft performed a successful first flight in January 1996 and is undergoing further flight testing. In December 1996, Sikorsky and Boeing signed a modification to the contract which includes additional development and testing and the fabrication of six early operational capability aircraft. Management cannot predict with certainty whether, when, and in what quantities the Comanche will go into production.

Hamilton Standard is a global producer of a number of flight systems for both commercial and military aircraft. Major production programs include engine controls, environmental controls, flight controls and propellers. Hamilton Standard also supplies NASA's space suit/life support system and produces environmental control and thermal control systems for international space programs. Other Hamilton Standard products include fuel cell power plants, microelectronic circuitry and advanced optical systems.

Revenues generated by Flight Systems' international operations, including export sales, were 38 percent and 27 percent of total Flight Systems segment revenues in 1997 and 1996, respectively. Such operations are subject to local government regulations (including regulations relating to capital conditions, currency conversion and repatriation of earnings) as well as to various political and economic risks.

At December 31, 1997, the Flight Systems business backlog amounted to $2,373 million, including $1,238 million under funded contracts and subcontracts with the U.S. Government, as compared to $2,606 million and $1,646 million, respectively, at December 31, 1996. Of the total Flight Systems business backlog at December 31, 1997, approximately $1,728 million is expected to be realized as sales in 1998.

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, which are charged to income as incurred, were $1,187 million or 4.8 percent of total sales in 1997, as compared with $1,122 million or 4.8 percent of total sales in 1996 and $963 million or 4.3 percent of total sales in 1995. The Corporation also performs research and development work under contracts funded by the U.S. Government and other customers. Such contract research and development, which is performed principally in the Pratt & Whitney segment and to a lesser extent in the Flight Systems segment, amounted to $974 million in 1997, as compared with $870 million in 1996 and $871 million in 1995.

Contracts, Other Risk Factors, 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 4.9 percent of the Corporation's total sales for 1997 were made under cost-reimbursement type contracts.

Like many defense contractors, the Corporation has received allegations from the U.S. Government that some contract prices should be reduced because cost or pricing data submitted in negotiation of the contract prices may not have been in conformance with Government regulations. The Corporation has made voluntary refunds in those cases it believes appropriate, has settled some allegations, and does not believe that any further price reductions that may be required will have a material effect upon its financial position 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 pages 10 and 11 of this Form 10-K for further discussion.

The Corporation 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 growth in the Corporation's commercial businesses.

Management currently believes that the diversification of the Corporation's businesses across multiple industries and geographically throughout the world has helped, and should continue to help, limit the effect of adverse conditions in any one industry or the economy of any country or region on the consolidated results of the Corporation. There can be no assurance, however, that the effect of adverse conditions in one or more industries or regions will be limited or offset in the future.

Like other users in the U.S., the Corporation is largely dependent upon foreign sources for certain of its raw materials requirements such as cobalt (Africa), and chromium (Africa, Eastern and Central Europe and the countries of the former Soviet Union). To alleviate this dependence and accompanying risk, the Corporation has a number of on-going programs which include the development of new 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.

The Corporation has sought cost reductions in its purchases of certain other materials, components, and supplies by consolidating its purchases and reducing the number of suppliers. In some instances the Corporation is reliant upon a single source of supply. A disruption in deliveries from its suppliers, therefore, could have an adverse effect on the Corporation's ability to meet its commitments to customers. The Corporation believes that it has appropriately balanced the risks against the costs of sustaining a greater number of suppliers.

The Corporation does not foresee any unavailability of materials, components, or supplies which will have any material adverse effect on its overall business, or on any of its business segments, in the near term.

The Corporation does not anticipate that compliance with current federal, state and local provisions relating to the protection of the environment will have a material adverse effect upon its cash flows, competitive position, financial position or results of operations. (Environmental matters are the subject of certain of the Legal Proceedings described in Item 3 - Legal Proceedings at pages 10 and 11 of this Form 10-K, and are further addressed in Management's Discussion and Analysis of Results of Operations and Financial Position at page 27 and Notes 1 and 14 of Notes to Consolidated Financial Statements at page 34 and 41 of the Corporation's 1997 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.

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.

A discussion of the potential exposure to the Corporation arising from the need to modify computer systems for the transition to the year 2000, and the steps being taken by the Corporation to address these matters, is included in Management's Discussion and Analysis of Results of Operations and Financial Position under the heading "Year 2000" on page 27 of the Corporation's 1997 Annual Report to Shareowners.

This Report on Form 10-K, the Corporation's Annual Report to Shareowners and the Corporation's Quarterly Reports on Form 10-Q contain "forward-looking statements", as defined in the Private Securities Litigation Reform Act of 1995, which reflect the Corporation's current view (as of the date such forward-looking statement is made) with respect to future events, prospects, projections or financial performance. Other written or oral statements made by or on behalf of the Corporation including, but not limited to, press releases and Reports on Form 8-K, may also include forward-looking statements. All such forward-looking statements are subject to uncertainties, risks and other factors that could affect the Corporation's operations, products and markets and cause actual results to differ materially from those made, implied, projected, forecasted or estimated in such forward-looking statements. For information identifying some of these uncertainties, risks and other factors, see the discussion included in Item 1 - Business of this Form 10-K under the headings "Description of Business by Industry Segment" and "Other Matters Relating to the Corporation's Business as a Whole" and in Item 3 - Legal Proceedings of this Form 10-K.

Employees

At December 31, 1997, the Corporation's total employment was approximately 180,100.

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 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, 1997, suitable and adequate for the respective industry segments' operations in the current business environment.

The following square footage numbers are approximations. At December 31, 1997, the Corporation operated (a) plants in the U.S. which had 33.3 million square feet, of which 5.0 million square feet were leased; (b) plants outside the U.S. which had 21.0 million square feet, of which 2.5 million square feet were leased; (c) warehouses in the U.S. which had 4.7 million square feet, of which 2.8 million square feet were leased; and (d) warehouses outside the U.S. which had 6.1 million square feet, of which 3.8 million square feet were leased.

Management believes that the facilities for the production of its products are suitable and adequate for the business conducted therein, are being appropriately utilized consistent with experience and have sufficient production capacity for their present intended purposes. Utilization of the facilities varies based on demand for the products. The Corporation continuously reviews its anticipated requirements for facilities and, based on that review, may from time to time acquire additional facilities and/or dispose of existing facilities.

Item 3. Legal Proceedings

As previously reported, 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. The bench trial in this matter concluded in August, 1997. Post-trial papers have been submitted to the judge and the parties are awaiting the court's decision.

In December, 1996, the Department of Defense issued a contracting officer's "final decision" with respect to Pratt & Whitney's Government contracts accounting practices for aircraft engine parts produced by foreign companies under certain commercial engine collaboration programs. The final decision states that the Corporation failed to comply with various accounting requirements incorporated in its contracts with the government. The final decision covered the years 1984-95, inclusive, and claimed contract damages of $260.3 million, of which $102.7 million is interest. This matter was initially investigated by the U.S. Department of Justice, which closed its investigation in 1996. The Corporation believes its accounting practices comply with contract requirements and has not changed its accounting practices in response to the government's claim. On December 24, 1996, the Corporation filed a notice of appeal with the Armed Services Board of Contract Appeals. A hearing in this matter is scheduled for March 1998. The Government has reserved its right to file additional claims for 1996 (and later years if the accounting practices are unchanged) plus additional interest. The Corporation has filed a counterclaim against the Government in the amount of $42 million.

As previously reported, a jury in Chromalloy Gas Turbine Corporation v. United Technologies Corporation, No. 95-CI-12541, a Texas state action, found that Pratt & Whitney did not monopolize any relevant market but did willfully attempt to monopolize an unspecified market. In May, 1997, the Court entered a Final Judgment denying Chromalloy's request for damages, injunctive relief and declaratory relief. Chromalloy has appealed the Court's decision.

In July 1997, the Corporation was served with a qui tam complaint under the civil False Claims Act that had been filed under seal in the United States District Court for the District of Connecticut in June 1994 (No. 394CV00963). The Complaint seeks treble damages and penalties arising out of an alleged failure by Norden Systems, Inc., a subsidiary of the Corporation, to account properly for its fixed assets in billings on government contracts. (The assets of Norden Systems, Inc. were sold to Westinghouse in 1994). The Government has declined to take over the action which is being pursued by the relator.

In July 1997, the Corporation was served with a qui tam complaint under the civil False Claims Act that had been filed under seal in the United States District Court for the District of Connecticut in December 1994 (No. 394CV02063). The Complaint seeks treble damages and penalties arising out of an alleged failure by Norden Systems, Inc., a subsidiary of the Corporation, and the Corporation to account properly for insurance costs in billings on government contracts. (The assets of Norden Systems, Inc. were sold to Westinghouse in 1994). The Government has declined to take over the action which is being pursued by the relator.

In January, 1998, the Corporation was served with a qui tam complaint under the civil False Claims Act that had been filed under seal in the United States District Court for the District of Connecticut in November, 1995 (No. 395CV02431 (DJS)). The Complaint seeks treble damages and penalties arising out of an alleged failure of Hamilton Standard to implement an "Inspection Method Sheet Inspection System". The Government has declined to take over the action which is being pursued by the relator.

The Corporation does not believe that resolution of any of the foregoing legal matters will have a material adverse effect upon the Corporation's competitive position, results of operations, cash flows, or financial position.

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 has incurred and will likely continue to incur liabilities under various state and federal statutes for the cleanup of pollutants previously released into the environment. The Corporation believes that any payments it may be required to make as a result of these claims will not have a material effect upon the cash flows, competitive or financial position, or results of operations 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 in relation to its environmental liabilities. Settlements to date, which have not been material, have been recorded upon receipt. While the litigation against the Corporation's historic liability insurers has concluded, it is expected that the case against the Corporation's property insurers 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 27 and Notes 1 and 14 of the Notes to Consolidated Financial Statements at pages 34 and 41 of the Corporation's 1997 Annual Report to Shareowners.)

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, 1997.

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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, 1993, and their ages, are as follows:

Name	Title	Other Business Experience Since 1/1/93	Age 2/1/98
Ari Bousbib	Vice President Strategic Planning (since 1997)	Managing Director, The Strategic Partners Group; Partner, Booz, Allen & Hamilton.	36
Eugene Buckley	President, Sikorsky Aircraft Corporation (since 1995)	President, Sikorsky Aircraft Division	67
William L. Bucknall, Jr.	Senior Vice President, Human Resources & Organization (since 1992)	-------	55

Name	Title	Other Business Experience Since 1/1/93	Age 2/1/98
Kevin Conway	Vice President, Taxes (since 1995)	Director of Taxes, United Technologies Corporation	49
George David	Chairman (since 1997), President and Chief Executive Officer (since 1994)	President and Chief Operating Officer	55
C. Scott Greer	President, UT Automotive (since 1997)	President, Chief Operating Officer Echlin, Inc.	47
Jay L. Haberland	Acting Chief Financial Officer (since 1997), and Vice President-Controller (since 1996)	Director, Internal Audit; Vice President, Finance, Commercial & Industrial Group The Black & Decker Corporation	47
Ruth R. Harkin	Senior Vice President, International Affairs and Government Relations (since 1997)	President and Chief Executive Officer, Overseas Private Investment Corporation; Partner, Akin, Gump, Strauss, Hauer & Field	53
Robert J. Hermann	Senior Vice President, Science & Technology (since 1992)	-------	64
Karl J. Krapek	Executive Vice President (since 1997) and President, Pratt & Whitney (since 1992)	-------	49
Raymond P. Kurlak	President, Hamilton Standard (since 1995)	Executive Vice President, Sikorsky	54
John R. Lord	President, Carrier Corporation (since 1995)	President, Carrier NAO	54
Stephen F. Page	President and Chief Executive Officer, Otis Elevator (since 1997)	Executive Vice President and Chief Financial Officer, United Technologies Corporation; Executive Vice President and Chief Financial Officer, The Black & Decker Corporation	58
Gilles A. H. Renaud	Vice President - Treasurer (since 1996)	Vice President, Finance Carrier Corporation	51
William H. Trachsel	Vice President, Secretary and Deputy General Counsel (since 1993)	Vice President and Deputy General Counsel	54
Jean-Pierre van Rooy	Chairman, Otis Elevator (since 1997)	President, Otis Elevator	63

Name	Title	Other Business Experience Since 1/1/93	Age 2/1/98
Irving B. Yoskowitz	Executive Vice President and General Counsel (since 1990)	-------	52

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 43 of the Corporation's 1997 Annual Report to Shareowners containing the following data relating to the Corporation's Common Stock: principal market, quarterly high and low sales prices, approximate number of shareowners and frequency and amount of dividends. All such data are incorporated by reference in this Report.

Item 6. Selected Financial Data

See the Five Year Summary appearing on page 21 of the Corporation's 1997 Annual Report to Shareowners containing the following data: revenues, net income, basic and 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. See Notes to Consolidated Financial Statements appearing on pages 33 through 43 of the Corporation's 1997 Annual Report to Shareowners for a description of any accounting changes and acquisitions or dispositions of businesses materially affecting the comparability of the information reflected in such Five Year Summary.

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

See Management's Discussion and Analysis of Results of Operations and Financial Position appearing on pages 22 through 27 of the Corporation's 1997 Annual Report to Shareowners; such discussion and analysis is incorporated by reference in this Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See discussion appearing at pages 26 through 27 and 33 through 34 of the Corporation's 1997 Annual Report to Shareowners under the headings "Derivative and Other Financial Instruments" and "Hedging Activity" for information concerning market risk sensitive instruments. Such information is incorporated by reference in this Form 10-K.

Item 8. Financial Statements and Supplementary Data

The 1997 and 1996 Balance Sheets, and other financial statements for the years 1997, 1996 and 1995, together with the report thereon of Price Waterhouse LLP dated January 22, 1998, appearing on pages 28 through 32 in the Corporation's 1997 Annual Report to Shareowners are incorporated by reference in this Form 10-K.

The 1997 and 1996 Selected Quarterly Financial Data appearing on page 43 in the Corporation's 1997 Annual Report to Shareowners are incorporated by reference in this Form 10-K.

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

None.

Item 10. Directors and Executive Officers of the Registrant

The information required by Item 10 with respect to directors is incorporated herein by reference from pages 4 through 7 of the Corporation's Proxy Statement for the 1998 Annual Meeting of Shareowners. Information regarding executive officers is contained in Part I of this Form 10-K at pages 11 through 13. Information concerning Section 16(a) compliance is contained in the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" at page 9 of the 1998 Proxy Statement.

Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference from pages 9 through 10 and 18 through 22 of the Corporation's Proxy Statement for the 1998 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 8 and 9 of the Corporation's Proxy Statement for the 1998 Annual Meeting of Shareowners.

Item 13. Certain Relationships and Related Transactions

The information required by Item 13 is incorporated herein by reference from page 9 of the Corporation's Proxy Statement for the 1998 Annual Meeting of Shareowners.

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

	Page Number in Annual Report
(a) Financial Statements, Financial Statement Schedules and Exhibits	
(1) Financial Statements (incorporated by reference from the 1997 Annual Report to Shareowners):	
Report of Independent Accountants	28
Consolidated Statement of Operations for the Three Years ended December 31, 1997 ...	29
Consolidated Balance Sheet--December 31, 1997 and 1996	30
Consolidated Statement of Cash Flows for the Three Years ended December 31, 1997 ...	31
Consolidated Statement of Changes in Shareowners' Equity	32
Notes to Consolidated Financial Statements	33
Selected Quarterly Financial Data (Unaudited)	43

	Page Number in Form 10-K
(2) Financial Statement Schedule For the three years ended December 31, 1997:	
Report of Independent Accountants on Financial Statement	S-I
Schedule II Valuation and Qualifying Accounts	S-II
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.

(3) Exhibits:

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

Exhibit Number	
3.1	Restated Certificate of Incorporation, incorporated by reference to Exhibit 3(i) to United Technologies Corporation Quarterly Report on Form 10-Q (Commission File number 1-812) for quarterly period ended June 30, 1997.
3.2	Bylaws, incorporated by reference to Exhibit 3.2 to United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1994.
4	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.
10.1	United Technologies Corporation 1979 Long Term Incentive Plan, incorporated by reference to Exhibit 10(i) to United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.
10.2	United Technologies Corporation Annual Executive Incentive Compensation Plan, as amended. *
10.3	United Technologies Corporation Disability Insurance Benefits for Executive Control Group, incorporated by reference to Exhibit 10 (iii) to United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.
10.4	United Technologies Corporation Executive Estate Preservation Program, incorporated by reference to Exhibit 10(iv) to United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.
10.5	United Technologies Corporation Pension Preservation Plan, incorporated by reference to Exhibit 10(v) for United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.
10.6	United Technologies Corporation Senior Executive Severance Plan, incorporated by reference to Exhibit 10(vi) to United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.
10.7	United Technologies Corporation Deferred Compensation Plan, as amended. *
10.8	Otis Elevator Company Incentive Compensation Plan, incorporated by reference to Exhibit 10(viii) to United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.
10.9	United Technologies Corporation Directors Retirement Plan, as amended. *
10.10	United Technologies Corporation Deferred Compensation Plan for Non-Employee Directors, incorporated by reference to Exhibit 10(x) to United Technologies Corporation Annual Report on Form 10-K (Commission file number 1-812) for fiscal year ended December 31, 1992.
10.11	United Technologies Corporation Long Term Incentive Plan, as amended. *

Exhibit Number

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

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

10.14 United Technologies Corporation Board of Directors Deferred Stock Unit Plan. *

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

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

10.17 United Technologies Corporation Nonemployee Director Stock Option Plan. *

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

12 Statement re: Computation of Ratio of Earnings to Fixed Charges. **

13 Annual Report to Shareowners for year ended December 31, 1997 (except for the pages and information thereof expressly incorporated by reference in this Form 10-K, the Annual Report to Shareowners is provided solely for the information of the Securities and Exchange Commission and is not to be deemed ``filed'` as part of this Form 10-K). **

21 Subsidiaries of the Registrant. **

23 Consent of Price Waterhouse, included as page F-1 of this Form 10-K.

24 Powers of Attorney of Howard H. Baker, Jr., Antonia Handler Chayes, Charles W. Duncan, Jr., Jean-Pierre Garnier, Pehr G. Gyllenhammar, Karl J. Krapek, Charles R. Lee, Robert H. Malott, William J. Perry, Frank P. Popoff, Andre Villeneuve, Harold A. Wagner and Jacqueline G. Wexler. **

27 Financial Data Schedule. **

27.1 Restated Prior Periods' Financial Data Schedule.**

27.2 Restated Prior Periods' Financial Data Schedule.**

Notes to Exhibits List:

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

** Submitted electronically herewith.

(b) No reports on Form 8-K were filed by the Registrant during the fourth quarter of 1997.

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/ Jay L. Haberland
Jay L. Haberland
Acting Chief Financial Officer
and Vice President, Controller

Date: February 16, 1998

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

Signature	Title	Date
/s/ George David George David	Chairman, Director and President and Chief Executive Officer	February 16, 1998
/s/ Jay L. Haberland Jay L. Haberland	Acting Chief Financial Officer and Vice President - Controller	February 16, 1998
HOWARD H. BAKER, JR. * (Howard H. Baker, Jr.)	Director)	
ANTONIA HANDLER CHAYES * (Antonia Handler Chayes)	Director)	
CHARLES W. DUNCAN, JR. * (Charles W. Duncan, Jr.)	Director)	
JEAN-PIERRE GARNIER * (Jean-Pierre Garnier)	Director)	
PEHR G. GYLLENHAMMAR * (Pehr G. Gyllenhammar)	Director)	*By:/s/ William H. Trachsel William H. Trachsel Attorney-in Fact Date: February 16, 1998
KARL J. KRAPEK* (Karl J. Krapek)	Director)	
CHARLES R. LEE * (Charles R. Lee)	Director)	
ROBERT H. MALOTT * (Robert H. Malott)	Director)	

Signature	Title		Date
WILLIAM J. PERRY* (William J. Perry)	Director	)	
FRANK P. POPOFF * (Frank P. Popoff)	Director	)	*By: /s/ William H. Trachsel William H. Trachsel Attorney-in Fact Date: February 16, 1998
ANDRE VILLENEUVE * (Andre Villeneuve)	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 22, 1998 appearing on page 28 of the 1997 Annual Report to Shareowners of United Technologies Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ Price Waterhouse LLP
Price Waterhouse LLP
Hartford, Connecticut
January 22, 1998

SCHEDULE II

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Schedule II - Valuation and Qualifying Accounts
Three Years Ended December 31, 1997
(Millions of Dollars)

Allowances for Doubtful Accounts and Other Customer Financing Activity:

Balance December 31, 1994	$	509
Provision charged to income		1
Doubtful accounts written off (net)		(88)
Other adjustments		8
Balance December 31, 1995		430
Provision charged to income		40
Doubtful accounts written off (net)		(57)
Other adjustments		(1)
Balance December 31, 1996		412
Provision charged to income		59
Doubtful accounts written off (net)		(29)
Other adjustments		(16)
Balance December 31, 1997	$	426

Future Income Tax Benefits - Valuation allowance:

Balance December 31, 1994	$	355
Additions charged to income tax expense		49
Reductions credited to income tax expense		(52)
Balance December 31, 1995		352
Additions charged to income tax expense		30
Reductions credited to income tax expense		(48)
Balance December 31, 1996		334
Additions charged to income tax expense		55
Reductions credited to income tax expense		(95)
Balance December 31, 1997	$	294

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on Form S-3 (Nos. 333-26331, 33-46916, 33-40163, 33-34320, 33-31514, 33-29687 and 33-6452) and in the Registration Statements on Form S-8 (Nos. 333-21853, 333-18743, 333-21851, 33-57769, 33-45440, 33-11255, 33-26580, 33-26627, 33-28974, 33-51385, 33-58937, and 2-87322) of United Technologies Corporation of our report dated January 22, 1998 appearing on page 28 of the 1997 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-I of this Form 10-K.

/s/ Price Waterhouse LLP
Price Waterhouse LLP
Hartford, Connecticut
February 16, 1998

UNITED TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Computations of Basic Earnings Per Share and Diluted Earnings Per Share

For the Five Years Ended December 31, 1997
(Millions of Dollars, except per share amounts)

	1997	1996	1995	1994 (1)	1993
Net Income	$ 1,072	$ 906	$ 750	$ 585	$ 487
ESOP Convertible Preferred Stock dividend	(32)	(30)	(27)	(22)	(43)
Basic earnings for period	$ 1,040	$ 876	$ 723	$ 563	$ 444
ESOP Convertible Preferred Stock adjustment	27	24	21	17	16
Diluted earnings for period	$ 1,067	$ 900	$ 744	$ 580	$ 460
Basic average number of shares outstanding during the period (thousands)	234,443	241,454	245,642	251,077	249,264
Stock awards (thousands)	5,878	4,877	2,975	2,630	2,623
ESOP convertable preferred stock (thousands)	13,234	12,275	10,889	9,285	25,152
Diluted average number of shares outstanding during the period (thousands)	253,555	258,606	259,506	262,992	277,039
Basic earnings per common share	$ 4.44	$ 3.63	$ 2.94	$ 2.24	$ 1.78
Diluted earnings per common share	$ 4.21	$ 3.48	$ 2.87	$ 2.20	$ 1.66

(1) In 1994, the Corporation adopted AICPA Statement of Position (SOP) 93-6, "Employers' Accounting for Employee Stock Ownership Plans" and conformed its calculations of earnings per common share to the requirements of this SOP.

EXHIBIT 12

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

	Years Ended December 31,				
	1997	1996	1995	1994	1993
Fixed Charges:					
Interest on indebtedness	$ 195	$ 221	$ 244	$ 275	$ 251
Interest capitalized	11	16	16	19	29
One-third of rents*	87	87	88	101	115
Total Fixed Charges	$ 293	$ 324	$ 348	$ 395	$ 395
Earnings:					
Income (loss) before income taxes and minority interests	$ 1,764	$ 1,560	$ 1,344	$ 1,076	$ 909
Fixed charges per above	293	324	348	395	395
Less: interest capitalized	(11)	(16)	(16)	(19)	(29)
	282	308	332	376	366
Amortization of interest capitalized	37	38	41	43	42
Total Earnings	$ 2,083	$ 1,906	$ 1,717	$ 1,495	$ 1,317
Ratio of Earnings to Fixed Charges	7.11	5.88	4.93	3.78	3.33

* Reasonable approximation of the interest factor.

FIVE YEAR SUMMARY

IN MILLIONS OF DOLLARS (EXCEPT PER SHARE AMOUNTS)	1997	1996	1995	1994	1993
FOR THE YEAR					
Revenues	$ 24,713	$ 23,512	$ 22,802	$ 21,197	$ 21,081
Research and development	1,187	1,122	963	978	1,137
Segment operating profit margin	8.8%	8.5%	7.8%	7.3%	6.1%
Net income	1,072	906	750	585	487
Earnings per share:					
Basic	4.44	3.63	2.94	2.24	1.78
Diluted	4.21	3.48	2.87	2.20	1.66
Cash dividends per common share	1.24	1.10	1.025	.95	.90
Average number of shares of Common Stock outstanding (thousands):					
Basic	234,443	241,454	245,642	251,077	249,264
Diluted	253,555	258,606	259,506	262,992	277,039
Return on average common shareowners' equity, after tax	24.5%	21.1%	18.6%	15.4%	13.1%
AT YEAR END					
Working capital	$ 1,937	$ 2,398	$ 2,395	$ 1,799	$ 902
Total assets	16,719	16,745	15,958	15,624	15,618
Long-term debt, including current portion	1,398	1,534	1,747	2,041	2,179
Total debt	1,615	1,785	2,041	2,443	2,959
Debt to total capitalization	28%	29%	34%	39%	45%
Net debt (total debt less cash)	860	658	1,141	2,057	2,538
Net debt to total capitalization	17%	13%	22%	35%	41%
ESOP Preferred Stock, net	450	434	398	339	176
Shareowners' equity	4,073	4,306	4,021	3,752	3,598
Equity per common share	17.78	18.08	16.47	15.24	14.27
Number of employees:					
United States	72,300	69,800	70,900	75,900	81,700
Europe	43,900	42,400	40,700	41,500	40,300
Asia Pacific	28,100	27,600	25,600	21,000	15,900
Other	35,800	34,000	33,400	33,100	30,700
Total	180,100	173,800	170,600	171,500	168,600

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

The Corporation's operations are classified into five principal business segments. Otis, Carrier and UT Automotive serve customers in the commercial property, residential housing and automotive industries. Pratt & Whitney and the Flight Systems segment, which includes Sikorsky and Hamilton Standard, serve commercial and government customers in the aerospace industry. See Note 15 of Notes to Consolidated Financial Statements for the operating results of the Corporation's business segments.

BUSINESS ENVIRONMENT

As worldwide businesses, the Corporation's operations are affected by global and regional economic factors. However, the diversity of the Corporation's businesses and global market presence has helped limit the impact of any one industry or the economy of any single country on the consolidated results. Revenues from outside the U.S., including U.S. export sales, in dollars and as a percentage of consolidated revenues, are as follows:

IN MILLIONS OF DOLLARS	1997	1996	1995	1997	1996	1995
Europe	$ 4,788	$ 4,800	$ 4,599	19%	20%	20%
Asia Pacific	2,952	3,042	2,707	12%	13%	12%
Other	2,380	2,238	2,042	10%	10%	9%
U.S. Exports	4,022	3,124	3,267	16%	13%	14%
International Revenues	$14,142	$13,204	$12,615	57%	56%	55%

As part of its globalization strategy, the Corporation has invested in businesses in emerging markets, which include the People's Republic of China (PRC), the former Soviet Union and other emerging nations, which carry higher levels of currency, political and economic risks than investments in developed markets. At December 31, 1997, the Corporation's net investment in any one of these countries was less than 4% of consolidated equity.

Economic growth rates in the Asia Pacific region slowed during the latter part of 1997. Tightening of credit in Asia is likely to affect available financing for new construction activities, resulting in lower or, in some cases, no growth in the near-term compared to recent years. While recognizing that the Asian economic downturn could continue in 1998, and possibly beyond, management believes the long-term economic growth prospects of the region remain intact. Therefore, the Corporation's Asian investment strategy continues to focus on the long-term infrastructure requirements of the region.

OTIS is the world's largest elevator and escalator manufacturing and service company. The elevator and escalator service market is an important aspect of Otis' business. Otis is impacted by global and regional economic factors, particularly fluctuations in commercial construction which affect new equipment installations, and labor costs which can impact service and maintenance margins on installed elevators and escalators. In 1997, 83% of Otis' revenues were generated outside the U.S. Accordingly, changes in foreign currency exchange rates can significantly affect the translation of Otis' operating results into U.S. dollars for financial reporting purposes.

During 1997, U.S. office building construction starts were higher than the prior year and commercial vacancy rates continued to improve. In Europe, Otis' new equipment activity increased along with a growing base of service business. Otis maintains a significant presence in the Asia Pacific region where economic growth weakened in 1997.

CARRIER is the world's largest manufacturer of commercial and residential heating, ventilating and air conditioning (HVAC) systems and equipment. Carrier is also a supplier of transport and commercial refrigeration equipment, as well as after-market service and component sales. During 1997, 58% of Carrier's revenues were generated by international operations and U.S. exports. Accordingly, Carrier's results are impacted by commercial and residential construction activity worldwide, regional weather conditions and changes in foreign currency exchange rates.

U.S. residential housing starts were flat in 1997, compared to 1996, while commercial construction starts in the U.S. improved. Asian economies weakened in 1997 while Europe remained weak.

UT AUTOMOTIVE (UTA) develops and manufactures a wide variety of electrical and interior trim systems and components for original equipment manufacturers (OEMs) in the automotive industry. Sales to Ford Motor Company, UTA's largest customer, were 38% of UTA's revenues in 1997. UTA also has important relationships with Chrysler Corporation and General Motors Corporation as well as PSA, Renault, Volvo, Austin Rover/BMW and Fiat in Europe and the U.S. manufacturing divisions of Japanese automotive OEMs.

North American car and light truck production and European car sales were higher in 1997, compared to 1996. UTA's revenues were impacted by lower sales of high content vehicles in North America and benefited from higher volumes in Europe. The automotive OEMs apply significant cost reduction and performance pressures on suppliers and continue to require suppliers to bear an increasing portion of engineering, design, development, tooling and warranty expenditures.

During 1997, 39% of UTA's revenues were generated by international operations and U.S. exports. Accordingly, UTA's results are impacted by changes in foreign currency exchange rates.

COMMERCIAL AEROSPACE

The financial performance of the Corporation's Pratt & Whitney and Flight Systems segments is directly tied to the aviation industry. Pratt & Whitney is a major supplier of commercial, general aviation and military aircraft engines, along with spare parts, product support and a full range of overhaul, repair and fleet management services. The Flight Systems segment provides environmental, flight and fuel control systems and propellers for commercial and military aircraft through Hamilton Standard, and commercial and military helicopters, along with after-market products and services, through Sikorsky Aircraft.

Worldwide airline profits have been a reliable indicator for new aircraft and after-market orders. U.S. and European airlines are experiencing strong levels of profitability driven primarily by higher traffic growth, improved yields and major cost reduction programs. Airlines in the Asia Pacific region, with the exception of the PRC, have suffered recent erosion in operating results reflecting weaker local economies. This recent erosion in earnings could result in a decrease in new orders for aerospace products and cancelations or deferrals of existing orders. Airlines in the PRC (excluding Hong Kong) are benefiting from a relatively stable currency and strong domestic economic growth.

Pratt & Whitney's mix of large commercial engine shipments has shifted to newer, higher thrust engines for wide-bodied aircraft in a market which is very price and product competitive.

The follow-on spare parts sales for Pratt & Whitney engines in service have traditionally been an important source of profit for the Corporation. The large investment required for new aircraft, coupled with performance improvements and hush-kit upgrades to older aircraft and engines, have resulted in lengthened lives of older aircraft in operation, including those with Pratt & Whitney engines.

Technological improvement to newer generation engines that increase reliability, as well as vertical integration of OEMs in the overhaul and maintenance business, may alter the market environment in the after-market business.

GOVERNMENT BUSINESS

During 1997, the Corporation's sales to the U.S. Government were $3,311 million or 14% of total sales, a decline from $3,382 million or 15% of total sales in 1996 and $3,651 million or 16% of total sales in 1995.

The defense portion of the Corporation's aerospace businesses continues to respond to a changing global political environment. The U.S. defense industry continues to downsize and consolidate in response to continued pressure on U.S. defense spending.

Sikorsky will continue to supply Black Hawk helicopters to the U.S. and foreign governments under contracts extending into 2002, albeit at lower volumes than in the past. The U.S. Army Comanche helicopter contract, awarded to a Sikorsky/Boeing joint venture, supports completion of prototype development, flight testing and aircraft for initial field tests.

The significant decrease in the U.S. defense procurement of helicopters in recent years has placed the U.S. helicopter manufacturers under some of the same pressures that have led to consolidation in other segments of the U.S. defense industry. Sikorsky is responding to these pressures by improving its products and increasing sales to foreign government customers. In addition, an international team led by Sikorsky is developing the S-92, a large cabin derivative of the Black Hawk family, for commercial and military markets.

Pratt & Whitney continues to deliver F100 engines and military spare parts to both U.S. and foreign governments. Pratt & Whitney's engines have been selected to power two of the primary U.S. Air Force programs of the future: the C-17 airlifter which is currently in production and the F-22 fighter which is currently being developed. In 1996, derivatives of Pratt & Whitney's F119 engine were chosen to provide power for the Joint Strike Fighter demonstration aircraft. The Joint Strike Fighter program is intended to lead to the development of a single aircraft, with two configurations, to satisfy future requirements of the U.S. Navy, Air Force and Marine Corps and the United Kingdom Royal Navy.

RESULTS OF OPERATIONS

IN MILLIONS OF DOLLARS	1997	1996	1995
Sales	$24,495	$23,273	$22,624
Financing revenues and other income, net	218	239	178
Revenues	$24,713	$23,512	$22,802

Consolidated revenues increased 5% in 1997 and 3% in 1996. Excluding the unfavorable impact of foreign currency translation, consolidated revenues would have increased by 8% and 4% in 1997 and 1996. The Corporation estimates that increases in selling prices to customers averaged approximately 1% in 1997 and 1996, indicating that the real volume of revenues increased 7% in 1997 and 3% in 1996.

Financing revenues and other income, net, decreased $21 million in 1997 and increased $61 million in 1996. The 1996 increase was principally due to the gain on the sale of UT Automotive's steering wheels business which was partially offset by lower financing revenues associated with a lower customer financing asset base.

IN MILLIONS OF DOLLARS	1997	1996	1995
Cost of sales	$18,652	$17,737	$17,600
Gross margin %	23.9%	23.8%	22.2%

Gross margin as a percentage of sales increased one-tenth of a percentage point in 1997. Gross margin as a percentage of sales increased 1.6 percentage points in 1996 reflecting improved margin percentages at Pratt & Whitney, Carrier and Flight Systems. Gross margin in both years benefited from the Corporation's continuing cost reduction efforts.

IN MILLIONS OF DOLLARS	1997	1996	1995
Research and development	$1,187	$1,122	$963
Percent of sales	4.8%	4.8%	4.3%

Research and development expenses increased $65 million (6%) and $159 million (17%) in 1997 and 1996. The increases in 1997 and 1996 occurred in all segments. Research and development expenses in 1998 are expected to remain between 4% and 5% of sales.

IN MILLIONS OF DOLLARS	1997	1996	1995
Selling, general and administrative	$2,915	$2,872	$2,651
Percent of sales	11.9%	12.3%	11.7%

Selling, general and administrative expenses, as a percentage of sales, decreased four-tenths of a percentage point in 1997 while increasing six-tenths of a percentage point in 1996. The 1997 decrease was primarily due to decreases at Pratt & Whitney and Flight Systems. The 1996 increase, although somewhat mitigated by ongoing cost reduction efforts, was attributable to higher expenses for incentive based compensation plans and litigation costs.

IN MILLIONS OF DOLLARS	1997	1996	1995
Interest expense	$ 195	$ 221	$ 244

Interest expense decreased 12% and 9% in 1997 and 1996 mainly due to reduced average borrowing levels.

YEARS ENDED DECEMBER 31	1997	1996	1995
Average interest rate:			
Short-term borrowings	11.7%	11.8%	8.8%
Total debt	8.3%	8.7%	8.5%

The weighted-average rate applicable to debt outstanding at December 31, 1997 was 9.8% for short-term borrowings and 8.3% for total debt. Short-term borrowing rates exceed those of total debt due to higher short-term borrowing rates in certain foreign operations.

	1997	1996	1995
Effective income tax rate	32.5%	33.5%	34.5%

The Corporation has reduced its effective income tax rate by implementing tax reduction strategies.

The future tax benefit arising from net deductible temporary differences is $2,075 million and relates to expenses recognized for financial reporting purposes which will result in tax deductions over varying future periods. Management believes that the Corporation's earnings during the periods when the temporary differences become deductible will be sufficient to realize those future income tax benefits.

While some tax credit and loss carryforwards have no expiration date, certain foreign and state tax loss carryforwards arise in a number of different tax jurisdictions with expiration dates beginning in 1998. 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.

The Corporation believes, based upon a review of prior period income tax returns, that it is entitled to income tax refunds for prior periods. These potential refunds are reviewed as part of the examination of the Corporation's income tax returns by the Internal Revenue Service and the impact on the Corporation's liability for income taxes for these years cannot presently be determined.

Net income:
Increased 18% or $166 million from 1996 to 1997.
Increased 21% or $156 million from 1995 to 1996.

[GRAPHIC OMITTED: Bar Chart showing Effective Tax Rate (%) from 1993-1997]

Data Points as follows:

1993	37.0%
1994	35.7%
1995	34.5%
1996	33.5%
1997	32.5%

SEGMENT REVIEW

	Revenues			Operating Profits			Operating Profit Margin		
IN MILLIONS OF DOLLARS	1997	1996	1995	1997	1996	1995	1997	1996	1995
Otis	$5,548	$5,595	$5,287	$ 465	$ 524	$ 511	8.4%	9.4%	9.7%
Carrier	6,056	5,958	5,456	458	422	354	7.6%	7.1%	6.5%
UT Automotive	2,987	3,233	3,061	173	196	180	5.8%	6.1%	5.9%
Pratt & Whitney	7,402	6,201	6,170	816	637	530	11.0%	10.3%	8.6%
Flight Systems	2,862	2,651	2,947	285	234	209	10.0%	8.8%	7.1%

1997 COMPARED TO 1996

OTIS revenues decreased $47 million (1%) in 1997. Excluding the unfavorable impact of foreign currency translation, 1997 revenues would have increased 7% with all regions showing growth.

Otis operating profits decreased $59 million (11%) in 1997. Excluding the unfavorable impact of foreign currency translation, 1997 operating profits would have decreased 2%. The 1997 results include the impact of salaried workforce reductions designed to lower costs and streamline the organization. North American, South American and European operations improved in 1997, partially offset by a decline in Asia Pacific operations. Otis expects additional charges in 1998 associated with the closure of certain facilities in order to further streamline operations.

CARRIER revenues increased $98 million (2%) in 1997. Excluding the unfavorable impact of foreign currency translation, 1997 revenues would have increased 5%, primarily due to the impact of European acquisitions and increases at Carrier Transicold. Revenue increases were partially offset by declines due to sluggish economic conditions in Europe, unseasonably cool summer selling seasons in Europe and North America and an economic downturn in the Asia Pacific region, particularly Southeast Asia.

Carrier operating profits increased $36 million (9%) in 1997. Excluding the unfavorable impact of foreign currency translation, 1997 operating profits would have increased 12%. The increase in 1997 results reflects improvements at Carrier Transicold and the impact of acquisitions which more than offset declines in Asia Pacific and European operations and the weather related weakness noted above.

UT AUTOMOTIVE revenues decreased $246 million (8%) in 1997. Foreign currency translation reduced 1997 revenues by 3%. The comparative decrease in 1997 revenues is also the result of the sale of the steering wheels business in the fourth quarter of 1996 and lower volumes at most businesses.

UT Automotive operating profits decreased $23 million (12%) in 1997. Foreign currency translation reduced 1997 operating profits by 7%. The comparative results were also impacted by lower volumes, domestic administrative workforce reductions, a provision for a European plant closure in 1997 and the fourth quarter 1996 sale of the steering wheels business, which more than offset improvements at the interiors business and in Europe.

PRATT & WHITNEY revenues increased $1,201 million (19%) in 1997, reflecting higher volumes in both the after-market and new engine businesses.

Pratt & Whitney operating profits increased $179 million (28%), reflecting strong after-market results partially offset by higher research and development spending. 1997 operating results also benefited from continued cost reduction efforts which more than offset raw material price increases and costs associated with staff reductions.

FLIGHT SYSTEMS revenues increased $211 million (8%) in 1997 due to increases at both Hamilton Standard and Sikorsky.

Flight Systems operating profits increased $51 million (22%) in 1997, as a result of continuing operating performance improvement at both Hamilton Standard and Sikorsky, partially offset by higher research and development spending.

[GRAPHIC OMITTED: Bar Chart showing Segment Operating Profits ($ Billions) from 1993 - 1997]

Data Points as follows:

1993	$1.293
1994	$1.544
1995	$1.786
1996	$1.992
1997	$2.174

[GRAPHIC OMITTED: Bar Chart showing Operating Cash Flows ($ Billions) from 1993-1997]

Data Points as follows:

1993	$1.508
1994	$1.357
1995	$2.044
1996	$2.095
1997	$2.131

1996 COMPARED TO 1995

OTIS revenues increased $308 million (6%) in 1996. Excluding the unfavorable impact of foreign currency translation, 1996 revenues would have increased approximately 9% with all geographic regions showing increases. Acquisitions in 1996 and 1995 had a positive impact on 1996 revenues.

Otis operating profits increased $13 million (3%) in 1996. Excluding the unfavorable impact of foreign currency translation, 1996 operating profits would have increased 6%. North America, Latin America and Asia Pacific regions showed increases in 1996. European operations were flat as a result of 1996 charges related to headcount reductions and the closure of a manufacturing facility.

CARRIER revenues increased $502 million (9%) in 1996, reflecting increases in all geographic regions led by strong growth in the Asia Pacific region and a strong summer selling season in North America.

Carrier operating profits increased $68 million (19%) in 1996. Improvements were driven by strong demand for residential and commercial packaged air conditioning in North America, continued growth in the Asia Pacific region and strong performance in Latin America, while European operations remained essentially flat. Carrier Transicold results were lower in 1996 due to softness in the transport refrigeration business in the second half of the year.

UT AUTOMOTIVE revenues increased $172 million (6%) in 1996, primarily due to higher vehicle content in North America, higher industry volumes in Europe and a fourth quarter gain realized on the sale of the steering wheels business.

UT Automotive operating profits increased $16 million (9%) in 1996. The increase is due to the fourth quarter gain of $78 million on the sale of the steering wheels business, which was largely offset by charges for cost reduction and other actions, including the discontinuance of certain product lines and the consolidation of certain production facilities. These actions were taken in response to changing industry conditions and to enhance cost structure and competitive position. In addition, the interiors business experienced manufacturing problems and higher costs to implement turn around strategies. The 1996 results also include a provision related to UT Automotive's participation in the costs of a customer recall program.

PRATT & WHITNEY revenues increased $31 million in 1996. The 1996 revenues reflect the impact of the change in classification of sales associated with Pratt & Whitney's strategic alliances and related collaborative arrangements on its engine programs, as described in Note 1 of Notes to Consolidated Financial Statements. This reclassification did not affect operating profits or assets. While 1995 amounts were not reclassified, the impact would have been a reduction of revenues and cost of sales of approximately $400 million. 1996 benefited from increases in the commercial and government after-market and general aviation businesses.

Pratt & Whitney operating profits increased $107 million (20%) in 1996. The increase reflects continued margin improvements in the commercial and government after-market and general aviation businesses, more than offsetting planned increases in research and development spending and higher selling, general and administrative expenses.

FLIGHT SYSTEMS revenues decreased $296 million (10%) in 1996 due to fewer helicopter shipments.

Flight Systems operating profits increased $25 million (12%) in 1996. The

1996 results reflect performance improvements at Hamilton Standard, partially offset by lower helicopter volume at Sikorsky. In addition, 1995 results include costs associated with selling the wafer fabrication facility of Hamilton Standard's Microelectronics Center and a service and warranty provision for a Hamilton Standard propeller issue.

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. Significant factors affecting the management of liquidity are cash flows generated from operating activities, capital expenditures, customer financing requirements, adequate bank lines of credit and financial flexibility to attract long-term capital with satisfactory terms.

IN MILLIONS OF DOLLARS	1997	1996	1995
Net Cash Flows provided by Operating Activities	$ 2,131	$ 2,095	$ 2,044
Capital expenditures	(843)	(794)	(780)
Decrease in customer financing assets, net	39	48	235
Acquisition funding	(584)	(317)	(204)
Common Stock repurchase	(849)	(459)	(221)
Change in total debt	(170)	(256)	(402)
Change in net debt	202	(483)	(916)

Cash flows provided by operating activities remained at levels comparable to 1996 and 1995.

Cash flows used in investing activities were $1,185 million during 1997 compared to $802 million in 1996. Capital expenditures in 1997 were $843 million, a $49 million increase over 1996. The Corporation expects 1998 capital spending to be moderately higher than 1997. Customer financing activity provided cash of $39 million and $48 million in 1997 and 1996, respectively. Both 1997 and 1996 results reflect lower customer financing asset sales than in 1995. While the Corporation expects that customer financing activity will be a net use of cash in 1998, actual funding is subject to usage under existing customer financing commitments. Acquisitions in 1997 primarily include Carrier's domestic acquisitions of two commercial refrigeration businesses and Pratt & Whitney's acquisition of component repair operations. Acquisitions in 1996 included a U.K. elevator company by Otis, UT Automotive's ownership increase in a European subsidiary and the purchase of a European transportation air conditioning company and a French commercial refrigeration distribution company by Carrier. Proceeds from the disposition of business units in 1996 primarily included the sale of UT Automotive's steering wheels business.

The Corporation repurchased $849 million of Common Stock during 1997, representing 11.2 million shares, under previously announced share repurchase programs. Share repurchase continues to be a significant use of the Corporation's strong cash flows and serves to offset the dilutive effect resulting from the issuance of stock under stock-based employee benefit programs.

[GRAPHIC OMITTED: Bar Chart showing Acquisitions ($ Millions) from 1993-1997]

Data Points as follows:

1993	$ --
1994	125
1995	204
1996	317
1997	584

[GRAPHIC OMITTED: Bar Chart showing Share Repurchase ($ Millions) from 1993-1997]

Data Points as follows:

1993	$ --
1994	270
1995	221
1996	459
1997	849

IN MILLIONS OF DOLLARS	1997	1996
Cash and cash equivalents	$ 755	$1,127
Total debt	1,615	1,785
Net debt (total debt less cash)	860	658
Shareowners' equity	4,073	4,306
Debt to total capitalization	28%	29%
Net debt to total capitalization	17%	13%

At December 31, 1997, the Corporation had credit commitments from banks totaling $1.5 billion under a Revolving Credit Agreement, which also serves as back-up for an uncommitted commercial paper facility. At December 31, 1997, there were no borrowings under the Revolving Credit Agreement. In addition, at December 31, 1997, approximately $1.2 billion was available under short-term lines of credit with local banks at the Corporation's various international subsidiaries.

At December 31, 1997, up to $871 million of medium-term and long-term debt could be issued under a Registration Statement on file with the Securities and Exchange Commission.

At December 31, 1997, the Corporation had commitments to finance or arrange financing for approximately $934 million of commercial aircraft, of which as much as $220 million may be required to be disbursed in 1998. 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. The Corporation may also arrange for third-party investors to assume a portion of its commitments. Refer to Note 4 of Notes to Consolidated Financial Statements for additional discussion of the Corporation's airline industry and customer financing assets.

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.

DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS

The Corporation is exposed to changes in foreign currency exchange and interest rates primarily in its cash, debt and foreign currency transactions. The Corporation holds derivative instruments, including swaps, forward contracts and options, to manage certain foreign currency exposures. Derivative instruments utilized by the Corporation in its hedging activities are viewed as risk management tools, involve little complexity and are not used for trading or speculative purposes. The Corporation diversifies the counterparties used and monitors the concentration of risk to limit its counterparty exposure.

International operations, including U.S. export sales, constitute a significant portion of the revenues and identifiable assets of the Corporation, which averaged approximately $13 billion and $7 billion, respectively, over 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 and residual exposures that cannot be offset to an insignificant amount are hedged. These hedges are scheduled to mature coincident with the timing of the underlying foreign currency commitments and transactions. Currently, the Corporation does not hold any derivative contracts that hedge its foreign currency net asset exposures.

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

The Corporation's long-term debt portfolio consists mostly of fixed-rate instruments in order to minimize earnings volatility related to interest expense. The Corporation currently does not hold interest rate derivative contracts.

The Corporation has evaluated its exposure to changes in foreign currency exchange and interest rates in its market risk sensitive instruments using a value at risk analysis. The value at risk model uses a variance/covariance methodology which applies statistical analysis to the Corporation's market risk sensitive instruments, primarily cash, debt and derivative instruments, utilizing historical market data, volatilities and correlations. Based on a

95% confidence level and a one-day holding period, at December 31, 1997, the potential loss in fair value of the Corporation's market risk sensitive instruments was not material in relation to the Corporation's financial position, results of operations or cash flows. The Corporation's calculated value at risk exposure represents an estimate of reasonably possible net losses based on historical market rates, volatilities and correlations and is not necessarily indicative of actual results.

Refer to Notes 1, 12 and 13 of Notes to Consolidated Financial Statements for additional discussion of the Corporation's foreign exchange and financial instruments.

ENVIRONMENTAL MATTERS

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

The Corporation has identified approximately 375 locations, mostly in the United States, at which it may have some liability for remediating contamination. The Corporation does not believe that any individual location's exposure is material to the Corporation. Sites in the investigation or remediation stage represent approximately 93% of the Corporation's recorded liability. The remaining 7% of the recorded liability consists of sites where the Corporation may have some liability but investigation is in the initial stages or has not begun.

The Corporation has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or Superfund) at approximately 90 sites. The number of Superfund sites, in and of itself, does not represent a relevant measure of liability because the nature and extent of environmental concerns vary from site to site and the Corporation's share of responsibility varies from sole responsibility to very little responsibility. In estimating its liability for remediation, the Corporation considers its likely proportionate share of the anticipated remediation expense and the ability of other potentially responsible parties to fulfill their obligations.

Environmental remediation expenditures were $35 million in 1997, $30 million in 1996 and $40 million in 1995. The Corporation estimates that expenditures in each of the next two years will not exceed $50 million in the aggregate for these sites.

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

U.S. GOVERNMENT

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

FUTURE ACCOUNTING CHANGES

In June 1997, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," and No. 131, "Disclosures about Segments of an Enterprise and Related Information". In July 1997, the Emerging Issues Task Force (EITF) issued EITF 96-16, "Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights". The Corporation will adopt these new requirements in 1998. Management believes adoption of these requirements will not have a material impact on the Corporation's reported financial position, results of operations or cash flows.

YEAR 2000

The Corporation continues to assess its exposure related to the impact of the Year 2000 date issue. The Year 2000 date issue arises from the fact that many computer programs use only two digits to identify a year in a date field. The Corporation's products and key financial and operational systems are being reviewed and, where required, detailed plans have been, or are being, developed and implemented on a schedule intended to permit the Corporation's computer systems and products to continue to function properly. The Year 2000 date conversion effort is expected to increase costs in 1998 and 1999. While final cost estimates are not complete, management does not expect these costs will have a material adverse impact on the Corporation's financial position, results of operations or cash flows. However, the Corporation could be adversely impacted by the Year 2000 date issue if suppliers, customers and other businesses do not address this issue successfully. Management continues to assess these risks in order to reduce the impact on the Corporation.

SAFE HARBOR STATEMENT

This annual report contains statements which, to the extent they are not historical fact, constitute "forward looking statements" under the securities laws. All forward looking statements involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Corporation to differ materially from those contemplated or projected, forecasted, estimated, budgeted, expressed or implied by or in such forward looking statements. The forward looking statements in this document are intended to be subject to the safe harbor protection provided under the securities laws.

For additional information identifying economic, political, climatic, currency, regulatory, technological, competitive and some other important factors which may affect the Corporation's operations, products and markets and could cause actual results to vary materially from those anticipated in the forward looking statements, see the Corporation's Securities and Exchange Commission filings, including but not limited to, the discussion included in the Business section of the Corporation's Annual Report on Form 10-K under the headings "Description of Business by Industry Segment" and "Other Matters Relating to the Corporation's Business as a Whole".

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

The Corporation assessed its internal control system as of December 31, 1997. Based on this assessment, management believes the internal accounting controls in use provide reasonable assurance that the Corporation's assets are safeguarded, that transactions are executed in accordance with management's authorizations, and that the financial records are reliable for the purpose of preparing financial statements.

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

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

/s/ George David
George David
Chairman and Chief Executive Officer

/s/ Jay L. Haberland
Jay L. Haberland
Vice President, Controller and
Acting 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, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, 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.

/s/ Price Waterhouse
One Financial Plaza
Hartford, Connecticut
January 22, 1998

CONSOLIDATED STATEMENT OF OPERATIONS

IN MILLIONS OF DOLLARS (EXCEPT PER SHARE AMOUNTS)	YEARS ENDED DECEMBER 31 1997	1996	1995
REVENUES			
Product sales	$19,337	$18,247	$17,972
Service sales	5,158	5,026	4,652
Financing revenues and other income, net	218	239	178
	24,713	23,512	22,802
COSTS AND EXPENSES			
Cost of products sold	15,415	14,625	14,793
Cost of services sold	3,237	3,112	2,807
Research and development	1,187	1,122	963
Selling, general and administrative	2,915	2,872	2,651
Interest	195	221	244
	22,949	21,952	21,458
Income before income taxes and minority interests	1,764	1,560	1,344
Income taxes	573	523	464
Minority interests in subsidiaries' earnings	119	131	130
NET INCOME	$ 1,072	$ 906	$ 750
EARNINGS PER SHARE OF COMMON STOCK:			
Basic	$ 4.44	$ 3.63	$ 2.94
Diluted	4.21	3.48	2.87

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

IN MILLIONS OF DOLLARS, SHARES IN THOUSANDS	DECEMBER 31 1997	1996
ASSETS		
Cash and cash equivalents	$ 755	$ 1,127
Accounts receivable (net of allowance for doubtful accounts of $347 and $331)	3,789	3,717
Inventories and contracts in progress	3,173	3,342
Future income tax benefits	1,111	946
Other current assets	420	479
Total Current Assets	9,248	9,611
Customer financing assets	216	296
Future income tax benefits	964	615
Fixed assets	4,262	4,371
Other assets	2,029	1,852
TOTAL ASSETS	$ 16,719	$ 16,745
LIABILITIES AND SHAREOWNERS' EQUITY		
Short-term borrowings	$ 217	$ 251
Accounts payable	1,978	2,186
Accrued liabilities	4,993	4,679
Long-term debt currently due	123	97
Total Current Liabilities	7,311	7,213
Long-term debt	1,275	1,437
Future pension and postretirement benefit obligations	1,267	1,247
Future income taxes payable	133	155
Other long-term liabilities	1,779	1,475
Commitments and contingent liabilities (Notes 4 and 14)		
Minority interests in subsidiary companies	431	478
Series A ESOP Convertible Preferred Stock, $1 par value (Authorized-20,000 shares) Outstanding-13,042 and 13,260 shares	865	880
ESOP deferred compensation	(415)	(446)
	450	434
Shareowners' Equity:		
Capital Stock:		
Preferred Stock, $1 par value (Authorized-230,000 shares; none issued or outstanding)	--	--
Common Stock, $1 par value (Authorized-1,000,000 shares) Issued-287,837 and 285,760 shares	2,488	2,345
Treasury Stock (58,766 and 47,650 common shares at cost)	(2,472)	(1,626)
Retained earnings	4,558	3,849
Currency translation and minimum pension liability	(501)	(262)
TOTAL SHAREOWNERS' EQUITY	4,073	4,306
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	$ 16,719	$ 16,745

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

IN MILLIONS OF DOLLARS	YEARS ENDED DECEMBER 31 1997	1996	1995
OPERATING ACTIVITIES			
Net income	$ 1,072	$ 906	$ 750
Adjustments to reconcile net income			
to net cash flows provided by operating activities:			
Depreciation and amortization	848	853	844
Deferred income tax benefit	(526)	(20)	(79)
Minority interests in subsidiaries' earnings	119	131	130
Change in:			
Accounts receivable	(204)	1	149
Inventories and contracts in progress	174	(364)	2
Other current assets	(13)	(23)	(179)
Accounts payable and accrued liabilities	285	544	199
Other, net	376	67	228
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	2,131	2,095	2,044
INVESTING ACTIVITIES			
Capital expenditures	(843)	(794)	(780)
Increase in customer financing assets	(132)	(137)	(138)
Decrease in customer financing assets	171	185	373
Acquisitions of business units	(584)	(317)	(204)
Dispositions of business units	37	177	103
Other, net	166	84	(8)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,185)	(802)	(654)
FINANCING ACTIVITIES			
Issuance of long-term debt	12	30	--
Repayment of long-term debt	(148)	(273)	(299)
Increase (decrease) in short-term borrowings	3	(93)	(92)
Common Stock issued under employee stock plans	143	96	101
Dividends paid on Common Stock	(291)	(265)	(252)
Common Stock repurchase	(849)	(459)	(221)
Dividends to minority interests and other	(139)	(91)	(111)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(1,269)	(1,055)	(874)
Effect of foreign exchange rate changes on			
Cash and cash equivalents	(49)	(11)	(2)
Net (decrease) increase in Cash and cash equivalents	(372)	227	514
Cash and cash equivalents, beginning of year	1,127	900	386
Cash and cash equivalents, end of year	$ 755	$ 1,127	$ 900
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	$ 171	$ 187	$ 220
Income taxes paid, net of refunds	929	480	461

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREOWNERS' EQUITY

IN MILLIONS OF DOLLARS (EXCEPT PER SHARE AMOUNTS)	Common Stock	Treasury Stock	Retained Earnings	Other Changes in Equity
DECEMBER 31, 1994	$2,148	$ (947)	$2,790	$(239)
Common Stock issued under employee plans (3.5 million shares)	101			
Common Stock repurchased (5.7 million shares)		(221)		
Net income			750	
Dividends on Common Stock ($1.025 per share)			(252)	
Dividends on ESOP Stock ($4.80 per share)			(27)	
Currency translation:				
Deferred foreign currency translation and hedging adjustments				(36)
Income tax benefits				9
Minimum pension liability:				
Pension adjustment				(76)
Income tax benefits				30
Other			(9)	
DECEMBER 31, 1995	2,249	(1,168)	3,252	(312)
Common Stock issued under employee plans (1.8 million shares)	96	1		
Common Stock repurchased (8.0 million shares)		(459)		
Net income			906	
Dividends on Common Stock ($1.10 per share)			(265)	
Dividends on ESOP Stock ($4.80 per share)			(30)	
Currency translation:				
Deferred foreign currency translation and hedging adjustments				2
Income taxes				(9)
Minimum pension liability:				
Pension adjustment				94
Income taxes				(37)
Other			(14)	
DECEMBER 31, 1996	2,345	(1,626)	3,849	(262)
Common Stock issued under employee plans (2.2 million shares)	143	3		
Common Stock repurchased (11.2 million shares)		(849)		
Net income			1,072	
Dividends on Common Stock ($1.24 per share)			(291)	
Dividends on ESOP Stock ($4.80 per share)			(32)	
Currency translation:				
Deferred foreign currency translation and hedging adjustments				(225)
Income taxes				(6)
Minimum pension liability:				
Pension adjustment				(12)
Income tax benefits				4
Other			(40)	
DECEMBER 31, 1997	$2,488	$(2,472)	$4,558	$(501)

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING PRINCIPLES

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Intercompany transactions have been eliminated. Certain reclassifications have been made to prior year amounts to conform to the current year presentation. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Beginning January 1, 1997, international operating subsidiaries, which had generally been included in the consolidated financial statements based on fiscal years ending November 30, are now included in the consolidated financial statements based on fiscal years ending December 31. December 1996 results from these international subsidiaries, which were not significant, are included in retained earnings.

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 and are primarily based on first-in, first-out (FIFO) cost or average cost methods; however, certain subsidiaries use the last-in, first-out (LIFO) method. Costs accumulated against specific contracts or orders are at actual costs. Materials in excess of requirements for contracts and orders currently in effect or anticipated have been reserved and written off when appropriate.

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.

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

FIXED ASSETS

Fixed assets are stated at cost. Depreciation is computed over the assets' useful lives, ranging from 3 to 12 years for machinery, tools and equipment and 20 to 40 years for buildings and improvements, generally using accelerated methods for aerospace operations and the straight-line method for other operations.

GOODWILL AND OTHER LONG-LIVED ASSETS

Goodwill, which represents costs in excess of fair values assigned to the underlying net assets of acquired companies, is included in other assets and is generally being amortized over periods ranging up to 40 years.

The Corporation evaluates potential impairment of goodwill on an ongoing basis and other long-lived assets when appropriate. If the carrying amount of an asset exceeds the sum of its undiscounted expected future cash flows, the asset's carrying value is written down to fair value.

REVENUE RECOGNITION

Sales under government and commercial fixed-price contracts and government fixed-price-incentive contracts are recorded at the time deliveries are made or, in some cases, on a percentage of completion basis. Sales under cost-reimbursement contracts are recorded as work is performed and billed. Sales of commercial aircraft engines sometimes require 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 are anticipated. Loss provisions are based upon any 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. Contract accounting requires estimates of future costs over the performance period of the contract. These estimates are subject to change, which can result in adjustments to margins on contracts in progress.

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

In 1996, the Corporation changed its classification of sales associated with Pratt & Whitney's strategic alliances and related collaborative arrangements on its engine programs. Collaboration participants' share of revenue, previously included in cost of sales, has been reported as a reduction of sales in the Consolidated Statement of Operations for the years ended December 31, 1997 and 1996. This reclassification was made to more clearly present Pratt & Whitney's production costs and operating activities and did not affect net income or assets. While 1995 amounts were not reclassified, the impact would have been a reduction of revenues and cost of sales of approximately $400 million.

RESEARCH AND DEVELOPMENT

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

HEDGING ACTIVITY

The Corporation holds derivative instruments, including swaps, forward contracts and options, to manage certain foreign currency exposures. Derivative instruments are viewed by the Corporation as risk management tools and are not used for trading or speculative purposes. Derivatives used for hedging purposes must be designated as, and effective as, a hedge of the identified risk exposure at the inception of the contract. Accordingly, changes in the market value of the derivative contract must be highly correlated with changes in the market value of the underlying hedged item at inception of the hedge and over the life of the hedge contract. Any derivative instrument designated but no longer effective as a hedge would be reported at market value and the related gains and losses would be recognized in earnings. Cash flows from derivative instruments designated as hedges are classified consistent with the items being hedged.

Derivatives that are designated as, and effective as, a hedge of firm foreign currency commitments are accounted for using the deferral method. Gains and losses from instruments that hedge firm commitments are deferred and recognized as part of the economic basis of the transactions underlying the commitments when the associated hedged transaction occurs. Gains and losses from instruments that hedge foreign-currency-denominated receivables, payables and debt instruments are reported in earnings and offset the effects of foreign exchange gains and losses from the associated hedged items. Carrying amounts of foreign exchange contracts are included in other assets and accrued liabilities. Gains and losses on terminations of foreign exchange contracts are deferred and amortized over the remaining period of the original contract to the extent the underlying transaction is still likely to occur. Gains and losses on terminations of foreign exchange contracts are recognized in earnings when terminated in conjunction with the cancelation of the related commitment or transaction.

If a foreign currency hedge amount were to exceed the amount of the commitment or transaction to be hedged, gains and losses on the excess amount would be recognized in earnings.

ENVIRONMENTAL

Environmental investigatory, remediation, operating and maintenance costs are accrued when it is probable that a liability has been incurred and the amount can be reasonably estimated. 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 based on an evaluation of currently available facts with respect to each individual site including existing technology, current laws and regulations and prior remediation experience. For sites with multiple responsible parties, the Corporation considers its likely proportionate share of the anticipated remediation costs and the ability of the other parties to fulfill their obligations in establishing a provision for those costs. Liabilities with fixed or reliably determinable future cash payments are discounted. Environmental liabilities are not reduced by potential insurance reimbursements.

EARNINGS PER SHARE

In the fourth quarter of 1997, the Corporation adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share," for all periods presented. Basic earnings per share computations are based on the average number of shares of Common Stock outstanding during the year. Diluted earnings per share reflects the assumed exercise and conversion of all securities, including stock options and Series A Employee Stock Ownership Plan Convertible Preferred Stock (ESOP Stock) committed to employees' savings plan accounts.

2. BUSINESS DISPOSITIONS

During the fourth quarter of 1996, the Corporation sold UT Automotive's steering wheels business for proceeds of approximately $140 million. The Corporation recorded a pretax gain of approximately $78 million which is included in Financing revenues and other income, net.

3. EARNINGS PER SHARE

	Income (MILLIONS)	Average Shares (THOUSANDS)	Per Share Amount
DECEMBER 31, 1997			
Net Income	$ 1,072		
Less: ESOP Stock dividends	(32)		
BASIC EARNINGS PER SHARE	$ 1,040	234,443	$ 4.44
Stock awards		5,878	
ESOP Stock adjustment	27	13,234	
DILUTED EARNINGS PER SHARE	$ 1,067	253,555	$ 4.21
DECEMBER 31, 1996			
Net Income	$ 906		
Less: ESOP Stock dividends	(30)		
BASIC EARNINGS PER SHARE	$ 876	241,454	$ 3.63
Stock awards		4,877	
ESOP Stock adjustment	24	12,275	
DILUTED EARNINGS PER SHARE	$ 900	258,606	$ 3.48
DECEMBER 31, 1995			
Net Income	$ 750		
Less: ESOP Stock dividends	(27)		
BASIC EARNINGS PER SHARE	$ 723	245,642	$ 2.94
Stock awards		2,975	
ESOP Stock adjustment	21	10,889	
DILUTED EARNINGS PER SHARE	$ 744	259,506	$ 2.87

4. AIRLINE INDUSTRY AND CUSTOMER FINANCING ASSETS

The Corporation has receivables and other financing assets with commercial airline industry customers, totaling $1,235 million and $1,415 million at December 31, 1997 and 1996, net of allowances of $257 million and $254 million, respectively.

Customer financing assets consist of the following:

IN MILLIONS OF DOLLARS	1997	1996
Notes and leases receivable	$139	$152
Products under lease	129	214
	268	366
Less: receivables due within one year	52	70
	$216	$296

Scheduled maturities of notes and leases receivable due after one year are as follows: $19 million in 1999, $22 million in 2000, $10 million in 2001, $2 million in 2002 and $34 million in 2003 and thereafter.

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

The following tables summarize the airline industry commitments and related maturities of the Corporation's financing and rental commitments as of December 31, 1997 should all commitments be exercised as scheduled:

IN MILLIONS OF DOLLARS	Commitments
Financing	$934
Rental	112
Residual value and other	117

	Maturities	
IN MILLIONS OF DOLLARS	Financing	Rental
1998	$220	$ 10
1999	233	10
2000	82	10
2001	50	10
2002	51	10
Thereafter	298	62

The Corporation has a 33% interest in International Aero Engines (IAE), an international consortium of four shareholders organized to support the V2500 commercial aircraft engine program. IAE may offer customer financing in the form of guarantees, secured debt or lease financing in connection with V2500 engine sales. At December 31, 1997, IAE has financing commitments of $360 million. In addition, IAE has lease obligations under long-term noncancelable leases of approximately $370 million through 2021 related to aircraft which are subleased to customers under long-term leases. These aircraft have fair market values which exceed the financed amounts. The shareholders of IAE have guaranteed IAE's financing arrangements to the extent of their respective ownership interests. In the event any shareholder were to default on certain of these financing arrangements, the other shareholders would be proportionately responsible. The Corporation's share of IAE's financing arrangements was approximately $240 million and $350 million at December 31, 1997 and 1996.

5. INVENTORIES AND CONTRACTS IN PROGRESS

IN MILLIONS OF DOLLARS	1997	1996
Inventories	$ 3,525	$ 3,701
Contracts in progress	1,382	1,434
	4,907	5,135
Less:		
Progress payments, secured by lien, on U.S. Government contracts	(144)	(230)
Billings on contracts in progress	(1,590)	(1,563)
	$ 3,173	$ 3,342

The methods of accounting followed by the Corporation do not permit classification of inventories by category; however, inventories consist primarily of raw materials and work in process. Contracts in progress principally relate to elevator and escalator contracts and include costs of manufactured components, accumulated installation costs and estimated earnings on incomplete contracts.

The Corporation's sales contracts in many cases are long-term contracts expected to be performed over periods exceeding twelve months. Approximately 58% of total inventories and contracts in progress have been acquired or manufactured under such long-term contracts at December 31, 1997 and 1996. It is impracticable for the Corporation to determine the amounts of inventory scheduled for delivery under long-term contracts within the next twelve months.

If inventories which were valued using the LIFO method had been valued under the FIFO method, they would have been higher by $132 million at December 31, 1997 ($140 million at December 31, 1996).

6. FIXED ASSETS

IN MILLIONS OF DOLLARS	1997	1996
Land	$ 157	$ 175
Buildings and improvements	3,097	3,157
Machinery, tools and equipment	7,117	7,011
Under construction	284	318
	10,655	10,661
Accumulated depreciation	(6,393)	(6,290)
	$ 4,262	$ 4,371

Depreciation expense was $754 million in 1997, $786 million in 1996 and $792 million in 1995.

7. OTHER ASSETS

IN MILLIONS OF DOLLARS	1997	1996
Goodwill (net of accumulated amortization of $398 and $381)	$ 983	$ 682
Receivables due after one year	170	210
Investments	265	310
Prepaid pension costs and other	611	650
	$2,029	$1,852

Current and long-term accounts receivable at December 31, 1997 and 1996 included approximately $142 million and $117 million, respectively, representing retainage under contract provisions and amounts which are not presently billable because of lack of final prices or contractual documents under government contracts or other reasons. These items are expected to be collected in the normal course of business.

8. ACCRUED LIABILITIES

IN MILLIONS OF DOLLARS	1997	1996
Accrued salaries, wages and employee benefits	$ 915	$ 956
Service and warranty accruals	431	417
Advances on sales contracts	713	694
Income taxes payable	659	526
Other	2,275	2,086
	$4,993	$4,679

9. BORROWINGS AND LINES OF CREDIT

Short-term borrowings consist of the following:

IN MILLIONS OF DOLLARS	1997	1996
Foreign bank borrowings	$217	$219
Notes payable	--	32
	$217	$251

The weighted-average interest rates applicable to short-term borrowings outstanding at December 31, 1997 and 1996 were 9.8% and 9.6%, respectively. At December 31, 1997, the Corporation had approximately $1.2 billion available under various short-term lines of credit with local banks related principally to international subsidiaries.

At December 31, 1997, the Corporation had credit commitments from banks totaling $1.5 billion under a Revolving Credit Agreement, which also serves as back-up for an uncommitted commercial paper facility. There were no borrowings under the Revolving Credit Agreement.

Long-term debt consists of the following:

IN MILLIONS OF DOLLARS	1997 Debt Weighted Average Interest Rate	Maturity	1997	1996
Notes and other debt denominated in:				
U.S. dollars	8.6%	1998-2021	$ 620	$ 642
Foreign currency	7.7%	1998-2030	58	82
Capital lease obligations	7.3%	1998-2016	311	365
ESOP debt	7.7%	1998-2009	409	445
			$1,398	$1,534
Less: Long-term debt currently due			123	97
			$1,275	$1,437

Principal payments required on long-term debt for the next five years are $123 million in 1998, $95 million in 1999, $183 million in 2000, $94 million in 2001 and $41 million in 2002.

During 1996 and 1995, the Corporation executed in-substance defeasances by depositing U.S. Government Securities into irrevocable trusts to cover the interest and principal payments on $296 million of its debt. For financial reporting purposes, the debt has been considered extinguished. As of December 31, 1997, the amount outstanding on these debt instruments was $178 million.

The percentage of total debt at floating interest rates was 16% and 18% at December 31, 1997 and 1996, respectively.

10. TAXES ON INCOME

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

IN MILLIONS OF DOLLARS	1997	1996	1995
Current:			
United States:			
Federal	$ 599	$ 174	$ 105
State	41	19	21
Foreign	424	371	360
	1,064	564	486
Future:			
United States:			
Federal	(406)	(12)	(78)
State	(82)	5	(6)
Foreign	(38)	(13)	5
	(526)	(20)	(79)
	538	544	407
Attributable to items credited (charged) to equity	35	(21)	57
	$ 573	$ 523	$ 464

Future income taxes represent the tax effects of transactions which are reported in different periods for tax and financial reporting purposes. These amounts consist of the tax effects of temporary differences between the tax and financial reporting balance sheets and tax carryforwards. The tax effects of temporary differences and tax carryforwards which gave rise to future income tax benefits and payables at December 31, 1997 and 1996 are as follows:

IN MILLIONS OF DOLLARS	1997	1996
Future income tax benefits:		
Insurance and employee benefits	$ 566	$ 569
Other asset basis differences	569	289
Other liability basis differences	999	735

Tax loss carryforwards	123	142
Tax credit carryforwards	112	160
Valuation allowance	(294)	(334)
	$ 2,075	$ 1,561
Future income taxes payable:		
Fixed assets	$ 95	$ 109
Other items, net	50	59
	$ 145	$ 168

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

The sources of income before income taxes and minority interests were:

IN MILLIONS OF DOLLARS	1997	1996	1995
United States	$ 704	$ 488	$ 346
Foreign	1,060	1,072	998
	$1,764	$1,560	$1,344

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

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

	1997	1996	1995
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Varying tax rates of consolidated subsidiaries (including Foreign Sales Corporation)	(4.4)	(5.5)	(5.4)
Other	1.9	4.0	4.9
Effective income tax rate	32.5%	33.5%	34.5%

Tax credit carryforwards at December 31, 1997 are $112 million and expire as follows: $1 million in 1999, $1 million in 2000, $2 million in 2001, $1 million in 2002 and $107 million over an indefinite carry-forward period.

Tax loss carryforwards at December 31, 1997 are $597 million and expire as follows:

IN MILLIONS OF DOLLARS	Federal	State	Foreign
1998-2002	$ 31	$ 90	$ 94
2003-2007	--	112	5
2008-2012	34	126	--
Indefinite	--	--	105

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	1997	1996	1995
Defined benefit plans:			
Service expense	$ 228	$ 213	$ 181
Interest expense	664	648	621
Actual return on assets	(2,073)	(1,130)	(1,279)
Net amortization and deferral of actuarial gains	1,300	399	576
Pension expense	$ 119	$ 130	$ 99
Pension expense of multiemployer plans	$ 26	$ 24	$ 25

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

IN MILLIONS OF DOLLARS	DECEMBER 31, 1997 Assets Exceed Accumulated Benefits	DECEMBER 31, 1997 Accumulated Benefits Exceed Assets	DECEMBER 31, 1996 Assets Exceed Accumulated Benefits	DECEMBER 31, 1996 Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested	$ 7,573	$ 244	$ 7,199	$ 227
Nonvested	625	34	569	37
Accumulated benefit obligation	8,198	278	7,768	264
Effect of projected future salary increases	1,077	113	1,057	106

Projected benefit obligation (PBO) for services rendered to date	9,275	391	8,825	370
Plan assets available for benefits	10,567	3	8,952	4
PBO less than (greater than) plan assets	1,292	(388)	127	(366)
Unrecognized net (gain) loss	(1,070)	97	104	78
Unrecognized prior service cost	162	34	173	40
Unrecognized net (asset) obligation at transition	(74)	17	(98)	22
Additional minimum liability recognized	--	(55)	--	(48)
Pension asset (liability) included in the Consolidated Balance Sheet	$ 310	$ (295)	$ 306	$ (274)

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

	1997	1996	1995
Discount rate	7.4%	7.5%	7.6%
Salary scale	4.9%	5.0%	5.0%
Expected return on assets	9.7%	9.7%	9.7%

EMPLOYEE HEALTH CARE AND INSURANCE BENEFITS

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 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 Corporation 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	1997	1996
Accumulated postretirement benefit obligation (APBO):		
Retirees	$470	$476
Fully eligible, active participants	13	9
Other active participants	217	218
	700	703
Less: plan assets at fair value	82	83
Postretirement benefit obligation in excess of plan assets	618	620
Unrecognized net gain	67	53
Unrecognized net reduction in prior service expense	204	229
Accrued postretirement benefit liability	$889	$902

The components of postretirement benefit expense are as follows:

IN MILLIONS OF DOLLARS	1997	1996	1995
Service expense	$ 10	$ 10	$ 9
Interest expense	52	52	57
Actual return on plan assets	(6)	(6)	(6)
Net amortization and deferral of actuarial gains	(18)	(20)	(17)
Net postretirement benefit expense	$ 38	$ 36	$ 43

Discount rates of 7.5%, 7.6% and 7.7% were used to calculate the APBO at December 31, 1997, 1996 and 1995, respectively. The assumed health care cost trend rate used in measuring the APBO was 11.50% in 1997, declining by .75% per year to an ultimate rate of 7.50%. If the health care cost trend rate assumptions were increased by 1% per year, the APBO as of December 31, 1997 would be increased by approximately 4%. The effect of this change on the service expense and interest expense components of the postretirement benefit expense for 1997 would be an increase of 6%.

EMPLOYEE SAVINGS PLANS

The Corporation and certain subsidiaries sponsor various employee savings plans. Total contribution expenses were $80 million, $75 million and $72 million for 1997, 1996 and 1995.

The Corporation's nonunion domestic employee savings plan uses an ESOP for employer contributions. External borrowings, guaranteed by the Corporation and reported as debt on the Consolidated Balance Sheet, were used by the ESOP to fund a portion of its purchase of ESOP Stock from the Corporation. Each share of ESOP Stock is convertible into two shares of Common Stock, has a guaranteed value of $65, a $4.80 annual dividend and is redeemable at any time for $65.96 per share. Upon notice of redemption by the Corporation, the Trustee has the right to convert the ESOP Stock into Common Stock. Because of its guaranteed value, the ESOP Stock is classified outside of permanent equity.

Shares of ESOP Stock are committed to employees at fair value on the date earned. The ESOP Stock's cash dividends are used for debt service payments. Participants receive shares in lieu of the cash dividends. As debt service payments are made, ESOP Stock is released from an unreleased shares account. If share releases do not meet share commitments, the Corporation will contribute additional ESOP Stock, Common Stock or cash. At December 31, 1997, 6.7 million shares had been committed to employees, leaving 6.3 million unreleased shares in the ESOP Trust, with an approximate fair value of $915 million based on equivalent common shares.

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

LONG-TERM INCENTIVE PLANS

The Corporation has long-term incentive plans authorizing various types of market-based incentive and performance-based awards, including stock options, which may be awarded to officers and employees. The exercise price of stock options, as set at the time of the grant, is not less than the fair market value per share at the date of grant. Under the Corporation's Long-Term Incentive Plan (1989 Plan), the 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, treasury shares and potentially dilutive common shares for the preceding year. In addition, up to 1 million options on Common Stock may be granted annually under the Corporation's Employee Stock Option Plan.

In 1995, the Board of Directors established the Special Retention and Stock Appreciation Program (1995 Plan) for certain key employees whose continued performance and retention is deemed to be important to the Corporation. Up to 2 million award units can be granted under the 1995 Plan in any calendar year.

In June 1995, the Corporation granted a key group of senior executives 1.2 million stock appreciation units under the 1995 Plan and 1.2 million market-based incentive awards under the 1989

Plan. The grant price of $39.125 represented the market value per share at the date of grant. These awards became exercisable in September 1996 when the closing price of the Corporation's Common Stock averaged more than $57 for thirty consecutive trading days.

In February 1997, the Corporation granted a key group of senior executives 850,000 stock options under the 1989 Plan. The grant price of $75.875 represents the market value per share at the date of grant. The options become exercisable at the earlier of the closing stock price of the Corporation's Common Stock averaging $125 or higher for thirty consecutive trading days or nine years.

A summary of the transactions under all plans for the three years ended December 31, 1997 follows:

SHARES AND UNITS IN THOUSANDS	Stock Options Shares	Stock Options Average Price	Other Incentive Shares/Units
OUTSTANDING AT:			
DECEMBER 31, 1994	16,192	$ 26.14	148
Granted	4,387	33.47	1,969
Exercised/earned	(4,123)	23.65	(85)
Canceled	(387)	31.49	(22)
DECEMBER 31, 1995	16,069	28.65	2,010
Granted	4,392	51.10	13
Exercised/earned	(2,139)	24.09	(236)
Canceled	(242)	39.56	--
DECEMBER 31, 1996	18,080	34.49	1,787
Granted	4,723	71.38	87
Exercised/earned	(2,211)	26.70	(578)
Canceled	(565)	59.04	(33)
DECEMBER 31, 1997	20,027	$ 43.36	1,263

The Corporation applies APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its long-term incentive plans. Accordingly, no compensation cost has been recognized for its fixed stock options. The compensation cost that has been recorded for stock-based performance awards was $22 million, $45 million and $22 million for 1997, 1996 and 1995, respectively.

The following table summarizes information about stock options outstanding (in thousands) at December 31, 1997:

EXERCISE PRICE	Options Outstanding Shares	Options Outstanding Average Price	Options Outstanding Term	Options Exercisable Shares	Options Exercisable Average Price
$15.01-$30.00	4,358	$ 24.29	3.76	4,358	$ 24.29
$30.01-$45.00	7,176	33.30	6.72	4,238	33.68
$45.01-$60.00	3,996	50.99	8.11	398	52.27
$60.01-$75.00	3,017	68.76	9.08	7	69.00
$75.01-$90.00	1,480	75.89	9.16	--	--

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

IN MILLIONS OF DOLLARS (EXCEPT PER SHARE AMOUNTS)		1997	1996	1995
Net income	As reported	$ 1,072	$ 906	$ 750
	Pro forma	1,042	894	746
Basic earnings per share	As reported	$ 4.44	$ 3.63	$ 2.94
	Pro forma	4.31	3.58	2.93
Diluted earnings per share	As reported	$ 4.21	$ 3.48	$ 2.87
	Pro forma	4.09	3.43	2.86

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

	1997	1996	1995
Risk-free interest rate	6.3%	5.3%	7.5%
Expected life	6 years	6 years	6 years
Expected volatility	18%	17%	21%
Expected dividend yield	2%	2%	3%

The weighted-average grant date fair values of options granted during 1997, 1996 and 1995 were $18.56, $11.91 and $8.80, respectively.

12. FOREIGN EXCHANGE

The Corporation conducts business in many different currencies and, accordingly, is subject to the inherent risks associated with foreign exchange rate movements. The financial position and results of operations of substantially all of the Corporation's foreign subsidiaries are measured using the local currency as the functional currency. The aggregate effects of translating the financial statements of these subsidiaries are deferred as a separate component of shareowners' equity. The Corporation had foreign currency net assets in more than forty currencies, aggregating $1.4 billion and $1.8 billion at December 31, 1997 and 1996, including Canadian dollar net assets of $420 million and $460 million, respectively. The Corporation's net assets in the Asia Pacific region were $441 million and $524 million at December 31, 1997 and 1996, respectively.

At December 31, 1996, the Corporation had $139 million notional principal amount of outstanding currency swap contracts, to hedge its foreign net assets, which were terminated in 1997.

Foreign currency commitment and transaction exposures are managed at the operating unit level as an integral part of the business and residual exposures that cannot be offset to an insignificant amount are hedged. 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. Hedged items include foreign currency denominated receivables and payables on the balance sheet, firm purchase orders and firm sales commitments.

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

IN MILLIONS OF DOLLARS	1997	1996
Notional amount:		
Buy contracts	$1,747	$1,928
Sell contracts	1,062	780
Gains and losses explicitly deferred as a result of hedging firm commitments:		
Gains deferred	$ 14	$ 14
Losses deferred	(69)	(14)
	$ (55)	$ --

The deferred gains and losses are expected to be recognized in earnings over the next two years, as these transactions are realized, along with the offsetting gains and losses on the underlying commitments.

13. FINANCIAL INSTRUMENTS

The Corporation operates internationally and, in the normal course of business, is exposed to fluctuations in interest rates and currency values. These fluctuations can increase the costs 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 markets. The Corporation views derivative financial instruments as risk management tools and is not party to any leveraged derivatives.

The notional amounts of derivative contracts 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 exchange rates. The value of derivatives is derived from those underlying parameters and changes in the relevant rates.

By nature, all financial instruments involve market and credit risk. The Corporation enters into derivative financial instruments with major investment grade financial institutions. The Corporation has policies to monitor its credit risks of counterparties to derivative financial instruments. Pursuant to these policies the Corporation periodically determines the fair value of its derivative instruments in order to identify its credit exposure. The Corporation diversifies the counterparties used as a means to limit counterparty exposure and concentration of risk. Credit risk is assessed prior to entering into transactions and periodically thereafter. The Corporation does not anticipate nonperformance by any of these counterparties.

The fair value of a financial instrument is 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 amounts and fair values of financial instruments are as follows:

	DECEMBER 31, 1997		DECEMBER 31, 1996	
IN MILLIONS OF DOLLARS	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Long-term receivables	$ 91	$ 89	$ 118	$ 118
Customer financing assets	117	117	136	133
Financial liabilities:				
Short-term borrowings	217	217	251	250
Long-term debt	1,087	1,260	1,169	1,339
Foreign exchange contracts:				
In a receivable position	21	20	24	29
In a payable position	97	69	29	(1)

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

CASH, CASH EQUIVALENTS AND SHORT-TERM BORROWINGS

The carrying amount approximates fair value because of the short maturity of those instruments.

LONG-TERM 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 values are 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.

FOREIGN EXCHANGE CONTRACTS

The fair values are estimated based on the 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

$934 million and $1,553 million at December 31, 1997 and 1996. 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 occupies space and uses certain equipment under lease arrangements. Rent expense in 1997, 1996 and 1995 under such arrangements was $261 million, $262 million and $265 million, respectively. Rental commitments at December 31, 1997 under long-term noncancelable operating leases are as follows:

IN MILLIONS OF DOLLARS	
1998	$171
1999	126
2000	86
2001	72
2002	60
Thereafter	153
	$668

See Note 4 for lease commitments associated with customer financing arrangements.

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 local operations. As described in Note 1, the Corporation has accrued for the costs of environmental remediation activities and periodically reassesses these amounts. Management believes that losses materially in excess of amounts accrued are not reasonably possible.

The Corporation has had insurance in force over its history with a number of insurance companies and has commenced litigation seeking indemnity and defense under these insurance policies in relation to its environmental liabilities. The litigation is expected to 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 investigatory, remediation, operating and maintenance costs, performance guarantees and other litigation and claims based on management's estimate of the probable outcome of these matters. While it is possible that the outcome of these matters may differ from the recorded liability, management believes that resolution of these matters will not have a material adverse effect upon either results of operations, cash flows or the 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 business segments.

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

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

UT Automotive products include electrical distribution systems, electromechanical and hydraulic devices, electric motors, car and truck interior trim components, steering wheels (through October 1996), instrument panels and other products for the automotive industry principally in North America and Europe.

Pratt & Whitney products include aircraft engines and spare parts sold to a diversified customer base including international and domestic commercial airlines and aircraft leasing companies, aircraft manufacturers, regional and commuter airlines, and U.S. and non-U.S. governments. Pratt & Whitney also provides product support and a full range of overhaul, repair and fleet management services and produces land based power generation equipment which is used for electrical power generation and other applications.

The Flight Systems segment includes Sikorsky Aircraft and Hamilton

Standard. Sikorsky Aircraft products include helicopters and spare parts sold primarily to U.S. and non-U.S. governments. Hamilton Standard products include environmental, flight and fuel control systems and propellers 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.

Business segment information for the three years ended December 31, 1997 follows:

BUSINESS SEGMENTS

IN MILLIONS OF DOLLARS	Total Revenues 1997	Total Revenues 1996	Total Revenues 1995	Operating Profits 1997	Operating Profits 1996	Operating Profits 1995
Otis	$ 5,548	$ 5,595	$ 5,287	$ 465	$ 524	$ 511
Carrier	6,056	5,958	5,456	458	422	354
UT Automotive	2,987	3,233	3,061	173	196	180
Pratt & Whitney	7,402	6,201	6,170	816	637	530
Flight Systems	2,862	2,651	2,947	285	234	209
Corporate items and eliminations	(142)	(126)	(119)	(23)	(21)	2
Total segment	$ 24,713	$ 23,512	$ 22,802	2,174	1,992	1,786
General corporate expenses and other				(215)	(211)	(198)
Interest expense				(195)	(221)	(244)
Consolidated income before income taxes and minority interests				$ 1,764	$ 1,560	$ 1,344

IN MILLIONS OF DOLLARS	Identifiable Assets 1997	Identifiable Assets 1996	Identifiable Assets 1995	Capital Expenditures 1997	Capital Expenditures 1996	Capital Expenditures 1995	Depreciation and Amortization 1997	Depreciation and Amortization 1996	Depreciation and Amortization 1995
Otis	$ 2,434	$ 2,712	$ 2,613	$ 143	$ 132	$ 115	$ 134	$ 116	$ 108
Carrier	3,618	3,387	2,959	143	169	151	148	145	134
UT Automotive	1,875	1,856	1,875	163	138	140	128	128	122
Pratt & Whitney	4,165	4,261	4,215	285	248	240	286	296	314
Flight Systems	1,544	1,416	1,425	92	86	106	121	123	127
Corporate items and eliminations	3,083	3,113	2,871	17	21	28	31	45	39
Total	$16,719	$16,745	$15,958	$ 843	$ 794	$ 780	$ 848	$ 853	$ 844

GEOGRAPHIC AREAS

IN MILLIONS OF DOLLARS	Total Revenues 1997	Total Revenues 1996	Total Revenues 1995	Intergeographic Revenues 1997	Intergeographic Revenues 1996	Intergeographic Revenues 1995	External Revenues 1997	External Revenues 1996	External Revenues 1995
United States operations	$ 15,127	$ 14,007	$ 13,968	$ 559	$ 592	$ 534	$ 14,568	$ 13,415	$ 13,434
International operations:									
Europe	4,961	4,977	4,769	173	177	170	4,788	4,800	4,599
Asia Pacific	3,330	3,395	3,024	378	353	317	2,952	3,042	2,707
Other	2,809	2,668	2,463	429	430	421	2,380	2,238	2,042
Corporate items and eliminations	(1,514)	(1,535)	(1,422)	(1,539)	(1,552)	(1,442)	25	17	20
Total	$ 24,713	$ 23,512	$ 22,802	$ --	$ --	$ --	$ 24,713	$ 23,512	$ 22,802

IN MILLIONS OF DOLLARS	Operating Profits 1997	Operating Profits 1996	Operating Profits 1995	Identifiable Assets 1997	Identifiable Assets 1996	Identifiable Assets 1995
United States operations	$ 1,176	$ 965	$ 773	$ 7,752	$ 7,252	$ 7,110
International operations:						
Europe	453	461	457	2,596	2,749	2,540
Asia Pacific	225	272	235	1,814	2,171	2,078
Other	343	310	321	1,467	1,454	1,357
Corporate items and eliminations	(23)	(16)	--	3,090	3,119	2,873
Total	$ 2,174	$ 1,992	$ 1,786	$16,719	$16,745	$15,958

REVENUES

Total revenues by business segment and geographic area include intersegment and intergeographic sales. 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	1997	1996	1995
Pratt & Whitney	$1,935	$1,857	$1,841
Flight Systems	1,346	1,498	1,780

Sales to Ford Motor Company, UT Automotive's largest customer, comprised approximately 38%, 38% and 40% of UT Automotive's revenues in 1997, 1996 and 1995, respectively.

Revenues from United States operations include export sales as follows:

IN MILLIONS OF DOLLARS	1997	1996	1995
Europe	$ 944	$ 854	$ 869
Asia Pacific	1,862	1,478	1,686
Other	1,216	792	712
	$4,022	$3,124	$3,267

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.

IDENTIFIABLE ASSETS

Identifiable assets are those which are specifically identified with the business segments and geographic areas in which operations are conducted. General corporate assets consist principally of customer financing subsidiaries, future income tax benefits and investments in other companies.

ELIMINATIONS

Eliminations made in reconciling business and geographic area data with the related consolidated amounts include intersegment and intergeographic sales, unrealized profits in inventory and similar items.

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

IN MILLIONS OF DOLLARS (EXCEPT PER SHARE AMOUNTS)	QUARTER ENDED March 31	June 30	September 30	December 31
1997				
Sales	$5,886	$6,432	$5,936	$6,241
Gross margin	1,350	1,544	1,453	1,496
Net income	224	304	300	244
Earnings per share of Common Stock:				
Basic	$ .91	$ 1.26	$ 1.25	$ 1.02
Diluted	$ .87	$ 1.19	$ 1.18	$ .97
1996				
Sales	$5,348	$6,002	$5,908	$6,015
Gross margin	1,240	1,444	1,432	1,420
Net income	164	259	254	229
Earnings per share of Common Stock:				
Basic	$ .64	$ 1.04	$ 1.02	$ .93
Diluted	$ .63	$ .99	$ .98	$ .88

As a result of the change in the reporting period for international operating subsidiaries discussed in Note 1, the pattern of 1997 quarterly results differs from the past due in part to seasonality in some business segments.

COMPARATIVE STOCK DATA

COMMON STOCK	1997 High	Low	Dividend	1996 High	Low	Dividend
First Quarter	79 1/2	65 1/8	$.31	59	45 1/4	$.275
Second Quarter	87 3/4	70 1/4	$.31	58 1/8	50 3/16	$.275
Third Quarter	88 15/16	76 3/4	$.31	60 13/16	50 3/4	$.275
Fourth Quarter	81 13/16	66 3/4	$.31	70 7/16	59 3/4	$.275

The Corporation's Common Stock is listed on the New York Stock Exchange. The high and low prices are based on the Composite Tape of the New York Stock Exchange. There were approximately 23,000 common shareowners of record at December 31, 1997.

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:

Ardco, Inc.	Illinois
Carrier Corporation	Delaware
Carrier Hong Kong Limited	Hong Kong
Carrier Mexico S.A. de C.V.	Mexico
Carrier S.A.	France
Carrier S.p.A.	Italy
Carrier Suetrak Transportkaelte	Germany
Carrier-Espana, SA.	Spain
China Tianjin Otis Elevator Company, Ltd.	China
Daewoo Carrier Corporation	South Korea
Elevadores Otis Ltda.	Brazil
Express Lifts Holding Company	Cayman Islands
Gate S.p.A.	Italy
Generale Frigorifique S.A.S.	France
Johns Perry Lifts Holdings	Cayman Islands
Mecanismos Auxiliares Industriales, S.A.	Spain
Microtecnica S.P.A.	Italy
Misr Refrigeration And Air Conditioning Manufacturing Company S.A.E.	Egypt
Nippon Otis Elevator Company	Japan
Otis	France
Otis Elevator Company	New Jersey
Otis Elevator Company	Delaware
Otis Elevator Company Pty. Ltd.	Australia
Otis Europe	France
Otis Far East Holdings Limited	Hong Kong
Otis G.m.b.H.	Germany
Otis Plc	United Kingdom
Otis S.p.A.	Italy
Pratt & Whitney Canada Inc.	Canada
SGC Holding Company, Inc.	Delaware
Shanghai Hezhong Carrier	China
Sikorsky Aircraft Corporation	Delaware
Sikorsky Export Corporation	Delaware
Springer Carrier S.A.	Brazil
Surrey S.A.C.I.F.I.A.	Argentina
Societe Offranvillaise de Technologie, S.A. (Technoffra)	France
The Express Lift Company Limited	United Kingdom

Toyo Carrier Engineering Co., LTD.	Japan
Turbine Airfoil Refurb Inc.	Delaware
Turbo Power And Marine Systems, Inc.	Delaware
Tyler Holdings Corporation	Delaware
United Technologies Automotive (Hungary) Kft	Hungary
United Technologies Automotive Electrical Systems de Mexico, S.A. de C.V.	Mexico
United Technologies Automotive, Inc.	Delaware
United Technologies Holdings Plc	United Kingdom
United Technologies Motor Systems, Inc.	Delaware
UT Finance Corporation	Delaware
UT Insurance (Vermont), Inc.	Vermont
Zardoya Otis, S.A.	Spain

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

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 JAY L. HABERLAND, IRVING B. YOSKOWITZ, and WILLIAM H. TRACHSEL, 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 for the fiscal year ended December 31, 1997, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 1998.

/s/ Howard H. Baker, Jr.
Howard H. Baker, Jr.

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 JAY L. HABERLAND, IRVING B. YOSKOWITZ, and WILLIAM H. TRACHSEL, 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 for the fiscal year ended December 31, 1997, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 1998.

/s/ Antonia Handler Chayes
Antonia Handler Chayes

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints JAY L. HABERLAND, IRVING B. YOSKOWITZ, and WILLIAM H. TRACHSEL, 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 for the fiscal year ended December 31, 1997, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 1998.

/s/ Charles W. Duncan, Jr.
Charles W. Duncan, Jr.

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 JAY L. HABERLAND, IRVING B. YOSKOWITZ, and WILLIAM H. TRACHSEL, 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 for the fiscal year ended December 31, 1997, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 1998.

/s/ Jean-Pierre Garnier
Jean-Pierre Garnier

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints JAY L. HABERLAND, IRVING B. YOSKOWITZ, and WILLIAM H. TRACHSEL, 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 for the fiscal year ended December 31, 1997, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 1998.

/s/ Pehr G. Gyllenhammar
Pehr G. Gyllenhammar

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 1998.

/s/ Karl J. Krapek
Karl J. Krapek

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 1998.

/s/ Charles R. Lee
Charles R. Lee

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 1998.

/s/ Robert H. Malott
Robert H. Malott

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 1998.

/s/ William J. Perry
William J. Perry

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 1998.

/s/ Frank P. Popoff
Frank P. Popoff

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 1998.

/s/ Andre Villenueve
Andre Villenueve

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 JAY L. HABERLAND, IRVING B. YOSKOWITZ, and WILLIAM H. TRACHSEL, 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 for the fiscal year ended December 31, 1997, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 1998.

/s/ Harold A. Wagner
Harold A. Wagner

UNITED TECHNOLOGIES CORPORATION

Power of Attorney

The undersigned, as a member of the Board of Directors, or as an officer of UNITED TECHNOLOGIES CORPORATION, a Delaware corporation (the "Corporation"), or as a member of a committee of said Board, or in all of said capacities, hereby constitutes and appoints JAY L. HABERLAND, IRVING B. YOSKOWITZ, and WILLIAM H. TRACHSEL, 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 for the fiscal year ended December 31, 1997, including specifically, but without limiting the generality of the foregoing, the power and authority to sign the name of the undersigned, in the capacities aforesaid or in any other capacity, to such Form 10-K Annual Report filed or to be filed with the Securities and Exchange Commission, and any and all amendments to the said Form 10-K Annual Report, and any and all instruments and documents filed as a part of or in connection with the said Form 10-K Annual Report or any amendments thereto; hereby ratifying and confirming all that the said attorneys and agents, or any one of them, have done, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney this 9th day of February, 1998.

/s/ Jacqueline G. Wexler
Jacqueline G. Wexler

This schedule contains summary financial information extracted from the Consolidated Balance Sheet at December 31, 1997 and the Consolidated Statement of Operations for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

1,000,000

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                  YEAR
                         DEC-31-1997
                            JAN-01-1997
                              DEC-31-1997
                                           755
                                       0
                                  4,136
                                     347
                                    3,173
                               9,248
                                       10,655
                                 6,393
                                16,719
                         7,311
                                       1,275
                           450
                                        0
                                      2,488
                                    1,585
                   16,719
                                      19,337
                              24,713
                                         15,415
                                 18,652
                               1,187
                                   0
                               195
                                1,764
                                     573
                           1,072
                                     0
                                    0
                                          0
                                   1,072
                                   4.44
                                   4.21
```

The [EPS-PRIMARY] amount represents BASIC earnings per share and the [EPS-DILUTED] amount represents DILUTED earnings per share in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share.

This schedule contains restated financial information extracted from the Condensed Consolidated Balance Sheet and the Condensed Consolidated Statement of Operations for the periods indicated below, and is qualified in its entirety by reference to such financial statements. Referenced as Exhibit 27.1 in 10-K.

1,000,000

9-MOS	6-MOS	3-MOS	YEAR
DEC-31-1997	DEC-31-1997	DEC-31-1997	DEC-31-1996
JAN-01-1997	JAN-01-1997	JAN-01-1997	JAN-01-1996
SEP-30-1997	JUN-30-1997	MAR-31-1997	DEC-31-1996
1,283	1,413	1,265	1,127
0	0	0	0
4,203	4,234	3,857	4,048
344	336	325	331
3,346	3,327	3,565	3,342
9,882	10,061	9,757	9,611
10,766	10,694	10,595	10,661
6,541	6,449	6,340	6,290
16,921	17,031	16,689	16,745
7,317	7,481	7,306	7,213
1,363	1,381	1,398	1,437
444	441	439	434
0	0	0	0
2,461	2,432	2,383	2,345
1,837	1,901	1,856	1,961
16,921	17,031	16,689	16,745
14,466	9,791	4,645	18,247
18,396	12,417	5,934	23,512
11,558	7,841	3,760	14,625
13,907	9,424	4,536	17,737
855	587	271	1,122
0	0	0	0
146	97	48	221
1,369	880	377	1,560
445	286	124	523
828	528	224	906
0	0	0	0
0	0	0	0
0	0	0	0
828	528	224	906
3.41	2.17	.91	3.63
3.23	2.05	.87	3.48

The [EPS-PRIMARY] amount represents BASIC earnings per share and the [EPS-DILUTED] amount represents DILUTED earnings per share in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share.

This schedule contains restated financial information extracted from the Condensed Consolidated Balance Sheet and the Condensed Consolidated Statement of Operations for the periods indicated below, and is qualified in its entirety by reference to such financial statements. Referenced as Exhibit 27.2 in 10-K.

1,000,000

9-MOS	6-MOS	3-MOS	YEAR
DEC-31-1996	DEC-31-1996	DEC-31-1996	DEC-31-1995
JAN-01-1996	JAN-01-1996	JAN-01-1996	JAN-01-1995
SEP-30-1996	JUN-30-1996	MAR-31-1996	DEC-31-1995
1,259	1,075	1,088	900
0	0	0	0
4,170	4,162	3,869	4,029
317	390	374	347
3,154	3,164	3,259	2,954
9,318	9,214	9,169	8,952
10,603	10,457	10,403	10,326
6,323	6,174	6,063	5,906
16,414	16,183	16,026	15,958
6,913	6,690	6,494	6,557
1,469	1,543	1,641	1,649
426	417	408	398
0	0	0	0
2,307	2,289	2,272	2,249
1,953	1,854	1,801	1,772
16,414	16,183	16,026	15,958
13,566	8,932	4,159	17,972
17,374	11,435	5,392	22,802
10,882	7,197	3,379	14,793
13,142	8,666	4,108	17,600
794	524	250	963
0	0	0	0
168	114	58	244
1,170	739	293	1,344
394	250	99	464
677	423	164	750
0	0	0	0
0	0	0	0
0	0	0	0
677	423	164	750
2.70	1.68	.64	2.94
2.59	1.61	.63	2.87

The [EPS-PRIMARY] amount represents BASIC earnings per share and the [EPS-DILUTED] amount represents DILUTED earnings per share in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share.